

Northwest Aluminum Industry Study Group
November 17, 2000
Portland Airport Sheraton, Portland, Oregon

The Northwest Aluminum Industry Study Group met from 9:30 a.m. to 3:30 p.m. Twelve study group members were present, with about 25 people in the audience. The group heard reports on industry economics from two consultants and discussed the principles that should guide any recommendations the group makes to BPA.

Overview of Agenda

Carolyn Whitney, BPA, began the meeting with a recap of objectives of the Northwest aluminum industry study: assess the value of the aluminum smelters to the region; determine whether the plants are at risk of closing down; and if so, determine what the region or BPA should do about the situation. She also described the three-phase study design, which includes conducting value analyses, considering the options and criteria for assisting the industry, and recommending what actions, if any, should be taken. Whitney indicated that the two consultants commissioned by the study team to do analyses of the industry were present to go over their studies and answer questions.

Ken Canon, Industrial Customers of Northwest Utilities, asked BPA to bring the group up to date on events since the meeting in July. A lot has happened since then, and I'd like to know what the DSIs' total "rolled-in" price is likely to be in 2001 to 2006 and what they signed up for under the contracts they were offered, he said.

Paul Norman, BPA, explained that "price excursions" in the market have continued. We assumed in the rate case we could buy power in the market for \$28 per MWh, as could the DSIs, he said. The market is now about \$45 to \$50 per MWh, Norman stated. In addition, we are about to submit a proposal to amend the rates established in the final Record of Decision, he continued, explaining that BPA will propose increasing the base rate by 15 percent in the form of a cost recovery adjustment clause (CRAC 1). We also plan to propose a CRAC 2 that would trigger on a year-to-year basis and collect up to \$330 million in additional revenues, Norman said. On top of that, we will propose a "safety-net CRAC," which would trigger if we are in danger of missing a Treasury payment, he added.

In a nutshell, this all suggests much higher prices for the DSIs, Norman said. The DSIs all signed contracts, which are "fundamentally take-or-pay," that total slightly less than 1,500 MW over the five-year rate period, he concluded. Canon noted that with CRAC 1 almost certain to be implemented, the DSI price would be about 31 mills, including transportation costs. The DSI contracts do allow for an exit ramp next spring, Pete Forsyth, Kaiser Aluminum, pointed out.

Value of the Aluminum Companies

Dick Watson, Northwest Power Planning Council (Council) staff, reported on a preliminary review of a 1990 study on the value of the aluminum load to the Northwest power system. Merrill Schultz conducted the original study, he said. According to

Watson, Schultz captured the benefits in three areas: load characteristics, service to the top quartile, and system reserves. He described Schultz's study and the Council's review of it.

First, the DSI load is comparatively flat, seasonally and diurnally, relative to other loads, and Schultz identified that load characteristic as an \$83 million annual benefit to the system, Watson said. The benefit is probably not that great now, and we'll be taking a closer look at the value, he explained. Second, Schultz's study estimated the power system got a \$147 million benefit annually from the way BPA served the fourth quartile of the DSI load, Watson said. Since DSI service is no longer provided according to the quartiles of load, that benefit is probably entirely gone today, he stated.

Third, the DSI load provides instantaneous stability reserves, which would still be of value to the system today, according to Watson. We have asked BPA's Transmission Business Line (TBL) for an estimate of that value, he added. The DSI load also provides reserves for inadequate power, but that situation is covered largely by market transactions today, Watson continued. BPA asks for offers from others to meet those needs, so we're not certain about the current value, he said. In the Schultz study, the value of reserves was \$106 million annually, and we'll be taking a look at today's value, Watson concluded.

Whitney asked Watson when he could complete his review, and Watson suggested January. She also asked BPA's TBL staff when they could address the value question Watson had posed to them. TBL staffer Erik Westman said he would follow up with Watson early next week.

David Moison, Metal Strategies, LLC, gave an overview of "The Survivability of the Pacific Northwest Aluminum Smelters," a report he prepared for the study group. He described Metal Strategies as an independent consultant with "no axe to grind" in the question of the industry's survival in the Northwest. Our task was to assess the viability of each primary aluminum smelter in Montana, Oregon, and Washington given the commercial circumstances, which include the price of electricity and the global aluminum market, Moison explained. He outlined the key assumptions in his study, including: the expiration of existing contracts in fall 2001; new contracts are take-or-pay transactions; BPA cut the amount of power it offers smelters as a group by 25 percent; and proxy tariffs for other electricity sellers, ranging from a low of 25 mills to a high of 87 mills, without transmission.

