

Bonneville Power Administration Regional Dialogue Public Meetings

**Spokane, Washington
August 26, 2004**

**Airport Ramada Inn – 6:00-8:00 p.m.
Approximate Attendance: 40**

Opening Remarks

Paul Norman (BPA) welcomed people to the meeting and introduced himself and **Helen Goodwin (BPA)**. He also acknowledged **Tom Karier, a member of the Northwest Power and Conservation Council**, who was in the audience.

This is the third of six BPA Regional Dialogue meetings, Norman said. He asked those who wished to speak to sign up to do so, and he suggested speakers keep their remarks to around five minutes. He also asked people to leave any written comments with BPA staff at the registration table. Norman pointed out that the statements people make and notes of the meeting would become part of the record on which BPA bases its policy decision.

The Regional Dialogue is a significant decision process that will answer how and to whom federal power is sold, and it will set the stage for rates and new contract terms, Norman explained. BPA wants a policy that will clarify roles, keep rates stable, and nail down the agency's long-run obligation for conservation and renewables, he said.

Besides “the shenanigans” of marketers like Enron, one of the reasons for the big rise in power rates a few years ago was an underinvestment in electricity infrastructure, Norman continued. The underinvestment was caused by a lack of clarity about the role BPA and others in the region would play in providing future resources, he said. With this Regional Dialogue policy, we want to create clarity about the roles we will all play in resource development, Norman explained. The Regional Dialogue proposal carves out the questions BPA needs to act on quickly and outlines a second phase in which to answer “bigger, long-run” questions, he stated.

Goodwin gave a brief summary of the key elements in BPA's Regional Dialogue proposal. She pointed out that BPA proposes to: defer consideration of tiered rates; limit the next rate period to two or three years; define terms for providing service to new publics; exclude product switching; provide limited support to the Direct Service Industries (DSIs); implement the settlement that was reached on IOU exchange benefits; adopt principles to guide development of conservation consistent with the Council's plan and work with an advisory group to put together details of the next conservation program; define a role in facilitating development of renewables; and continue to consult with stakeholders and build on cost-control initiatives. We welcome your ideas and thoughts about whether this proposal is the right thing to do, Goodwin concluded.

Public Comments

Jack Speer of Alcoa said his company is one of BPA's DSI customers. We are a good citizen in the region with smelters in Ferndale and Wenatchee, Washington, he said. Unlike with some industries, people in our communities "like having us next door," Speer said. We provide good jobs and contribute to the local economy, he added. But it is people remote from our plants that don't like us and don't care if we go away, Speer said.

"We produce a valuable product in a responsible manner," he stated. Speer encouraged people to go to the Alcoa web site and look at the company's sustainability report, which details its economic, environmental, and societal sustainability goals. He listed ways Alcoa has lessened its water consumption and its waste stream. "We're a good company to have around," Speer said.

Our proposal is to have BPA extend our contract, which ends in 2006, on a short-term basis, so we can have some time to work out our power supply for the future, he explained. "It's a stopgap measure," and not a long-term solution, Speer said. He indicated that copies of Alcoa's proposal were available at the meeting. "BPA ought not to make a policy decision in December that puts us out of business," Speer stated.

Julian Powers, a retired former BPA employee from Spokane, said BPA has been a great benefit to the region by providing cheap electric power. "But the good times may be over," he cautioned. Powers said that if you look at what the climate is doing, "the most important single action BPA can take" is to invest in conservation, energy efficiency and renewable resources. This is the best way to meet the energy demands of a growing area, he stated. Powers pointed out that decreases in and the melting pattern of the snowpack is leaving BPA with less than the usual supply of hydropower. He said that responsible experts from around the world are increasing their warnings that "we are headed for disaster and global catastrophe" due to climate change.

The Stateline wind power project went forward because of BPA, and the project came on line "nine months after the first shovel went into the ground," Powers said. You can't build other kinds of generation that fast, he added. Powers urged BPA to continue to pursue wind power and keep up with improving technology in that area. Wind turbines and the hydro production at Grand Coulee are "an excellent complement" to each other in terms of system reliability, he said.

