

Bonneville Power Administration Regional Dialogue Public Meetings

**Portland, Oregon
September 9, 2004**

**East Portland Community Center – 6-8 p.m.
Approximate Attendance: 40**

Opening Remarks

Paul Norman (BPA) welcomed people to the meeting and introduced himself and **Helen Goodwin (BPA)**. He added that detailed notes of the meeting would become part of the official record in the Regional Dialogue.

The Regional Dialogue is a process that will lead to extremely important decisions about how power from the federal hydro system is sold in the region, Norman explained. As a result of the regional dialogue, BPA will determine “to whom and how much” with regard to the disposition of federal power, he said. Creating clarity about who gets how much is essential to getting needed infrastructure accomplished in the region – our decision will bring clarity to the question of who will build resources, Norman said.

Our decision in the Regional Dialogue will also be a guide as we continue our cost control efforts to keep rates low, and it will clarify our commitment to conservation and renewables, he continued. We are addressing the 2007 to 2011 in this first phase of the dialogue, and we will deal with the longer-term issues later on, Norman said.

He asked speakers to limit their comments to about five minutes. We won’t engage in a back-and-forth dialogue at this meeting – our intention is to listen to you, Norman added.

Five minutes isn’t long enough for people to make all of their comments, a member of the audience asserted. Let’s keep the first round of comments to five minutes per speaker, and if people need more time, Helen and I will stay to take another round, Norman responded.

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; implement the settlement that was reached regarding IOU exchange benefits; and exclude product switching. She said BPA has made four proposals regarding service to the Direct Service Industries (DSIs) and would like public comment on them. The Regional Dialogue proposal also includes principles to guide development of conservation consistent with the Council’s plan and for establishing an advisory group to work on details of BPA’s conservation program, Goodwin said. The proposal spells out a facilitation role for BPA in development of renewables, which we see as the best use of

limited funds, she said, and we propose to continue to consult with stakeholders and build on the progress we've made with cost-control initiatives, including the Customer Collaborative and the Sounding Board. We would like your ideas and thoughts about our proposal and whether there is anything missing here, Goodwin concluded.

Public Comments

Geoff Carr of Northwest Requirements Utilities described his organization, noting it represents 48 full requirements customers of BPA. "BPA is at a crossroads," he said. Carr said he had seen BPA approach tiered rates a number of times, and every time "the wrong answer" had led to higher rates for preference customers. The publics are coming to the view that BPA ought to serve its preference customers with the existing resources now in the existing system, Carr said. Those resources are just about equal to the preference load, he pointed out.

We agree with 95 percent of your proposal, Carr stated. We like the two-to-three-year rate period – it reduces risk, we appreciate that you are not going to explore tiered rates at this time and that you propose to renew the expiring five-year contracts for publics until 2011, he said, adding that a new net-requirements determination should be made as part of the renewal. We agree with your position on serving new publics, Carr continued. With regard to the proposal for product availability, we would like to see flexibility for customers to bring in new resources, he said. We agree with your proposal on IOU benefits, and we support the proposal on conservation and like the idea of the forum, Carr continued. As for the renewables proposal, "we do not want to be the risk sump for renewables," he stated. Your continued efforts on cost control are needed, Carr said.

He pointed out one area where NRU disagrees with the proposal, DSI service. BPA is close to load-resource balance, and when we look at whether you should serve the DSIs, who have "no legal right to BPA power," we object if those sales have an adverse impact on the publics, Carr stated. If sales to the DSIs do not increase the rates and risks for the publics, we can discuss it, he wrapped up.

Jim Abrahamson, Community Action Directors of Oregon, said he represents a statewide organization that provides direct services and promotes self-sufficiency for low-income people. We commend your pledge of \$21 million to renewables – BPA is positioned to be a natural leader in the development of clean energy, he said. Abrahamson urged BPA "to set and enforce real renewable targets" in the region. We encourage BPA to be more specific about its commitment to energy efficiency and "to be the backstop" if others fall short of their goals, he said.

I cannot stress enough the importance of continuing support for low-income weatherization, Abrahamson continued. There is much that remains to be done – there's a substantial need in the state, he said. Abrahamson asked BPA to establish a specific level of funding for low-income weatherization to assist agencies that provide services to plan and budget.

With regard to turning new resource development over to the utilities, there could be cost benefits, he said, but BPA needs to set targets for renewables and energy efficiency and along with the Northwest Power and Conservation Council, monitor their development. We must assure a balanced portfolio of supply and demand-side resources, adequate energy supply and the continued protection of fish and wildlife, Abrahamson summed up.

Wayne Hill, Ecumenical Ministries of Oregon, Interfaith Network for Earth Concerns, said his organization has an 80-year history in the state and works for justice and equity issues. The network encourages people to be “effective earth stewards,” and he indicated that over 130 congregations in the state participate in its programs. Hill said a priority effort of the network is the Oregon Interfaith Global Warming Campaign. We view global warming as “an overarching threat to civilization,” he stated. We hold workshops to educate people and encourage them to invest in energy efficiency, renewable energy and green practices, he said. In this process, we have become aware of policy decisions made outside of our communities that affect the issues important to us, and we’ve joined the Northwest Energy Coalition (NWECC), Hill said.

BPA must adopt sound business principles and maintain adequate financial reserves, he said. But in addition, BPA is more than just another utility and is a steward of the federal Columbia River system, Hill said. BPA “has moral and ethical responsibilities” to keep the river system healthy and to protect salmon, he continued. BPA also has a special obligation to Northwest Indian tribes that it must fulfill, Hill said.

BPA is more than just a low-cost provider of power – it must add value to its product by carrying out its public responsibilities, he said. Hill referred to the threat from the Northeast/Midwest coalition and indicated that BPA’s must continue to demonstrate that its public responsibilities are a great value to the region and to the rest of the nation or it could lose its reason to exist.

We are concerned about BPA’s proposal to turn new resource development over to the region’s utilities, he went on. We hope the utilities are right about their ability to acquire new resources, but if they are not, the region and BPA must find a way to provide a backstop so we are assured of an adequate energy supply, Hill said. He urged BPA to continue its support for low-income weatherization, and said his group is encouraged by the \$21 million commitment to new renewables.

We are pleased with the idea of BPA forming a conservation work group and hope the group includes strong advocates for energy efficiency programs, Hill said. The region was caught in a bad situation in 2001, when utilities had to purchase power from fossil fuel sources, and strong support for energy efficiency and renewables is needed so we do not find ourselves in that position again, he stated. Hill concluded by saying that his organization endorses the NWECC Energy Matters resolution and would continue to mobilize faith congregations to take an interest in the issues.

Peter Kremen, Whatcom County Executive, said BPA’s decision about who gets power at what price is very important to Whatcom County – it’s very important that

Alcoa Intalco have access to affordable power. We saw what happened during the energy crisis, when plants closed and the economy faltered, he said. We can't afford more plant closures, Kremen told BPA. The operation of the Alcoa Intalco plant is vital to the Ferndale community – the plant provides family-wage jobs that pay an average of \$68,520 annually, 1.7 times the average in Washington, he stated. The multiplier affect of these jobs in the rest of the economy is about 2.9, so thousands of other jobs rely on the operation, too, Kremen indicated. Alcoa Intalco pays taxes that fund services such as police and infrastructure such as roads, he added.

Alcoa Intalco has a long history of being a good corporate citizen, Kremen continued. He said BPA's proposal to allot 500 megawatts (MW) of power to all of the DSIs is inadequate since Intalco is currently using 438 MW and is not operating at full capacity. It is not fair to reduce the supply to the DSIs even more, he said. The Alcoa Intalco plant is one of the most efficient aluminum plants in the world, and the workforce is one of the best, Kremen said. We would ask that you extend the current firm sales to the plant so the jobs will continue, he urged. The economic consequences of your decision are significant to Whatcom County, he concluded.

Our job is to train people to start their careers and to retrain workers for new careers, when that is needed, according to **Gerald Pumphrey, Bellingham Technical College**. There are limits to what we can do, particularly with the funding cuts we have experienced in recent years, he said. The college does not have funding or space to serve the existing needs and does not have the capacity to handle any more laid off workers, Pumphrey explained, adding that 850 people are on waiting lists for programs that are currently full.