Moison displayed the results of his analysis on a summary table that indicated the electricity and metal prices at which smelting capacity in the Northwest is likely to accept or reject a five-year take-or-pay power contract. According to the table, the region has 1.66 million tons of smelting capacity, with an estimated 3,145 MW electricity demand at full operation. Moison presented other charts related to the risk posed by BPA's take-or-pay contract provision and a listing of how Northwest smelters rank in production costs relative to primary smelters elsewhere in the world.

In your 100 percent take-or-pay assumption, is there an opportunity for resale of power? Tim Stearns, National Wildlife Federation, asked. This is without a resale opportunity, Moison responded. In the real world, the power won't go to waste, Stearns observed. Steve Oliver, BPA, pointed out that in the current contracts, BPA would reimburse smelters up to 23.5 mills per kWh if it resells power a smelter cannot use at that rate or greater. Norman stated that the take-or-pay situation isn't accurately reflected

in Moison's analysis. Obviously, we've miscommunicated about how the contracts work, he said. If the smelter pays 23.5 mills and we resell into a 30-mill market, the smelter would be credited 23.5 mills, and we would keep the balance, Norman explained. If the market is at 20 mills, the smelter would pay the balance up to 23.5 mills, he said.

John Savage, Oregon Energy Department, asked if signing a five-year contract is the proxy in Moison's study for continued smelter operation or viability. If a smelter is willing to sign a five-year contract, it is viable; if not, its viability is in question, Moison responded. We looked at the capacity in terms of its ability to sign such a contract, and if it could not, we asked whether it was likely to be converted to swing capacity or closed permanently, he added. Moison went on to explain the basis for the metal price assumptions in the study. We've done a rolling five-year average for the prices, he said.

"The Northwest capacity at high risk of permanent closure is relatively small," Moison said. About 130,000 to 500,000 tons of capacity is at high risk of permanent closure, he indicated. On the other hand, operators of 700,000 to 950,000 tons are likely to sign five-year contracts, and that capacity is likely to operate continuously during the forthcoming rate period, Moison said. Between the capacity that might shut down permanently and that which is viable, there is "a no-man's land" of swing capacity, and our estimate is that 270,000 to 570,000 tons of capacity is likely to become swing, he stated. Swing capacity would come on line with the right combination of circumstances and would be expected to operate for one or two years during the rate period, Moison summed up.

Canon asked if the aluminum company representatives on the study group agree with Moison's table showing where the production costs of the Northwest's smelters fall relative to other smelters in the world. Forsyth said the table looked generally right, but he noted that some of the region's least-cost smelters aren't currently operating. If electricity is \$30 per MWh, the Northwest plants end up at the high end of the world cost curve, Jack Speer of Alcoa pointed out.

The Northwest's smelters have a role to play in the world market, Moison said. They compare favorably to "greenfield or brownfield" development of new state-of-the-art smelters; the key is how much they pay for electricity, he said. In addition to the costs of developing a new smelter, the "risk profiles" of countries where development could take place, such as Russia and Mozambique, are high, Moison added.

Forsyth asked about the energy efficiency spread among the world's smelting plants. The average in the Northwest is about 15,500 MWh per ton, and a state-of-the-art plant uses about 13,000 MWh, Moison responded. The difference is about 20 percent, he added. Moison said some of the older smelters in the Northwest "should be museum pieces," but companies have figured out how to make continued operation work for them.

What is the take-home message here? asked Todd Maddock, Idaho appointee to the Council. From 100,000 to 500,000 tons of Northwest smelting capacity, or 6 to 30 percent, could be shut down, Moison responded. But you could idle much more than that in any given year, Savage added. We are talking about great impacts in local communities, Forsyth observed. The plants with the greatest value to the community and to the power system are those that operate steadily, day in and day out, Moison stated. Swing plants have much less value in those regards, he said.

Norman asked how much more work the group felt Moison should do on the study. I'd like a fundamental characterization of the industry, Savage responded. We

should fine-tune the assumptions, Moison suggested. Dave Warren, Washington Department of Community, Trade and Economic Development, recommended the study be updated to reflect BPA's current projected energy prices and take-or-pay provisions in the DSI contracts. He added that some of the data would be more informative if displayed on curves that allow for easier comparisons.