BPA needs to rapidly diversify into wind and other renewable resources, Powers continued. Don't encourage more coal-fired generation – "it's the dirtiest of fuels," he advised. "Global warming is here, it's bad, it's getting worse, and you ain't seen nothing yet," Powers summed up.

Ken Sterner, North Columbia Community Action Council, spoke in support of low-income weatherization programs. "I was pleasantly surprised" with BPA's proposed

policy – “you did a great job,” he said. We work with low-income people to provide heating assistance and weatherization services, Sterner said. The local utilities’ “Share the Warmth” program brings in donations of about \$20,000 annually, and we also get financing from grants and other sources, he indicated. With these funds, we can serve only about 19 percent of those in the county who could use our help, Sterner said. “We turn away a lot of people,” he said, adding that the winter climate in eastern Washington is inhospitably cold. Sterner pointed out that local utilities made investments in resources that have kept rates low, but still “people need help” with their electric bills.

“This is a great policy, stick to it,” he urged BPA, adding that the final policy should be more definite and commit a certain level of dollars to low-income weatherization. Sterner also expressed support for the development of renewable resources. Our agency has gotten involved in trying to develop a wind project, and it is very difficult for a small entity to do, he said. We need commitment and leadership from regional and local officials to make these projects happen, Sterner indicated. We support renewables, energy efficiency, and low-income weatherization, he concluded.

Dave Van Hersett of Northwest Energy Services, Inc., said his company has provided conservation services since 1982. We are delivering 99.4 percent of what we estimate we can deliver with our energy-efficiency projects, he said, noting that the company’s customers are primarily commercial and industrial energy users. Our business was started as a response to the demand created by utilities for conservation and energy efficiency services, Van Hersett said. But with demand going up and down, depending on what the region is investing in conservation, it is difficult to maintain professional organizations to provide the services, he indicated.

Van Hersett pointed out that more sophisticated control technology is now available to take conservation to “the next level.” But long-term commitments and support are necessary to keep the energy services industry stable so it can provide new energy-saving devices and services, he said. It takes one to four years to get programs implemented and develop the demand, and “you can’t turn things on and off” when you are trying to create demand and get people to invest in energy efficiency, Van Hersett explained.

“My message is quite simple,” he said: when we started, there was strong demand for commercial and industrial conservation, but that demand has diminished lately. If you want to maintain investments in energy efficiency, you need to be consistent, Van Hersett concluded.

Vicki Hanley of IMAW/Alcoa spoke in favor of the Alcoa proposal. We’ve had up to 1,200 employees at our plant when it was operating at full capacity, she said. In the last few years, we’ve experienced a curtailment and a restart, and now we are ramping down again – “it’s been a yo-yo,” according to Hanley. Referring to layoffs at the plant, she said employees with 30 years in at the company have been laid off, and people who would have been ready to retire are instead retraining for new careers.

We need aluminum production in this country for many things, including defense, but the jobs are going overseas, Hanley continued. There are two of 10 smelters still operating in the region, she pointed out.

Alcoa has paid its bills and met its obligations, but it has been hard to erase what some other DSIs have done wrong, Hanley said. In summary, we need affordable power to start the aluminum factories up again, she stated.

Kris Mikkelsen of Inland Power & Light offered comments “strictly on behalf of Inland.” We generally support the BPA proposal, and we support what it says about tiered rates, she said. We have a contract that we feel entitles us to firm power at the lowest PF rate, Mikkelsen added. We appreciate the clarity that is provided in this document, she continued. How BPA charges us for power is very important and impacts “what and how” we charge our customers, Mikkelsen said. I can’t overstate the importance of BPA giving its customers an early warning on what it is thinking about doing, she added.

Inland was lucky in signing a presubscription contract that stabilized rates, Mikkelsen said. Even though wholesale power rates will go up when the contract expires, we will have time to phase in the rates, stepping them up gradually, she indicated.

