

Bonneville Power Administration Regional Dialogue Public Meetings

**Kalispell, Montana
September 15, 2004**

**WestCoast Kalispell Center Hotel – 5-7 p.m.
Approximate Attendance: 50**

Opening Remarks

Alex Smith (BPA) welcomed people to the meeting and introduced herself, **Helen Goodwin (BPA)**, **C.T. Beede (BPA)** and **Gail Kuntz (BPA)**. She thanked the audience for joining BPA to talk about the Regional Dialogue and pointed out that a high level summary of BPA's proposal were available on the registration table. Smith asked speakers to limit their remarks to about five minutes. If you have a prepared statement, please turn it in for the public record, she requested.

BPA will take written comments on the Regional Dialogue policy proposal until September 22, Smith added. She also noted that detailed notes of the meeting would become part of the public record for BPA's decision.

This is the sixth of six public meetings on the Regional Dialogue, and we are also having independent meetings with customers and others if upon request, Smith continued. The purpose of this meeting is to give the public an opportunity to offer input on our proposal, she said.

Goodwin gave a brief summary of the key elements in BPA's Regional Dialogue proposal, pointing out that the entire proposal is on BPA's Web site. She said BPA proposes to defer consideration of tiered rates and limit the next rate period to two or three years. BPA also proposes to offer contract amendments or new contracts at the lowest PF rate to preference customers with five-year purchase commitments with certain caveats and to establish a deadline for providing service to new publics at the lowest PF rate, Goodwin said. Our proposal does not support product switching during the next rate period, she stated.

BPA will make a decision about service to the Direct Service Industries (DSIs) in the Regional Dialogue policy, Goodwin continued. We have four proposals regarding service to the DSIs and would like the public to look them over and comment, she said.

With regard to investor-owned utilities (IOUs), we propose to implement the settlement that was reached, Goodwin said. For conservation, the Regional Dialogue proposal calls for BPA to form a working group to develop conservation programs for the future,

consistent with the Council's plan, she explained. BPA proposes to have a facilitation role with development of renewables, Goodwin said.

We have been working successfully with stakeholder groups on cost control, and we want to continue those efforts, plus have a Power Functions Review process to develop program budgets for the rate case, she explained. In the long term, we propose to limit our firm load service obligation to the resources in the existing system and to no longer meld the cost of new resources, Goodwin said, adding, "that's an important change." There is a schedule in the policy proposal for resolving the long-term issues, and we'd like you to take a look and see what you think about it, she wrapped up.

Public Comments

Karl J. Skindingsrude, who runs a NAPA auto parts business in Columbia Falls, said he would like to be able to continue operating, and the employees of the Columbia Falls Aluminum Company (CFAC) are important to his business. "The things that happen with the big wheels make the little wheels go around," he said. I hope BPA continues to sell power to the Columbia Falls plant – the plant is important to the community and so are its employees, Skindingsrude said. I'd like to see BPA take favorable action toward CFAC – it makes a big difference to us, he stated.

Bill Shaw, City Manager of Columbia Falls, said he was appearing at the behest of the mayor and the city council to support BPA selling cost-based power to CFAC. The plant once had 600 employees, but is now down to 140, he said. That has made a significant difference to our community, and we would like to see the plant receive enough power from BPA to operate at 50 percent capacity, Shaw said. It would be a big help to our community and to vendors like Karl, he said.

Jack Speer, Alcoa, said his company has two primary aluminum smelters in the Northwest that depend on BPA. BPA is proposing long-term changes, and it will take a while – until 2008 – before those changes are final, he said. Our problem is that our contract ends in 2006, and we propose that BPA continue to serve our load until 2008, so we can work with others in the region on a long-term plan, Speer said. BPA has offered four proposals for the DSIs in its Regional Dialogue document, and we are willing to work with others in the region to see how to get to a resolution on them, he said. The region has to come up with a long-term solution to these issues, and we need a rollover of our contract to be at the table to help shape things, Speer said.

We are one of the region's DSIs, and the current terms of service to us were put into the Northwest Power Act, he continued. Under those terms, it is not desirable for us to be served by a local utility, Speer said. He suggested the region consider putting the DSIs in the same category as other industries that are served by a local utility. "Don't preclude doing that," Speer urged, saying BPA should "keep the door open" in its short-term Regional Dialogue decision.

Steve Knight, CFAC, said he supports BPA selling power to the DSIs. We currently employ 150 people at CFAC, but if we were at full operation, we'd have over 500 employees, he said. These are some of "the best paying jobs in Montana," Knight said. CFAC cares about the community, pays significant taxes and is generous with the charities in the valley, he indicated. We produce a commodity that is affected by global conditions, and we pay the highest power rates of anyone producing this worldwide commodity, Knight said. Most smelters in the region have closed because of the power costs, he added.

Knight said CFAC has worked to be efficient and keep its operating costs down in whatever way it can, doing so with fewer employees. We must address the challenges that power prices present, he said. We want enough cost-based power to keep our base operation at 50 percent capacity. Knight stated CFAC wants to maintain our operations and return to full production in the future when conditions improve. We are committed to bringing the plant to full production when market conditions can allow that to happen, Knight said.

The jobs and taxes are important to our community, and BPA is positioned to sell us the power at cost-based rates, he said. The citizens of this valley should benefit from the dams that are in our backyard, Libby and Hungry Horse, Knight summed up.

Terry Smith, CFAC, said he had worked at CFAC for 30 years and was appearing on behalf of the union members who work there. The plant has been important to the valley since 1955 – next year, we will have our 50th anniversary of being part of the community and providing good jobs, he said. Global competition has made things difficult for us, but if we get cost-based, reliable power, we can survive, Smith said. We are "a survivor" and are still here at 20 percent production because of the employees and because of good decisions made by our owner, he said. Our jobs are important to the valley – I would like to bring another 375 employees back to the plant, Smith said. Give CFAC reliable, cost-based power so we can return to full production when the world aluminum prices make it possible, he urged.

Myrt Webb, Flathead County administrator, said that while it appears the valley has a thriving economy, for the 29 percent of residents who don't have things like health insurance, times are tough. Families here have trouble making ends meet, he said. When people lose their jobs, they lose their benefits, which affects others in the community, and eventually their jobs and benefits suffer, Webb pointed out. We support BPA providing power for the aluminum companies, he stated.

I am lucky because I am still working, **Brian Doyle, CFAC**, said. Our jobs are very important to our families and to the local community, he said. I know many people who have been laid off from CFAC and can't find another job that pays as well, Doyle added. I support the comments made by Terry Smith, and I encourage BPA to provide power to the DSIs after the current contracts expire, he stated.

Daren Krag of IMAW/Alcoa said the Intalco plant where he works has also been around 36 or 37 years, and we are the only smelter producing aluminum in the Northwest right now. When you consider the multiplier effect of jobs lost on the rest of our communities, it's significant, he indicated. It's important to us and important to our communities that we stay in operation, Krag said. BPA provided 3,000 megawatts (MW) to our industry just a few years ago, and now it is below 500 MW, he said. We've paid too high of a price already, Krag stated. When I started at Intalco, there were 1,200 employees, but now there are about 400, he said. We'd ask you to tell BPA that these jobs are important, and that we need to be at the table and part of the long-term solution, Krag concluded.

Dave Toavs, CFAC, said he had worked at CFAC for 25 years and hopes to work there for many more. Our management said we need enough cost-based power to maintain our operation at 50 percent of capacity to maintain and restore good jobs, he said. I'd urge you to provide us that power, Toavs said. We've been a BPA customer since 1955, and it's unfair to cut us off, he stated.

Carol Pike, