

# **Bonneville Power Administration Regional Dialogue Public Meetings**

**Eugene, Oregon  
August 19, 2004**

**Eugene Water and Electric Board – 6:30-8:30 p.m.  
Approximate Attendance: 25**

## **Opening Remarks**

**Alex Smith (BPA)** thanked the participants for joining BPA at its Regional Dialogue public meeting, and she introduced the BPA participants. She said the time limit for individual comments would be flexible since the number of speakers signed up could easily be accommodated in the two-hour meeting. Smith noted that detailed notes of the meeting would be posted on BPA's Regional Dialogue web site.

BPA has scheduled six public meetings around the region to take comments on its Regional Dialogue policy proposal, she continued. In 2006, BPA's current power rates will expire, but most power sales contracts continue through 2011, Smith explained. BPA's Regional Dialogue policy proposal focuses on the short-term period from 2007 to 2011; we would like your comments on that period, she said. If we receive comments that are not germane to the short-term policy proposal, we will forward them to the proper forum, Smith added.

The comment period on the short-term Regional Dialogue policy proposal closes September 22, 2004, she said. After that date, BPA will consider the comments received and make a final policy decision in December, Smith concluded.

**Helen Goodwin (BPA)** offered "a high-level flyby" of key elements in BPA's Regional Dialogue policy proposal. She pointed out that BPA proposes to: defer consideration of tiered rates; limit the next rate period to 2 or 3 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 benefits; adopt principles to guide development of conservation consistent with the Council's plan; define a role in facilitating development of renewables; and continue to consult with stakeholders and build on cost-control initiatives. Goodwin stressed that in a number of areas BPA provides several options or alternatives and is looking for feedback in these areas from its stakeholders.

She went over the schedule for long-term Regional Dialogue policy development, noting that the BPA Administrator plans to sign a policy in January 2006, with new contracts offered before the end of 2006 and taking effect in the Fall 2008.

## Clarifying Questions and Answers

What type of pressure is BPA under to provide energy to other areas outside the Pacific Northwest? a participant asked. When we have surplus power, it can be sold outside the region, Smith responded. But there is not excessive pressure to do that; we are more concerned now with meeting the load growth in the Northwest and serving our existing customer base, she added.

Goodwin agreed. California depends on buying our excess generation, and that is why the Pacific Intertie was built, she explained. But there is no push to increase the amount of that export, Goodwin added.

## Public Comments

**Jack Speer of Alcoa** said his company currently has two aluminum plants operating in the Pacific Northwest, one at Wenatchee and the other at Ferndale. Our plant at Ferndale is completely dependent on power from BPA and is operating at one-third of capacity, he said. Speer noted that BPA's rates are coming down, a "hopeful and helpful" sign and "good news" for customers.

BPA is going through a period of change, and we support the general direction in BPA's Regional Dialogue policy proposal, he said. But the major change won't be accomplished before 2008, and our power contract with BPA expires in 2006, Speer explained. If nothing happens to our contract before then, "we will go out of business," he said. To avoid that possibility, we are asking BPA to extend our existing contract to 2008, which would take us to the end of another two-year rate period, Speer said. This extension will keep people employed and contributing to their local communities, he said.

BPA should not develop a policy in December "that puts us out of business," Speer continued. The aluminum industry can help BPA in keeping rates down and with the political issues the agency has to address, he pointed out. We have kept up on our financial obligation to BPA and paid our bills, Speer said.

We are asking for the same amount of firm power that we now have and also the opportunity to purchase surplus power, if it is available, on an interruptible basis, he said. As for rates, we are currently paying BPA a rate that is 15 percent higher than what a utility pays – there is not a subsidy going on here, Speer stated. Copies of Alcoa's long-term proposal are available at the registration desk, he noted.

Speer said aluminum plants are experiencing the opposite of "the NIMBY (Not In My Backyard) syndrome." In the communities where we operate, "people love us" and want us to stay; but people outside of these communities, who are unaffected by the plants, want to let us go out of business, Speer said.