The wage recovery for laid-off Alcoa workers placed in new jobs is 73 percent of what they were previously earning, he went on. There are no equivalent jobs to replace the ones that have been lost, Pumphrey said. The decisions BPA will make about providing power to Alcoa Intalco have “a human face,” he pointed out. Let's be honest about the fact that the safety net for retraining these workers “has holes,” and “it will not hold another 400 people” if there are more layoffs from Alcoa Intalco, Pumphrey stated.

Carol Opatrny representing Powerex said the subsidiary of BC Hydro is an active player in the Northwest energy market and has long-term contracts with customers in the region. BPA has significant challenges in balancing how it will serve customers, and a solution that provides greater rate stability is needed, she said, adding that establishing clear-cut rules about who will supply resources and how to treat load growth is a good move. Opatrny pointed out that transferring the responsibility for acquiring new resources brings up the “tough issue” of allocating the federal system. But allocation is not “a novel idea,” and has been done elsewhere, she said, pointing to “the heritage contracts” between customers and utilities in British Columbia and Quebec.

We support an independent transmission entity, Opatrny stated. We support development of a regional transmission organization, and urge BPA to accompany its Regional Dialogue proposal with “a seamless” transmission system that will support customers'

access to wholesale power supplies, she said. We generally endorse your proposal, but believe it needs to be accompanied by a proposal for a seamless transmission grid, Opatrny concluded.

Angus Duncan, Bonneville Environmental Foundation, said BPA has “succeeded admirably in putting meat on the bones” of the Northwest Power and Conservation Council’s renewables confirmation agenda and “jumpstarted” the development of renewable resources in the region. But I share a concern with others that your proposal for renewables looks “a lot like downsizing this success story” at a time when the environmental drivers, such as global warming, would say to do the opposite, he said. Duncan pointed out that the Northwest governors have taken on the issue of mitigating the effect of greenhouse gas emissions and renewables will figure largely in a solution.

There are virtues to BPA having an activist role in encouraging renewables, including resolving transmission issues, he continued. There is potential for BPA to act as an “anchor tenant” in renewable projects to keep the cost of the power down, Duncan said, and he urged BPA to consider the impact on individual utilities if their access to preference power is permanently decremented should they become involved in developing a renewable resource. They should be able “to grow back into” their federal allocation, rather than lose it forever, Duncan said.

He asked BPA to reconsider whether facilitation is its proper role with renewables. “It looks thin” compared to what BPA has done for renewables in the past, Duncan said. BPA has been a force for developing federal dams, the transmission grid, the Pacific Intertie and promoting conservation, he pointed out. Climate change imperatives will force us to match our previous accomplishments, Duncan said, and he urged BPA to remain prepared to do so.

At the least, I encourage you not to foreswear direct acquisition of resources, he said. Don’t expand “slice-like contracts” or take other prospective actions that will lock-in uses of the federal system and take away your flexibility, Duncan urged. You may need to take a larger resource role in the future, so don’t take actions that are irreversible, he advised.

Pat Flaherty of IAMAW/Alcoa said he and his fellow aluminum workers want to educate the region about what it means to close down an industry. Since 2001, we’ve lost hundreds of jobs at the Alcoa Intalco Works, he said. We live in a rural area, and there is no way to replace those family-wage jobs, Flaherty said.

Ours is not the only area that would be affected by a closure; the effects would be felt in Portland, he indicated. Flaherty explained an arrangement the Alcoa Intalco plant has with a Portland company that extrudes metal into parts. We make the ingot, ship it down here, and they use it in their extrusion facilities, he said. In 2004, we estimate that we will do 66 million pounds of business with this firm, and they employ about 900 people in the Portland area, Flaherty said. If we go away, they can’t replace us, he said, adding there is no other facility on the West Coast that can provide the ingot. If we go away,

you will lose those jobs in Portland, Flaherty said. We are asking for public support for the Alcoa proposal to keep us going while we come up with a long-term plan for our power needs, he stated. Alcoa plays a significant role in the region providing jobs and paying taxes, Flaherty summed up.

Jack Speer, Alcoa, said there are only two primary aluminum plants still operating in the Northwest. He said Alcoa brings both societal and environmental values to its operation. Speer urged BPA to become a more efficient provider of low-cost power in the region.