We need to be careful about getting bogged down in the details, Forsyth said. Metal Strategies has laid out the variables, and we know power is paramount, he stated, adding that it may not be worthwhile to spend more time on the details. It's now about what the benefits are, and jobs are one of those things – swing plants don't provide reliable jobs, Forsyth said. It's time to move on instead of continuing to crank the model to keep up with changing assumptions, Canon agreed. Stearns said he would like to see the analysis done with updated assumptions. I think the region could get benefits from swing plants, and I would challenge the idea it does not, he indicated.

My comments on the benefits are geared to employment, Moison clarified. He noted that the smelters are valued as a way for the power system to shed load and suggested "power modulation service" can be another useful technique to reduce load.

I'm getting a sense that people would like to see some updating of the information, Norman summed up. We'll work with Metal Strategies to do that, as well as put some of the data in the form of curves, he said.

George Backus, Policy Assessment Corporation, presented the results of "Pacific Northwest Aluminum Industry Energy & Economic Impact Study," an analysis he conducted for the study group. He explained how the analysis was done, including the computer model used and the key assumptions. In terms of the "Industry Results," Backus said aluminum smelters represent a "separate economy" in the region. They have a small impact on regional exports, he said. Support industries that use the smelters' output could import the ingots needed to do their work, if the smelters closed, Backus said.

The economic impact of closing the smelters is about half as much as I'd thought it would be, he continued. If they closed, about 3,000 MW of generation would be saved, and the rest of the economy would respond to that – lower energy prices would stimulate other energy-intensive industries, Backus stated. The load in the Western Systems Coordinating Council area is about 90,000 MW, Speer observed. Would 3,000 MW really make that much difference? he asked. Yes, it would on peak prices, Backus responded. Have you modeled any of the recent shutdowns? Forsyth asked. Backus said he had not. The group asked a number of questions about the assumptions Backus used with regard to the development of gas-fired generation in the region and gas prices in the future.

If all the smelters closed, the impacts to gross regional product would be less than -0.5 percent at worst, and regional employment would change by -0.3 percent at worst, according to Backus. Local areas, such as Cowlitz and Wasco counties, would be devastated, he acknowledged. Per-capita income would drop initially with smelter closure, but would later rise above the base case due to out-migration and a reduction in in-migration, Backus said. Unemployment levels would increase 2 percent at most at the state level, but that figure would decline within five years, he reported. But again, local impacts would be great, Backus indicated, with unemployment rising to 15 percent in a

county like Klickitat. The worst-hit areas benefit the most in the long term, and lower energy prices from the freed-up capacity modestly stimulate the economy, he said.

Forsyth questioned the idea that local economies would recover quickly. Places like Grays Harbor County, where the wood products industry collapsed over a decade ago, have still not recovered, he said. The more rural the areas, the slower the recovery can be, Backus acknowledged. But people were generally not well off in these areas to begin with, he added. DSI attorney Paul Murphy also questioned how per-capita income could increase with the loss of high-paying jobs.

Backus laid out scenarios, ranging from a few to all smelters closing, and the associated economic impacts in terms of gross regional product and employment. The impacts are very important for the people suffering job and economic losses, but overall the impact is small in the total regional economy, he said. The damage is small because the energy market is so tight, and the benefit in the study comes from shutting the DSIs down and freeing up generation in a tight market, Backus explained.

Canon questioned Backus' assumption that the aluminum industry is subject to global markets, but other energy-intensive industries in the region are not. A company like Oregon Steel sells pipe in the Philippines and Indonesia and is hugely affected by global markets, he said. They are also very affected by electricity prices, Canon added. But they can pass on to customers a hike in power prices, Backus responded. They would disagree, Canon replied. Your industries have significant local impacts but less impact outside the region, Backus contended. A representative of the chlor/alkali industry told the group electricity represents 65 percent of the variable cost of chlor/alkali production. We can't pass along increases in electricity prices, he said.

We've had several analyses, and Todd Maddock and I would like to offer the NWPPC staff to summarize the points to take into the next phase of this work, John Etchart, Montana representative to the Council, suggested. That would be helpful, others agreed. We also need peer review of this work, Sara Patton, Northwest Energy Coalition, stated.

I'd like to see these results laid out in a way that local officials could understand, suggested Jim Stromberg, Columbia Falls Aluminum Co. We need to get the information out in such a way that local officials can do something with it, he said. If you spread the impacts of smelter closure over a large population base, it may not make much difference, but "the people in Flathead Valley are scared to death," Stromberg stated. A little local reality has to play into this, he added.