I would ask you to think about the value of our product to society; for example, the lightweight aluminum used in planes and cars makes them more fuel efficient, he said. Aluminum is also a very recyclable metal, Speer said, describing a recycling operation in Portland that benefits from its proximity to the Ferndale smelter. Alcoa is interested in sustainability – economic, environmental, and social, he went on, and the company puts out a sustainability report that is on its web site.

In summary, we are asking BPA to extend our contract while we work with the rest of the region on another arrangement for power, Speer stated.

How much of your production is dedicated to beverage containers? a participant asked. Not much of that production exists in this part of the country, Speer responded. But beverage containers aren't a bad product, he added. They are lightweight compared to glass, and that saves a lot of fuel in transporting beverage products, Speer said.

**Katherine Schacht of Emerald PUD** said the full EPUD board supports the utility's efforts to obtain BPA's Slice-of-the-System (Slice) product. Slice would bring us into the 21<sup>st</sup> century with resources, she said.

EPUD is very concerned about the Conservation and Renewables Discount (C&RD), Schacht told BPA. Don't lower the level of the C&RD any further and don't change the program's cost-effectiveness threshold of \$2.2 million per megawatt (MW), she urged.

We applaud BPA for committing to the Council's conservation target, but we are concerned about how it will be achieved, Schacht said. We think it is inappropriate for BPA to compare the cost-effectiveness of Con-Aug measures with those under the C&RD – "it's apples and oranges," she said. Con-Aug is primarily large industrial investment and the C&RD is smaller-scale residential, Schacht said. We're concerned that changing the cost-effectiveness threshold would have a big impact on utilities, like EPUD, that have a small amount of relatively inexpensive industrial conservation available and a lot of relatively expensive residential conservation, she explained.

We think you should consider raising the C&RD as a way to meet the Council's conservation target, Schacht stated. She pointed out that EPUD spends 3 percent of gross revenues on conservation and renewables, and as a percentage of revenue, BPA spends much less. We are puzzled about why you would consider cutting the C&RD, she continued. It's cost effective, and conservation and renewables are cheaper than other new resources, Schacht added. In the end, the outcome we should avoid is constraining the acquisition of conservation so much that we don't acquire enough and end up buying power from the market or having to develop new resources – "that would be a bad result," she concluded.

**Craig Satein of the Housing and Community Services Agency of Lane County** commended BPA for pledging \$21 million annually to help develop renewables. This is "a bold endorsement" for sustainable energy development, he said. Satein said Lane County has weatherized 8,500 houses for low-income families. This helps to ease the

burden for participants and to maintain the inventory of safe and affordable housing, he said. This success is largely the result of BPA funding, he stated.

I am troubled that your proposal does not have a specific budget figure for low-income weatherization, Satein continued. We need to have a solid budget number for program planning, and after you've had your meetings and collected comments, we would ask you to consider "a generous response" to the "averaged" funding level, he said.

I have "mixed feelings" about turning over the development of new electricity supplies to the region's utilities, Satein stated. I am worried about the effect on rates and on wildlife if we do not have an integrated regional resource development plan, he said. In Lane County, we have two very good utilities that are dedicated to renewable energy, but others may turn to non-renewables for their electricity supply, Satein said. My preference is for an integrated regional plan, he wrapped up.

**Pat Flaherty of IAMAW/Alcoa** said employment at Alcoa's Intalco plant has fallen from 1,200 to 500 employees, which has had a big effect on the local economy in Ferndale. If the plant goes down completely, "it would be devastating," he said, pointing out that Alcoa and its employees contribute generously to the local community, including to programs for the needy and to education. The tax base for our school district depends on Intalco dollars, and "if we go away," so do programs in the schools, Flaherty pointed out.

We want 438 MW of power from BPA to bring people back – "we want to get three pot lines going again," he stated. "We are union leaders fighting for jobs," Flaherty said of the four IAMAW members at the meeting. We are asking that BPA consider the Alcoa proposal, which includes supplementing our firm power allotment with purchases of surplus power, when that power is available, he said. Flaherty urged support for keeping the aluminum industry in the region. "Don't let it go overseas," he said, noting that there are advantages, such as the Portland aluminum recycling operation, to having smelters located in the Pacific Northwest.