Alcoa has been in the region since the 1940s, bringing jobs and producing aluminum for the war effort, he said. We were really appreciated for decades, Speer added. In the 1970s, the region became concerned about who should get federal power, and in the resulting Northwest Power Act, the DSIs were allotted a share of power, he explained. People are now talking about no longer serving the aluminum industry – “that would be a tragedy,” and it would be the end of our operations here, Speer said. It would not be equitable for BPA to take our limited supply and give it to others, he indicated.

We are asking BPA to extend our contract for two years, from 2006 to 2008, while we figure out a long-term plan, Speer said. He pointed out that copies of the Alcoa proposal are available on the registration table. “Don’t just kick us out,” Speer urged.

Daren Krag of IAMAW/Alcoa said whether the DSIs get power from BPA is “a huge issue for us.” A few years ago there were 11 smelters in the Northwest, and Alcoa is now all that is left, he said. The industry has gone from once having 3,000 MW of power to having a small fraction of that today, Krag said. These are valuable jobs – the people I represent contribute tremendously to their communities, he said. There were once 7,500 people employed in this industry in the region, so “we have already paid a huge price,” Krag stated.

People who have been retrained and placed in new jobs are making only 73 percent of their former wage, he said. The public power allocation proposal “takes a shot at us,” Krag said, adding that it is difficult not to take that personally. It’s not too much to ask that we have a short-term contract and a place at the table to figure out how to have long-term affordable power; we’re asking you to support our proposal, he said.

Washington State Senator Dale Brandland, whose district includes Ferndale, said he was speaking in support of Alcoa Intalco and all DSIs. He noted the history of the aluminum industry in the region, pointing out that the companies were recruited to the Northwest to contribute to the country’s defense and to support BPA by committing to buy power from the federal dams. The industry was a vital part of the economy, generating billions of dollars and thousands of jobs, Brandland stated. These companies have also provided support to their local communities and local charities, he pointed out.

We all have our priorities – from fish to conservation to jobs to public and private utilities – and I have never heard the Alcoa folks say that any of these issues should be “thrown off the boat,” Brandland said. It would be irresponsible to say that fish and these other

issues aren't important, and likewise, it's irresponsible to say that about these people's jobs, he said, referring to the Alcoa workers. These people are trying to raise families, pay mortgages and save for retirement, and they "are walking a tightrope, hanging on by their fingertips to their jobs and their futures," Brandland stated. In Ferndale, Alcoa provides one-third of the support for the local school district, he added. No one is asking for a handout, they just want approval of a proposal that would let them hang on for two more years, Brandland said.

Hugh Diehl of IMAW/Alcoa thanked BPA for making cost reductions, listening to the region and for doing things to stimulate the economy. He also thanked members of the audience for showing up. According to Diehl, one of the reasons utilities in the region are in good shape is because of the DSIs. The DSIs have been in the region for decades, and we are the reason that BPA is where it is today, he said. Now "everybody wants to throw the baby out with the bath water," Diehl said. We want to be here and would ask that you not forget us when you work out your policy – don't forget our faces; we're the ones whose jobs are on the line here, he stated.

Rachel Shimshak, Renewable Northwest Project, said BPA has done an excellent job on renewables for the past several years – "it has had good policies, projects, products and programs." Because BPA was involved in the renewables market, it understood the barriers and the issues and could help resolve them, she stated. Shimshak pointed out that by investing in wind power projects, BPA's activities have helped support the Northwest economy and brought jobs to distressed rural counties. Adding to the existing renewable resource base, we guard against volatility in the energy market, she said.

BPA has done all that it has done with renewables on "a shoestring budget," Shimshak continued. But despite making a lot happen on a tight budget and being a successful program, we don't see this proposal as a reward to those who have done a good job, she said. Shimshak offered several suggestions, including BPA establishing itself in a leadership position with renewables and setting a goal, which the agency would help to meet. She also suggested BPA convene a group of people positively involved with renewables to help the region move forward in this area. BPA should also designate "a green team" in both PBL and TBL so people know who the "go to" people are when they need a decision, Shimshak said. Everyone needs to play in the renewables effort, she urged. "When utilities stick their toe in the water," they learn something – there are lots of ways for different size utilities to play a role, she said.

