

Bonneville Power Administration Regional Dialogue Public Meetings

**Boise, Idaho
August 31, 2004**

**Boise Centre on the Grove – 6:00-8:00 p.m.
Approximate Attendance: 25**

Opening Remarks

Paul Norman (BPA) welcomed people to the meeting and introduced himself and **Helen Goodwin (BPA)**. He also acknowledged **Jim Kempton, a member of the Northwest Power and Conservation Council**, who was in the audience. Norman added that notes of the meeting would be posted on BPA's web site.

We are here for the Regional Dialogue, a decisionmaking process that over the next couple of years will result in contracts for sale of the power from the federal system, he said. Our intent is to give our customers – public utilities, direct service industries (DSIs), and investor-owned utilities (IOUs) – clarity about “who and how much” each will get from the system, Norman explained. It's important to establish this for a couple of reasons, but particularly to clarify who is going to need to develop resources in the region, “so that they get developed,” he said. BPA also wants to keep rates stable, so we are seeking clarity about the loads we will serve so we can prepare to meet our responsibilities, Norman continued.

“The topics here are arcane,” he acknowledged, but there are billions of dollars at issue, so this dialogue is very important. We are not dealing with the long-term issues right now, but rather with the issues we need to settle to set rates from 2007 to 2011, Norman stated. We will address the long-term issues at a later time, he added.

This is one of six meetings we are having around the region for the Regional Dialogue, Norman said. He asked people to sign up to speak and to try to keep their remarks to about five minutes. The comments you make will be part of our official record for making a decision, and we will accept written comments until September 22, Norman stated.

Goodwin gave a brief summary of 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 to reduce BPA's risk, and define terms for providing service to new publics. “This is a big issue we will look at closely,” Goodwin said.

In addition, BPA proposes to stay with its existing mix of products and exclude product switching, she continued. We've also provided a list of options for supporting the DSIs,

and we'd ask you to look at the options closely and give us your comments on them," Goodwin said. We have not made a specific proposal for conservation, but said the Council's plan will guide us and that we'll organize a regional work group to help us develop our program, she said. We've proposed our role with development of renewables to be one of facilitation, and we want to continue to pursue the current cost-control initiatives with our customers and add to them, Goodwin wrapped up. We have put forward a number of different ideas, and we want to hear from you about whether we have the right mix, she stated.

Public Comments

Washington State Senator Dale Brandland said he had become much more aware of the history of the aluminum industry since he began representing a district that includes the Alcoa Intalco Works. This industry was encouraged to come to the Northwest when the dams were built, and having them here helped to offset power prices, he said. They have been an important source of revenue for BPA, and in the past, they bought interruptible power, which provided the region "a safety net" in the event of problems on the system, Brandland said.

But there has been a shift, he continued. There were once 11 smelters operating in the Northwest, employing 7,500 workers, Brandland said. Now there are only two operating and neither is at full capacity, he pointed out. In addition to jobs that were lost directly from shutdowns at the aluminum plants, "thousands and thousands" of other jobs that were indirectly dependent on the industry have been eliminated, Brandland said.

The industry is not looking for "a handout," he stated. The plants are good neighbors, always looking for ways to lessen their impact on the environment, Brandland indicated. He said management and labor are working "in lockstep" to help their industry stay alive. Investments in renewables and conservation are important, but it is also important to consider job loss – the aluminum workers here tonight "are the faces" of the industry, Brandland said. These people have mortgages to pay, families to raise, and they need to save for retirement, he pointed out.

Alcoa is seeking a short-term contract of about 500 megawatts (MW) to keep the Intalco plant operating, Brandland said. "This industry is not part of the problem, but it wants to be part of the solution," he concluded.

Jack Speer of Alcoa said his company is the largest aluminum manufacturer in the world. Alcoa has two plants in the Northwest, at Wenatchee and Ferndale, and the Ferndale plant is entirely dependent on BPA for its power supply, he continued. Aluminum smelting is energy intensive, and we need cheap power to operate, Speer said.

He described Alcoa's proposal, noting that BPA is planning to make a decision that won't be complete until 2008. Our contract with BPA expires in 2006, and our proposal is simple, Speer said: we are asking BPA to roll over our contract for 438 MW for

another two years. That would enable us to continue to provide jobs until we can develop a long-term plan for our power needs, he said, adding that copies of Alcoa's proposal are available on the registration table. We are not asking for a rate subsidy, Speer added. We are currently paying a rate that is 15 percent higher than what a preference utility pays, he said.

"We produce a valuable product in a responsible manner," Speer continued. Many of our products are used in the transportation industry, and aluminum reduces the weight of cars, trucks, and airplanes, which decreases the amount of fuel they have to use, he said. Speer urged people to look on Alcoa's web site and read its sustainability report and see what it is doing to meet sustainability goals.

With regard to the role of BPA, focus on efficiency and eliminate waste, he advised. Speer indicated that a more cost-effective BPA would be better for customers and fish. He pointed out that the hydro system has been derated over 1,000 MW due to operations for fish. I did the math, and the power that is lost is equivalent to 15 million barrels of imported oil, he said. "We can find better ways of saving fish," Speer stated. We are asking BPA to extend our contract so we can be part of the long-term solution, he summed up.

Edwina Allen of Boise said BPA's draft Regional Dialogue proposal has "commendable points," but is in need of improvement. It does not provide a way to restore salmon to harvestable levels, she said. The Northwest Power Act requires the region to operate the hydro system with a balance between power and fish, Allen said. Future plans must ensure power supplies that are adequate to prevent an energy crisis that could do damage to fish, she stated.

The spill for fish must continue until there is bypass around the Lower Snake River dams, Allen said. "A kilowatt saved is a kilowatt generated," she said in urging BPA to increase funding for low-income weatherization and renewable resource development. I applaud your emphasis on energy efficiency, but you need to be more specific on how BPA will help to meet the region's efficiency goals, Allen concluded.

Dile Monson, City of Burley, pointed out that BPA has addressed the Northwest Power Act's Section 6(e) with regard to the creation of new publics, annexed loads, and new large single loads. But what about the transfer of loads between existing publics? he asked. Monson said BPA should "be neutral" about such transfers, except when it comes to allocating power between two publics.

Daren Krag of IAMAW/Alcoa said that when he started at the Intalco plant, there were about 1,200 employees, but that number has dropped to around 500. He said he's been an Intalco employee for 17 years, much less time than many of the people who are employed there. We have heard the stories about programs for fish and low-income weatherization, but we need to consider how these things get funded, he said: they are funded "on the backs" of people like me. These programs are paid for by working people, Krag pointed out, adding that workers who once contributed to the services in

their communities are now in need of those services, collecting unemployment and tapping into food banks.

We need to make decisions about whether these jobs are important to keep, he continued. We are asking for only a fraction of the power that smelters used to get, Krag said. We want to be here in this discussion – it's time to make a spot for the DSIs, he urged. We are only asking to be treated fairly, Krag stated.

Tommi Reynolds, Wells Rural Electric Co-op, said her utility is a full requirements customer of BPA. She explained that Wells' contract with BPA "has an off-ramp" in 2006. Wells wants to extend its contract for another five-years and purchase power at the lowest PF rate, Reynolds said. This would put us on "equal footing" with other customers, she indicated. Reynolds said Wells fully supports the Northwest Requirements Utilities' position.

BPA is to be commended for continuing its cost-control forums, but utilities will need more assurance on cost control if they are to enter 20-year contracts, she continued. Reynolds urged BPA to assure that there are no cost shifts among customers as a result of its new policy. She indicated support for BPA's proposal to stick with its current mix of products and services since changes could result in a shift of costs. Rate certainty is important to us, Reynolds concluded.

Ken Baker of the Association of Idaho Cities encouraged BPA to continue its support for local conservation programs. BPA has a long history of supporting conservation in the region, and that has saved thousands of MW of energy, he said. Your support has had a positive impact, and we want to see you continue to work with us, Baker said.

Pat Flaherty of IAMAW/Alcoa said the aluminum workers are attending the Regional Dialogue meetings to talk to the communities involved and tell them "we are a good and viable industry." We are the most environmentally friendly smelter in North America, and we have a great safety record, he said. The rate for power to the DSIs has gone from \$22 per MW to \$38 per MW, and we are paying more for electricity than any smelter in the world, Flaherty said. We are not talking just about our jobs, but about jobs at all of the DSIs and about all of the living-wage jobs that support many different programs in the region, he summed up.

Scott Levy, Bluefish.org, said his web site tracks Idaho salmon and steelhead. He started out by responding to what he had heard from aluminum industry speakers, comments he called "very persuasive." Back in 1999 in the rate case, BPA was proposing to buy more power than the federal system could generate in order to provide power to the smelters, Levy said. The BPA Administrator said he felt he had "an ethical duty" to do so, he added. I said at the time that the idea was "ludicrous," and the aluminum industry should buy the power itself, Levy said. BPA said it had done a comprehensive risk analysis and proceeded with its plan, he continued. It's great that in your new proposal you admit your mistake and say you won't repeat it, Levy commented.

BPA contributed to its own problem in the market, he contended. Your risk analysis was inadequate, and your futures traders didn't understand the market, Levy said. BPA should look at how it contributed to the hike in the market, he said. BPA should also contribute any information it has to Senator Cantwell's investigation of market manipulation, he said. Levy said he believes BPA was under political pressure from the Administration to do what it did in providing power to the aluminum industry, and "we should find out where the decisions were made and hold people accountable."