Howard Schwartz, Washington Department of Community, Trade and Economic Development, asked how available the information from the studies is to people outside the study group. People are asking about it, but we weren't sure if it is to be given widespread distribution, he added. Whitney suggested the topic be added to the afternoon's agenda.

She summarized the morning's discussions, noting that it looks like the group has gotten information that says the aluminum companies have value in the region and they face economic risks. The group seems to feel the analyses need to be tweaked, but that there is no need to wait – we should move forward, Whitney continued. I suggest we take the Council up on its offer to come up with a summary and that we work on the peer review suggestions in a smaller group, bringing the recommendations back to the full group, she said. The study group agreed to proceed on that path.

What do you mean by peer review? Stromberg asked. There are different assumptions about what that means, but I don't think anyone is suggesting a whole new level of analysis, Whitney responded. Stromberg agreed that would not be a good idea. What about the timing? he asked. Whitney said the review could be available in January.

Update on DSI Initiatives

Norman gave an update on talks with Brett Wilcox about developing a resource at Goldendale. The idea has "morphed," and we are now talking about having BPA buy the first five years of output from that plant for the same price we would be buying from other sources, he said. Brett's company would inherit the plant after five years, Norman explained. Our talks are still in the conceptual stage, he added. The benefits would be that we would augment our power supply at a competitive price, and the smelters would have the power post-2006 to operate, Norman stated.

Wilcox pointed out that there is "equal craziness" in the gas market as in the electricity market, which caused the parties to take another look at the structure of the transaction. We don't yet have a proposal and are still trying to find ways to meet the portfolio needs, he said. We have principles that are guiding us for this transaction, including there would be no cost shifts, degradation of the probability of Treasury repayment, or change in the rate case, Norman explained.

How many subscription contracts do you have with the DSIs so far? Warren asked. All of the DSIs have signed, Norman responded. So what is this study group doing? Warren inquired. This group is addressing what, if anything, to do on top of the contracts, Norman replied. Any solution that comes from here sits on top of subscription, he said.

Norman described another initiative that is going on between BPA and the DSIs, and he explained how subscription contracts would work. There is not a provision for remarketing power, but if an aluminum company were to take less power than anticipated and we were to sell that amount elsewhere for at least the DSI rate, there wouldn't be a charge to the aluminum company, Norman said. The power would be used to meet firm loads or offered as surplus in the normal way, he continued. Can't you ask the DSIs if they want to reduce their load and split the benefit of doing that? Walt Pollock, Portland General Electric, asked. Yes, we have been triggering a demand exchange, Oliver stated. But the only entity that could remarket the power is BPA, right? Pollock asked. BPA said that is true.

The companies have asked us if we could remarket enough power, starting next October, to allow them to operate at the pre-CRAC rate, but taking less than their full 1500 aMW Norman explained. We've agreed to amend their contracts to allow for a limited amount of remarketing, he said. All of the revenue from remarketing would go to buy down the DSI rate to 23.5 mills, Norman stated. We've agreed in principle to do this, he said. We end up getting exactly the same amount of revenue we would have gotten from the companies, and the companies avoid facing the situation of total closure, Norman continued. Theoretically, the market is better off too, he added. I wish we had been able to discuss this with the study group, but the subscription deadline was upon us, Norman stated. We will share contract language with you and others to test your comfort with this approach before we sign the amendment.

Would the same offer be made to public agencies that have large industrial customers? Canon asked. They didn't know about this contract amendment, but now that they do, they will ask, he said. We'll contemplate it, Norman responded. Savage asked for an example of how the transaction would work, and Norman described the following: an aluminum company is buying 100 MW from BPA and the CRAC triggers, so the rate goes up to \$29 per MWh. BPA agrees to remarket 30 MW for the aluminum company at the prevailing market rate of \$40 per MWh. The excess revenue would be used to pay off part of the 5.5 mill CRAC the company owes on the other 70 MW it is purchasing.

So you would be crediting them \$11 per MWh, and they would get the full benefit of the market price? Warren clarified. And we can assume their rate can't go below what it was originally, Pollock observed.

Does that option exist whenever there is a CRAC? asked Gaylan Prescott, United Steelworkers. That could create an incentive to idle capacity to gain an economic advantage, he stated. An additional variable for the company would be the amount of payroll savings, Warren agreed. But there would also be lost metal revenue, Speer pointed out. Norman noted that the alternative to idling a fraction of plant capacity could be total smelter shutdown and job losses.