**Roger Ebbage of Lane Community College** said he was speaking as a utility ratepayer about the need for conservation and renewables. Ebbage said that he had traveled and made presentations recently to U.S. and international audiences and found he was always proud to say that the Pacific Northwest acquires more conservation than anywhere else in the United States. This is because of BPA, utility involvement, and the fact that people in the Northwest are environmentally conscious, he said.

Now is not the time for BPA to scale back on its investment in conservation and renewables, Ebbage continued. We face global warming and are nearing peak oil production, he said. Higher costs for oil will increase demand for other fossil fuels, such as natural gas and coal, Ebbage said. Conservation and renewables are the Northwest's hedge against higher energy prices, he said. We've already begun to experience the effect of global warming on the Northwest hydro system, and the alternatives to hydropower are less environmentally friendly fossil fuels and buying power from outside

the region, Ebbage stated. Continuing conservation and renewables programs ensures we will have an economic advantage as the cost of energy continues to climb, he said.

Ebbage urged BPA to remain an international leader with conservation and renewables. “It only makes sense,” he concluded.

**Kit Kirkpatrick, a member of the working group for EWEB’s Integrated Electric Resource Plan (IERP)**, said the IERP group spoke with one voice when it came to support for expanding conservation and the technology for renewables. We support centralized wind, solar, solar-thermal, and biomass generation, she said.

We are reaching peak oil production, and global warming threatens the Pacific Northwest’s supply of hydroelectric generation, “especially if we are going to protect fish,” Kirkpatrick stated. We are looking for leadership on the federal level and from BPA “to help our beleaguered planet,” she said. BPA could develop technologies as well as provide information and education so consumers understand the dividends that investments in conservation and renewables will pay in the future, Kirkpatrick concluded.

**Daren Krag of IMAW/Alcoa** pointed out that the metalworkers’ union and BPA have been working more closely together and improving their relationship. There were 10 or 11 smelters operating in the Northwest four years ago, but Intalco is now one of only two that are currently operating, “and we are operating at less than full capacity,” he said. As an industry, we have paid “a tremendously high price” for increased electricity rates, Krag indicated.

We are not asking for a subsidy, but we want to see a place for our industry in the short and long-term, Krag said. We provide family-wage jobs, and we want to bring the rest of our plant back up and be able to compete in the market, he continued. “We are unbeatable if we have cheap power and enough of it,” Krag stated. The layoffs in the aluminum industry are very painful for all of us – “I’ve walked people out the door who have 36 years of experience in their job,” he added. We want to make sure that BPA provides power to the DSIs to keep our operation going, Krag concluded.

**Joshua Skov, a member of the IERP working group**, said he appreciated BPA providing an opportunity for public participation. “I don’t take this for granted,” he added. Skov said his comments address the following: efficiency, renewables, and key definitions. The population in the Northwest is growing, the price for hydroelectricity is going up, and the quantity of the resource will not increase, he pointed out. Power in the Pacific Northwest will no longer be abundant or cheap, Skov added.

Raise energy efficiency, he urged. It’s the right thing to do and the best thing for the economy, Skov said. Efficiency also addresses social-equity concerns, he said. Skov advocated development of more renewables, including wind, biomass, and solar, at both residential and commercial levels. He also questioned defining hydro generation as a renewable resource: if it diminishes habitat, it should not be called sustainable or renewable. “I’d like to see some clear thinking about that,” Skov stated.

The two to three-year rate period BPA has proposed “sounds good” and spreads risk, he continued. Like renewables and energy efficiency, a shorter rate period reduces risk, and BPA rate cases get customers talking about the issues, which is a good thing, Skov indicated.

Another message for BPA, Skov said, is that “big users are not special,” and should not be treated as such. The big users “should never be considerations in your long-term planning,” he stated. They take away the flexibility in the system and cause higher rates for others, according to Skov. In the long run, “I don’t fear for the aluminum companies,” he said, adding that Alcoa’s environmental report is excellent. Skov offered his services for the technical working group on conservation.