Levy described his efforts to come up with a figure for what it costs annually to operate the Lower Snake River dams, and he expressed frustration in trying to get information from BPA. After attending a BPA rates workshop, Levy said he made his own calculation of what it costs and came up with a figure of \$135 million. Those dams produce 750 average MW (aMW), which at current prices grosses about \$208 million, he went on. I think we need to get these numbers out and talk about them – you need to continue to be more transparent with this information, Levy said. I'd like to see how much BPA paid for the buydown of the aluminum company loads, he said. A lot of the last rate increase was a result of those buydowns, Levy said.

When you look at what BPA nets in power sales from the Lower Snake River dams, it's about \$75 million, and the proposal to cut spill would have gained about \$75 million, he pointed out. Removing the Lower Snake River dams would net about the same amount as reducing spill, Levy said. We need to put out these types of "apples to apples" comparisons with the numbers, so we can discuss these things honestly, he said.

Levy encouraged BPA's role in facilitating wind power. I understand the big holdup with wind development is getting transmission to integrate the projects into the system, he said. Levy urged BPA to develop more transmission that encourages wind.

When you figure out what resources you have, you should not count on the Lower Snake River dams, he advised. Your risk analysis should consider the loss of those dams, he added. I feel for the aluminum workers, but I am bothered by the political pressure the industry exerts, Levy said. My opposition to the industry is due to the support it gives to retaining the Lower Snake River dams, he summed up.

Hugh Diehl of IAMAW/Alcoa described himself as a ratepayer, consumer, and industry worker. He urged BPA to control costs and do what it can so the aluminum industry can maintain living-wage jobs that give workers the opportunity to provide for their families. Treat us the same as you treat others, Diehl urged. Our company paid its bills – consider those in the industry who have paid their bills and been good citizens in their communities, he stated.

Vicki Hanley of IAMAW/Alcoa said the 3,000 MW that BPA oversold in its last round of contracts "had nothing to do with us." She expressed support for tiered rates, as "a step in the right direction." The aluminum companies just want a fair deal and are not asking for special favors, Hanley continued. When you have a plant that operates 24/7, your co-workers become like family, and "I've lost a lot of family," she stated. We have

seen 35-year employees who were planning to retire lose their jobs instead and go back to school to retrain, Hanley said. It is tough for us, she added. I respect your comments – your reasons are real and important to you, Hanley said. Ours just as real and important to us, and I'd ask that you give us that same consideration, she concluded.

Jeremy Maxand of the Snake River Alliance said his organization's primary purpose is to oversee the cleanup at the Idaho National Energy Laboratory (INEL) site, which sits above the Snake River at Idaho Falls. As part of its mission, the Alliance is starting to focus on sustainable energy development, he said. Maxand indicated that sustainable energy could displace the need for the nuclear power research at INEL, including the new initiative that just got under way. We see this new project as a threat to Idaho water, he added. We support sustainable energy and energy efficiency, and we would encourage BPA to invest in alternative energy, such as wind power, Maxand said. Invest and take a leadership role so we can displace the need for fossil, nuclear, and hydro generation, he urged. Let's make this a reality in the Northwest, Maxand concluded.

Wrap Up

Bonneville “chews these comments over a lot” before it makes a decision – your comments are an important part of our decisionmaking process, Norman said. He gave a summary of the issues and comments, which included the following points:

- The DSIs are a valuable industry, and the aluminum companies were encouraged to locate in the Northwest.
- Aluminum companies are good citizens in their local communities.
- BPA should be aware of the impact of aluminum company operations on local communities.
- Alcoa wants BPA to roll over its current contract for two years until 2008.
- BPA's decision to serve the DSIs in 2000 was very bad, and the outcome was foreseeable.
- The DSI buydown was the cause of the rate problem.
- Hydro projects must be operated for both power and fish; we need operations that support fish.
- The customer collaborative and Sounding Board on cost control are useful, and we should do more with cost control in the future.
- Avoid product changes that cause cost shifts.
- Support low-income weatherization and conservation and be more specific about what we are going to do in those areas
- Provide seed money for wind and transmission to integrate wind projects.
- Address the transfer of loads between PF customers.
- Customers with an off-ramp should get the opportunity to renew at the lowest PF rate.
- Be transparent with the costs and benefits of the Lower Snake River dams.
- Be forthcoming with information on the Administration and Enron.
- Don't plan on power from the Lower Snake River dams and recognize the risk of their removal.
- Focus on renewables.

The meeting adjourned at 7:45 p.m.