Mikkelsen said she has participated in BPA’s cost-control forums, including the Customer Collaborative and the Sounding Board. Both have produced good work and savings, she reported. Equally important, the forums have furthered understanding between BPA and its customers, Mikkelsen. I have a new appreciation, for example, about BPA’s fixed versus its non-fixed costs, she added. The cost-control efforts have helped “to reforge trust between the agency and its customers,” and I hope these activities continue, Mikkelsen stated. She cautioned that while BPA hopes to have customers enter 20-year contracts for the post-2011 period, there might be reluctance to sign unless the cost-control efforts have greater specificity and “teeth.”

With regard to resource acquisition, we support BPA limiting its firm power sales at PF rates to the resources available in the Federal Base System (FBS), Mikkelsen continued. She also discouraged BPA from getting into resource acquisition in the 2007 to 2011 period. As we get further along, Mikkelsen said, many utilities will look to BPA for their Tier 2 power, and those utilities will want cost-effective resources. We’ve heard about low-income customers tonight, and at our utility, we see a lot of problems with customers’ ability to pay, she said. It’s critical that we have access to competitively priced power for our needs other than Tier 1, according to Mikkelsen.

BPA needs to do a new net-requirements determination prior to any allocation of the system, she stated. The allocation should be based on historical data that is as contemporaneous as possible with the new rate period, Mikkelsen added. “It is imperative that customers feel the allocation is fair, objective, and based on the best available data,” she said.

John O'Rourke of the Citizens Utility Alliance thanked BPA for the emphasis in its proposal on conservation and weatherization programs. History says these investments pay off, he stated. Since 1980, the region's conservation efforts have resulted in 2,600 average megawatts (aMW) of energy savings, which have a value of hundreds of millions of dollars, O'Rourke said. We need to "ratchet up" our efforts to protect people from energy price spikes and alleviate the need "to participate in unstable markets" to purchase energy, he added. Conservation and renewables protect customers, especially the most vulnerable, from price instability, O'Rourke said. We endorse the comments of the Northwest Energy Coalition – we need firm commitments on conservation and renewables, and BPA should include incentives in power sales contracts so its customers will hold up their end of things in developing these resources, he advised.

Representative Doug Ericksen of Washington's 42nd legislative district said the Alcoa Intalco Works is in the district he represents. Energy drives industry in the state and the state needs industry, he said. Conservation and renewables are very important, but it is difficult to run an aluminum smelter with wind and solar power, Ericksen pointed out. We need these high-paying aluminum jobs in the state of Washington to support infrastructure and communities, and we need to disperse the good jobs in the state to rural areas, he said. While some things in the aluminum industry are unpredictable, we should get the structure in place to value the jobs and keep them in these communities, Ericksen indicated. Good-paying jobs make communities work, and without them, communities don't work, he added. Dividing the power from the federal system is a big issue, and I would urge BPA, as it makes its decisions, to focus on helping to create jobs in Washington State, Ericksen concluded.

Washington State Senator Dale Brandland said he has heard people say that aluminum is a dying industry and should go away in the state. "That is so irresponsible – it would be an absolute travesty," he stated. While several of the people here represent Alcoa Intalco, we also speak for aluminum workers in Wenatchee and at Columbia Falls, Montana, who are trying to raise families, Brandland indicated. We should never forget about the importance of people having living-wage jobs so they have the ability to send their kids to college and save to retire, he said. The aluminum industry is a large supporter of the tax base in Whatcom County, Brandland continued. We have one of the finest school districts, but if the Alcoa plant closes, the schools "will be in dire straits," he stated. Conservation and renewables are important, but there is room for balance, Brandland said. Conservation is important, renewables are important, "but jobs and families are equally important," he summed up.

Daren Krag of IAMAW/Alcoa said that a couple of years ago, he represented 800 union workers, but that number has dropped to around 500. "We are a close-knit community, and we have done what we can to make this work," he said of the downturn in the industry. Some of the additional need for low-income services in the state comes from "our people," Krag said. Guys who are being laid off and losing good-paying jobs aren't making it and are having "to jump on the rolls" of low-income programs, he indicated.