Are you referring to CRAC 1 for system augmentation or CRAC 2, which covers market volatility? John Saven, Northwest Requirements Utilities, asked. All CRACs, Norman responded. This would get costs to a point where smelters won't close, yet BPA would get as much revenue as it had anticipated, Speer said.

In addition to the remarketing, we are looking at our New Large Single Load policy, and we've agreed to start a process on that near year's end, Norman said. BPA will provide an opportunity for public comment on the draft proposal. A letter describing the process and timelines will be sent out soon. The fundamental question is, to what extent is a load an NLSL if it is added to the local utility in increments that are under 10 MW per year, Norman said. It's no small question, he added.

That is a real departure from a straight reading of the Northwest Power Act, Stearns stated. The Act didn't address phasing in loads, he said. But the Act is talking about *new* loads, Speer said.

Randy Hardy, representing McCook Metals, explained that McCook is in negotiations with Alcoa to buy the Longview smelter. Without a 10-year power supply, they can't get financing, he said. BPA is only committing to serve DSIs until 2006, Hardy said. We have about two or three months to resolve the situation, and we've approached BPA to begin conceptual-level discussions, he continued. According to Hardy, the discussions are revolving around several principles: no adverse impacts on other customers; basing the transaction on an exchange concept that involves McCook building a cogeneration resource to come on line between 2004 and 2006; having McCook agree to get off the BPA system by a date certain; and bringing a below-market resource to the table to enable a regional benefit.

What do you mean by below market? Canon asked. It means offering BPA a resource below the price of a comparable resource it would purchase in the market, Hardy replied. Norman observed that the deal could help BPA cover its system augmentation needs at lower than expected costs. We've been clear that other customers can't be harmed, he stated.

The further you go out into time, the more difficult it is to meet the “no-impact” test, Pollock observed. You don’t know what the costs and economics will be, he said. One test for such a transaction is would you do the same thing for anyone else who is proposing to build resources in that time frame, Pollock suggested. If the economics work here, they ought to work elsewhere, he stated.

As a construct, an exchange is something we’d consider, Oliver said, adding there is risk with any augmentation scenario. Would you consider such augmentation proposals from any merchant plant? Savage asked. We don’t usually have an offer that would provide us something up front for a benefit later, Norman responded. This is not a risk-free prospect, he added. Your risk in the second five years is that you have to deliver power no matter what it costs, Warren observed. The exchange authority is very powerful and should not be endangered, Pollock said. The quid pro quo is that BPA makes an irrevocable commitment into the future, he added.

“It doesn’t appear there is a dearth of gas-fired CTs proposed in the region,” Patton observed. BPA is undertaking an obligation for resource acquisition, but has not made the same commitment to conservation or other demand-side options, she said. This makes me extremely concerned, Patton stated.

We have agreed to longer-term conservation commitments, Norman responded. This is not a 10-year acquisition, Oliver clarified. You are talking about a long-term commitment, Warren responded. This is an exchange, Oliver said. How do you assure that you meet the no-adverse-impact test? Stearns asked. Is it an analytical or a real test? he inquired. The deal has to be neutral for other customers on a forecast basis, Norman replied. There is nothing that says with absolute certainty it would work out, he said. But it has to be neutral or better on a prospective basis, with risks that are not undue, Norman stated. We can’t assure with 100 percent certainty that anything we do won’t harm others, he added.

To what degree do you factor local job benefits into these deals? Stearns asked. You don’t normally think about that in a resource deal, he added. One motivation for doing this is to provide job benefits, Norman responded, but the job benefits are not factored into our economic and financial analysis of the deals. Moison suggested that power modulation is a solution to be considered. It has been in place for several years and works quite satisfactorily in some locales, he said.

Guiding Principles

Whitney went over the list of guiding principles for Phase 2 of the aluminum industry study and asked if there are additions to the list. I heard there should be no cost shifts, she said. Another issue raised is whether there should be a test to determine if an offer BPA is making to the DSIs can be offered to other entities and customers, Canon said. We need to modify that idea to indicate who those other entities would be, Warren suggested. There need to be some other ancillary benefits like employment, he said.