**Maeve Sowles, a member of the IERP working group and member of Lane County Audubon,** acknowledged BPA’s work and leadership on environmental issues and salmon recovery. We also appreciate the opportunity for public participation, she said. Sowles urged BPA to fund conservation outreach into communities. Individual conservation efforts make a difference, she said. Take the message to communities and into the schools, Sowles said. EWEB takes on that role locally – “don’t ignore the value of it,” she added.

Sowles also urged more attention be paid to conservation at night to minimize light pollution and provided website references where more information could be obtained on the subject. We need to be aware of where lights are aimed at night – nighttime light pollution affects human health and has a big impact on migratory birds, she concluded.

**Jim Maloney, who has spent 30 years in the energy business, said he was speaking as a private citizen.** He complimented BPA on the comprehensiveness and general direction of its Regional Dialogue proposal. But Maloney cautioned BPA against the “Pollyanecdote,” which he described as “a compelling and upbeat story of success that makes it seem everything will be okay.”

The C&RD discount is an excellent tool, so “stop criticizing it,” and commit to being “a backstop” for conservation on the public power side, he urged. Many utilities “are not pulling their weight, and we know it,” Maloney said. You backstop generation in the region, and you should do the same thing with backstopping conservation, he stated.

With regard to developing renewables, BPA should expand its efforts to coordinate among utilities, Maloney continued. It is difficult for smaller utilities to develop wind power on their own, he said, highlighting the importance of BPA’s coordination role.

The region needs a resource adequacy standard, Maloney continued. I have concerns that publics will defer investing in new resources and will then lean on BPA to provide generation, he said. When that happens, “BPA leans on fish,” Maloney stated. He suggested that BPA incorporate resource adequacy language into its power sales contracts. Maloney also said he favors tiered rates because they “give people the

incentive to make wise choices.” “It’s time to get more rational about pricing energy,” Maloney added.

I’d advise BPA to add to its proposal more about leadership in conservation and coordination with renewables, he summed up. And I would urge “less optimism, without accountability,” Maloney stated.

**Dick Helgeson of EWEB** said customers are still reeling from the effects of the energy crisis in 2000. EWEB saw a 60 to 70 percent increase in the cost of its power supply and customers saw a 30 to 40 percent increase in rates, he said. Even with a decrease in BPA rates, we will not be in a position to lower our rates, Helgeson said.

He voiced continued strong support for conservation and renewables. EWEB is a leader in these areas, “and we want to continue to be,” Helgeson stated. Like other publics, EWEB supports moving forward with allocation of the low-cost federal hydro system in order to preserve the benefits for the region, he said. Helgeson said tiered rates would expose utilities to a rational set of price signals. I think it is a structure that makes good sense, he concluded.

**Vicki Hanley of IAMAW/Alcoa** said when she and her fellow union leaders began their efforts to preserve DSI access to affordable federal power, “I didn’t even know what DSI stood for.” I directed my anger at BPA, but “I had a lot to learn,” she acknowledged. As a big user of electricity, “Alcoa helped build these dams – we helped BPA get started,” Hanley pointed out. She noted that BPA hired Woody Guthrie to write songs about the Columbia River, and that Guthrie’s lyrics refer to factories humming along. These factories and the jobs they represent are important to the region, Hanley indicated.

The way some of the aluminum companies conducted themselves after the region’s power crisis in 2000, “gave us a bad name,” but we are not all that way, she said. After hearing some of the speakers, Hanley said she realized BPA has been under pressure to get rid of the aluminum companies as customers. Thanks for including us, she said.

**Hugh Diehl of IAMAW/Alcoa** pointed out that employees of the aluminum industry are no different than anyone else at the meeting, dedicated to their communities, their families, and the environment of the Pacific Northwest. He said family-wage jobs provided by the aluminum industry make it possible for people to have medical benefits for their families. Alcoa gave us the opportunity to live where we do in the Northwest, and we are lucky to work for Alcoa, Diehl said.