Alcoa is asking for less power than it has had in the past; we are not asking for too much, but we want a reasonable allocation for a valuable industry, Krag continued. A decision will be made soon that will indicate whether the industry is important to support or whether it should go away, he pointed out. "Letting it go away would be the wrong choice," Krag concluded.

Cathy Gunderson of the United Steelworkers said she is a former employee at Kaiser's Mead plant, but "our jobs are gone." She encouraged BPA to work on developing renewable resources and to use local workers to manufacture generating equipment, such as wind turbines. "Don't go off shore – use local labor," Gunderson urged. She said laid-off workers are having a hard time figuring out what to train for that will not soon be outsourced. We have very adaptable skills, she stated.

Gary E. McKinney, a United Steelworker, said he too lost his job at the Mead plant. That plant is being dismantled, and "it's hard to swallow," he stated. There are people who worked there for 40 or 50 years, McKinney added. I want to make sure the allocation for the DSIs is still in place and assure the DSIs get 900 MW of power, plus consideration for interruptible power, he stated. Restarting aluminum plants in this region would increase the number of family-wage jobs and give hope and opportunity to our work force, McKinney said. Developing renewables is the best way to achieve this, he continued. It insures the region against low water conditions and high demand, McKinney said. He urged BPA to pursue renewables and to use local workers in their development. Get the local work force back to work, McKinney said.

Gerald Pumphrey, president of Bellingham Technical College, said his institution prepares people to join the workforce and retrains workers seeking new careers. We have been serving the laid-off workers from Alcoa Intalco, he said. We have a good placement rate, but "that's where the good news ends," Pumphrey stated. The average wage recovery for the aluminum workers who have been placed in new jobs is 73 percent, he pointed out. Every year for the last three years, our funding has been cut, so we have had to go to the legislature to seek more money, Pumphrey said. Getting money from the legislature means taking money from programs for the sick and the needy so we can train and retrain workers, he said.

Our college had 56 openings last week out of 1,200 spots, and most of our programs have waiting lists, Pumphrey continued. We can't absorb another 400 laid-off workers, he stated. "The retraining mechanism in the safety net for these workers has holes," Pumphrey said. There is a human dimension to all of these policy decisions, he concluded.

Neal Beaver, legislative assistant to Senator Lisa Brown, said BPA's basic proposal is sound, but any changes should not allow BPA to neglect its obligation to renewables, energy efficiency, low-income weatherization, and recovery of fish habitat.

Hugh Diehl of IAMAW/Alcoa addressed a comment to the representatives from Senator Maria Cantwell's office, thanking them for fighting the Enron corruption. I'd also like to

thank the legislators who came here to support us, he said. Business spending is supposed to lead the economic recovery in Washington, but we need power from BPA to get back into business, Diehl indicated. He said BPA should go back to its original mission of stimulating the economy and creating jobs in the Pacific Northwest.

Former aluminum company employees are now using social services rather than contributing to the agencies that provide them, Diehl said. As you have this dialogue with BPA, include and support the Alcoa plan, he urged. We want our industry to stay in the United States – we need to keep aluminum production here, Diehl stated.

Chase Davis of the Sierra Club encouraged BPA to take the lead with utilities to develop cost-effective conservation. While your proposal is good, it is not enough, he said. With few exceptions, such as EWEB and Seattle City Light, utilities have not invested in conservation and renewables on their own volition, and BPA needs to keep that in mind, Davis stated. He pointed to an attempt not far in the past when Washington Water Power tried to build four coal plants at Creston. It was a waste of money, Davis said. If we need resources, acquire them and don't rely on the utilities, he told BPA.

In the 1990s, "utilities swore they would invest in conservation and renewables," and they didn't do it, he said. BPA cut its programs in this area, but "the utilities did not take up the slack," according to Davis. This contributed to the 2000-2001 energy crisis and "fish got fried," he said. We want to see how you structure the arrangements with utilities on conservation and renewables; "their track record has been poor," Davis stated.