In real estate, it's location, location, location, and "for renewables, it's transmission, transmission, transmission," Shimshak stated. We recommend that in the short term, BPA establish a conditional firm transmission product to accommodate renewables, she said. We are happy that you did the "open season" process for the McNary-John Day upgrade, but we have concerns about it, and we still need to work some things out so we can get more transmission built, Shimshak indicated. We also need a rational queue clearing process, she said, and we need to resolve the issues around Grid West. Shimshak encouraged BPA to think in terms of bigger and better ideas. Make

renewables a priority and give the program enough budget to do the job and do it well, she wrapped up.

Sara Patton, NVEC, recapped things that her organization has heard at the meetings around the region. The praise has been “loud and clear” for BPA acquiring conservation, and there has been compelling testimony about the value of energy efficiency gains, all of which have been made possible by collaborations between BPA and utilities, she said. In Seattle, we heard many examples of energy efficiency, and the stories made it clear that BPA’s conservation efforts should not just continue, but should increase, Patton stated. She praised BPA for being responsive to energy efficiency advocates by proposing the collaborative to work on a future conservation program.

Advocates for low-income people praised BPA for its support in weatherizing homes, and they asked BPA to commit more to that program, Patton continued. We suggest BPA set a goal of weatherizing all eligible homes within 20 years, she added. We also heard from steelworkers, who want to see support for renewables to create jobs, Patton said. Speakers called on BPA to diversify its resource base and use its considerable wherewithal to get renewable resources up and running, she said. People also asked BPA to improve its record for salmon protection, and they highlighted the important role of energy efficiency and renewables to aid salmon, Patton pointed out.

We appreciate your bold forward steps, she said. Keep the protection of electricity users as a top priority as you consider your policy, and this will point you to the need for a clean energy future in the region, Patton concluded.

Fred Hewitt of the Sierra Club said BPA is in the dual role of being an environmental steward and being a utility. Your agency has responsibility for one of the most important resources we have in the Northwest, the Columbia River system, he said. BPA has an enormous footprint in the region, Hewitt added. We’ve seen decisions in the past that take us in the wrong direction, and we hope to see a decision in this process that takes us in the right direction, he said.

Hewitt said the big issue for BPA is: how do we make energy investments? Who makes them and how to pay? The free market path pursued in the 1990s was the wrong approach and didn’t work well, he said. We learned a very hard lesson, and we need to have a better approach, Hewitt said. The variability of the hydro system and the variability of the business cycle are two large uncertainties BPA has to deal with, he said. Hewitt pointed out that a lot of resources are tied up in meeting peak on both the power and transmission systems. Serving peak is the most expensive part of the system, he said. It’s very important to figure out our investment strategy, Hewitt said, adding that energy efficiency and conservation should play an important role. We should also “get fish out of trucks and into the river,” he stated.

Hewitt encouraged BPA to bring its “lessons learned” to the rest of the world. He pointed to the East Portland Community Center, in which the meeting was held, as an

example of an architecture that is energy efficient and brings in daylight to cut down on energy use. This could be the Northwest's "gift to the world," Hewitt said.

Climate change is a big issue that must also be considered for the future, and the Regional Dialogue that is going on today will set the tone for years to come, he said. Keep that in mind so your decisions go in the right direction, Hewitt wrapped up.

Should you supply the DSIs after 2006? Yes, said **Brett Wilcox of Golden Northwest Aluminum**. They helped pay for this region's federal hydro system, and the DSIs are crucial to the local economies where there are plants, he said. In terms of which DSIs should be eligible for power, your proposal said that it should be those who are creditworthy and have met their Subscription obligation, Wilcox pointed out. I don't think that should preclude Golden Northwest, he stated. We have been a good corporate citizen and have gone to heroic efforts to maintain employment at our operations, Wilcox said. Don't let the company's financial problems penalize the communities where we operate, he urged. Wilcox noted that BPA has made money by remarketing the power his company did not take. The test for continued service should be a company's demonstrated effort to maintain employment for its workers, he said.

Wilcox went over the DSI options in BPA's proposal and said he supported continuing direct sales – our bottom line is 100 MW per smelter – and he said credit support would be acceptable, although the financial incentive proposal could supersede the need for credit support. We urge you to continue to provide services to the DSIs, he concluded.