We don’t want a subsidy – we want to be treated the same as other customers, he continued. When you lose your job, you can’t pay taxes, Diehl said. That means the schools lose support, he said. We need jobs and industries in this region to make things work, Diehl stated. Look around your house, in your car, “at the bike you rode to this meeting” and see how much aluminum you find, he urged. We are making aluminum with the best-paid workers and with the best environmental standards in the world, Diehl

said. We don't want to be over cleaning up China or Eastern Europe some day, so "keep the production here, Diehl stated.

**Steve Weiss of the Northwest Energy Coalition** addressed what he called "the basic paradigm shift" that BPA is proposing, which is to manage firm power sales to just the existing federal generating resources. That presumes BPA's "problem" is with its obligation to provide power to all customers who ask for it, he said. The Council has endorsed this approach and a General Accountability Office report also takes that view, Weiss indicated. In other words, many agree with the presumption, but is that the problem we have? Is BPA's open-ended obligation to serve the problem? he asked. Weiss said he did not think that was the case, and that the real problem is "BPA's unfettered ability to make policy mistakes."

He argued that few of BPA's costly mistakes in the past decade were related to its need to meet load growth. Weiss listed several instances he called mistakes, including the Tenaska contract. Tenaska was related to meeting load growth, Weiss acknowledged, but ironically, the project costs, which BPA spent \$100 million to avoid, "look good" today.

In 1996, BPA did not enforce provisions in its contracts with customers and let utilities go seek other power suppliers, he said. BPA cut its conservation expenditures by 90 percent at that time, chopping the conservation budget from \$200 million to \$30 million annually, according to Weiss. The conservation that was lost when budgets were cut has cost the region billions of dollars – if we had had that resource in 2000, we would have been in good shape when the power crisis came, he stated.

The "2000 Subscription disasters" are another instance of policy mistakes, Weiss continued. BPA sold 1,200 MW in presubscription contracts without "an escalator clause" and another 1,500 MW was sold to DSIs in contracts without such a clause, he said. In addition, it cost BPA millions to buy out the DSI contracts during the power crisis, according to Weiss.

In addressing the IOU residential exchange, BPA changed the formula and "made a bad judgment," he said, adding that the agency should have done a risk analysis. BPA allowed its preference customers to return to the system in Subscription and subscribe to an additional 1,500 MW of electricity, Weiss said. You should have had a notice requirement for those customers to return, he advised.

The problem is "BPA's risky behavior on large money matters," Weiss stated. The Regional Dialogue proposal is focused on the wrong issue, he said: "load growth is not the problem."

Weiss asked what a small utility would do to fill its resource needs under the BPA long-term proposal. It's too expensive for a small utility to go out to the market for 1 or 2 MW, so "what are their choices?" he asked. One choice is for BPA to fulfill the need, but "how would BPA do that?" Weiss asked. How do you resolve the cost issues and

keep costs separate among customers? he inquired. You will have hundreds of utilities out in the market for resources, Weiss cautioned, adding that the situation creates “boom and bust markets” for resource expansion. This proposal gets away from the one-utility planning “that has made the region great,” he said. It also makes it less likely the region will meet the Council’s conservation goal, Weiss added.

I urge you to focus on the real problems, including a notice requirement for customers who return to the system, he said. Make a good deal with the DSIs, Weiss advised, adding, “the one you’ve put on the table should work.” Do a deal with the IOUs, but don’t worry about load growth, he wrapped up: “it’s not the issue.”

**Rick Crawford, a student at Lane Community College,** said he spent 18 years in the timber industry and was now “retooling” for a new career. Crawford offered support for conservation and renewables. We will run out of fossil fuels and will need these resources, he urged. Crawford noted that he was paying for the 100 percent wind-power option offered by his utility. We need “to plug the holes” where energy is wasted and increase the amount of conservation, he said.

After the final speaker, Smith reiterated the September 22 deadline for written comments on the Regional Dialogue proposal. We read all of the submissions and have a rigorous comment analysis process, Goodwin added. We’ve put out our initial proposal, and without your comments, you’ll likely see what’s in it go into the final, she said. We urge you and others to comment, Goodwin stated.

The meeting adjourned at 8:15 p.m.