Reduce reliance on hydropower so we can recover fish, he continued. Northwest economies also benefit from healthy fisheries, and millions of dollars can go into rural economies from fishing, Davis said.

BPA has "a moral and legal obligation" to build capacity in conservation and renewables for the future, he said. Davis said declines in the hydro system, including removal of dams, are things BPA should plan for. "Frying fish is illegal," and advance planning assures that won't happen, he concluded.

Jeff Schlect of Avista Corp. pointed out that because of prudent resource decisions, Avista is one of the lowest-cost utilities in the country. We support BPA's proposed long-term approach of limiting firm sales to the output of the FBS, he said. Even though Avista does not depend on BPA for its power supply, as the preference customers do, "we have an interest in a healthy BPA," Schlect said. Your role in the region's economy is great, and a healthy BPA is good for our customers who get benefits through the residential exchange, he said. Schlect said the proposed long-term approach and tiered rates would give the right price signals. We need to see the true marginal costs of power so the region has an incentive to invest in conservation and renewables, he said. The region needs to have adequate resources, and the true marginal costs will be an incentive for their development, Schlect summed up.

Ron Johns, Sierra Club, said that since he retired, he has been working on environmental issues. I empathize with the aluminum workers, he said. With all of the talk about outsourcing jobs, it seems we could direct some energy in a way that would stop that from happening – directing energy to the aluminum companies sounds like a good direction, Johns added.

Restoration of Pacific salmon is the issue I am working on, he indicated. Johns referred to “crass, insensitive comments” made by Enron traders about “fish kills.” We never want to get into the position again where we have to make a choice between power and fish, he said. The fishing industry provides a lot of jobs, too, Johns stated.

Mike Rousseau, Alcoa Intalco Works plant manager, said many people, including himself, have chosen aluminum production as their profession. With plant closures in the Northwest, workers have had to move around to where the jobs are, he pointed out. We have people working in our smelter who are from Kaiser in Spokane and from Troutdale because this is their chosen profession, Rousseau stated.

It is tough to see people with kids and mortgages asking what power prices are doing from week to week, an indication of whether we’ll be able to continue to operate, he said. Rousseau said the Alcoa smelter in Northwest Washington is well located to support material needs at a bike manufacturer in Portland, another source of jobs in the region. They send us scraps from their extruded products, and we recycle them and send the aluminum back, he explained.

If we truly want to energize the Northwest economy, “we need to stay at the table,” Rousseau said. BPA’s proposal to offer “some support” to the aluminum industry concerns me, he said. We need 500 MW to operate at full capacity, Rousseau continued. We have some of the highest power costs in the world’s aluminum industry, he pointed out. As you discuss supply, consider us for 500 MW so we can run at full capacity, Rousseau urged.

Wrap Up

Bonneville pays a lot of attention to the opinions that are expressed at these meetings, Norman said. He gave a summary of the issues and comments, which included the following points:

- The aluminum industry is good for the economy; it provides jobs within and outside the industry.
- The aluminum industry supports local schools and the local tax base.
- The replacement wage for retrained aluminum workers is 73 percent.
- Aluminum jobs are moving overseas, which is bad for the country.
- A healthy BPA is part of a healthy region.
- Conservation needs stable funding – do all cost-effective conservation and be specific about what BPA is going to provide.
- BPA should support renewables.

- Displaced aluminum workers could be used to manufacture equipment for the renewables industry.
- The region should not depend on utilities for conservation and renewables development.
- More low-income services are needed, and the BPA proposal ought to be more specific about what it will provide.
- Cost control needs more teeth if utilities are to sign 20-year contracts.
- Resource augmentation should be limited, and BPA needs to purchase cost-effective resources for utilities that will request Tier 2 power.
- Global warming is a reality and conservation and renewables are a way to address the threat.
- It is important for BPA to create clarity about what it will provide so utilities can plan.
- FBS allocation should be based on customers' net requirements.
- Investing in conservation and renewables is a way to address fish recovery.
- Fish are also important to local economies.

The meeting adjourned at 8 p.m.