Don Bain, Aeropower Services, a company that assists wind energy developers, said he endorsed the comments of the Renewable Northwest Project. With regard to shifting the responsibility for new resources to utilities, your current proposal "is half a loaf – the other half is access to transmission," he said. You can't implement the policy without providing transmission to utilities that need it, Bain commented. He said policies in the transmission system are geared to the old world of vertically integrated utilities.

Bain said the new method of the "open season" was incompatible with renewable resource development and was implemented without input from the region. The open season approach lays all the risks on independent producers, and it raises costs, reduces access and limits resource development, he stated. We have 17 major transmission constraints and only one is being fixed, Bain commented. There are constraints in Puget Sound and in the Willamette Valley, he said, and he pointed out that most of the renewable resource potential is east of the Cascades, but the transmission is not available to get the power to the loads. BPA needs to get on a more productive path with its transmission policy that will lead to developing new resources, according to Bain. He recommended BPA expand its "non-wires" effort and support a transparent system for trading transmission rights.

To encourage development of renewables, BPA should fix the transmission problems, including tariffs and integrating resources, as well as play the role of middleman between

utilities and developers, speed up the interconnections queue and expand the wind-data monitoring network.

Mike Keith, USWA of Northwest Aluminum, said at one time there were 1,200 bargaining-unit employees at the Golden Northwest plants, but there is now 1 at Goldendale and 69 at The Dalles. He pointed out that plant closures ripple through the economy creating indirect job loss. Our community is feeling it, Keith said. Golden Northwest has committed its remarketing money to developing new resources and maintaining jobs, he said. We need BPA's credit support to finish the generating resource we have invested in, Keith said.

The aluminum industry has contributed to the development of the hydro system, and the least BPA could do is provide 100 MW per smelter to the DSIs, he said. It is unfair to hold a company like Golden Northwest accountable for the actions of "selfish, greedy corporations" that took their remarketing money and left the region, Keith said. Don't hold good corporate citizens accountable for the actions of the bad players, he urged.

Bob Geary, USWA of Northwest Aluminum, said the employees who worked at Northwest Aluminum have spent 4 ½ years "hanging in there" waiting for the plant to restart. We're still here and the plant is still viable, he said. "Don't let the bad taste left by Kaiser Corporation's greed" influence your decision for the rest of the industry, Geary urged. Northwest Aluminum has been developing a generating resource and has invested millions of its remarketing dollars in doing so, he said. Geary urged BPA to help strengthen the company's ability to complete the resource by providing credit support.

Vicki Henley of IAMAW/Alcoa said she has seen employment at the Alcoa Intalco plant drop from 1,200 to about 400. We try to be supportive of other interests in the region, and it was disturbing to see the public power proposal that would provide no power to the DSIs after 2011, Henley said. I don't see how that proposal is fair since it would get rid of a whole group of people who now get federal power, she indicated. If the DSIs are kicked off the grid, "our community is gone, absolutely gone," Henley stated. We've watched 800 people go from the plant, many of whom have tried to retrain for a new job at a time when they had planned to retire, she said. "We've butted heads" with BPA a lot over the years, but now we see that BPA is trying to make the DSIs a part of their proposal and to be fair, Henley said. BPA has a complicated decision to make, she said, and added that consideration should be given to retaining jobs.

Mike Rousseau, Alcoa Intalco Works plant manager, said he had chosen the aluminum industry as his career and that has meant moving from Longview to Wenatchee and now to Ferndale. The aluminum industry is growing every year, but it is growing in places like Dubai, Bahrain and Iceland, Rousseau pointed out. We are asking BPA to leave us a place at the table, he said. We need 438 MW to keep the plant running – we have been a good citizen, we work to reduce waste by providing recycling for aluminum, and we are continuing to invest capital in our facility, Rousseau indicated. We want to continue discussions with the region to see how we can keep the DSIs here, he said.

In the short term, we need to have our current contract renewed from 2006 to 2008, Rousseau said. He urged BPA to cut its costs and drive rates down close to historical levels. We are paying the highest electricity rates of any smelter that I know of in the world, Rousseau concluded.

Wrap Up

Norman reiterated that written comments for the Regional Dialogue are due September 22. “Your comments are chewed over endlessly at BPA” before we make our decisions, he told the audience.

The meeting adjourned at 8:10 p.m.