The concept of the offers is valid, but it is frustrating that BPA is only talking to a limited number of customers, Canon stated. If others know you’re interested in such an arrangement, you might get some other proposals, he said. It’s obvious we are buying power, Oliver responded.

FERC concluded the reason the market price is so high is because there is a significant resource shortage, and BPA needs to acquire, stated Murphy. Is BPA thinking of using this purchase opportunity to bring resources on? he asked. "We are putting out a strong buy signal to the market," Oliver responded. Savage wondered how BPA's actions could affect the wholesale market and the development of new resources in the region. Patton said the principles should state that the actions taken achieve the resource acquisition provisions in the Northwest Power Act.

You need criteria about risk, Pollock advised. You shouldn't commit others to risks by what you are doing, he stated.

We're establishing conditions and constraints more than principles, Savage observed. Are we aiming for targeted smelter-by-smelter solutions or generic solutions, or a combination of both? he asked. Are we zeroing in on the needs of specific companies? Savage inquired. The self-generation solutions are geared to a specific plant, Warren pointed out.

Legally, aren't there constraints in the Northwest Power Act? Stearns asked. Aren't we talking about industrial policy? he went on. One of the principles to add would be that the power system should not pay beyond what makes economic sense, Stearns stated. If we are going to buy 35 to 40 CTs, how do we rationalize selling to anyone at lower rates? he asked. Stearns said all the cards should be on the table so everyone knows what others are paying and why.

If we talk about something specific for a smelter, we may not be able to offer it to everyone, especially if it's something unique to the plant, Prescott observed. Aren't jobs part of the equation? Isn't that why we're here? he asked. We aren't here purely for the economics of the industry, Prescott added. The importance of jobs is the principle that got us into the room, and now how do we address it? he asked.

You have to have benefits in there somewhere, Murphy agreed. The question is should the effect on employment be part of the decision about who gets cheap power, he said. Prescott noted that because of the allocation formula, BPA is still delivering 438 MW to Alcoa, even though the company has one plant completely idle.

I agreed to sit down with the DSIs under a different set of circumstances than exist today, Saven pointed out. I was in a meeting this morning where we were addressing BPA's 15 percent rate increase proposal and discussing whether we could reach a settlement, he said. I could bring in farmers and explain how the 15 percent rate increase would hurt them, Saven continued. It is "a waste of time" to talk about general solutions with the rate filing before us, he said. I don't think it's timely to talk about this, Saven added. People need to know what the deal is for the region before we address the DSIs, he said. Where can we take this now? Saven asked.

We are now in an era of rising energy costs, and that invites us to address first things first, Pollock responded. "Some folks are hit first and hardest," he stated. It's not a waste of time to ask what are the consequences of rising energy prices, according to Pollock. The companies are making decisions that could make or break them, he added.

It's not a waste of time, but it may be premature, Saven agreed. One school of thought is that we are in a transition period that will be short, and we just need to respond so we can get through it, Speer said. I suspect some of Ken Canon's members are in the same boat we are, he added. Some of my members may be in worse shape than the DSIs, Canon responded.

I don't want to buy into criteria today, Saven stated. By January, we will have a better understanding of what's going to happen – it's premature to buy into criteria now, he reiterated. As we build the criteria, we need to honestly judge if anything can be done that would meet the criteria, Canon advised. Even the things that are in play now might not meet the criteria, he added. It may also be premature to add to the proposals for a solution while other things are in play, Saven observed. Things are changing and you have to act, Pollock advised.

Whitney said staff would work on the list of principles based on what has been discussed and send out a revised list. As for the list of possible solutions, she said some additions had been suggested by the discussion, including: remarketing; demand/exchange; power modulation; exchanges; and conservation and efficiency improvements. We are meeting with companies on modulation, Oliver said. With modulation, smelters can vary the amount of power they take without turning off a potline, Moison said. You can do it, but it makes the potlines very unstable, Prescott responded.

You should take conservation-related bids from the DSIs on the same basis you've asked for them from other customers, Schwartz recommended. I suspect the DSIs would have the same objection as other customers do to BPA's "Con-Aug" offer, which forces them to permanently decrement load, Patton said.

For the Next Meeting

The consultants will tweak the studies, Watson will work on the power system benefits study, a subgroup will work up a description of peer review, and staff will update the list of principles and possible solutions, Whitney summarized. We will set our next meeting for January, she indicated.

This is an important process, and trying to reach a conclusion is important, Norman stated. Thank you for spending your time on it, he told the group.

Adjourn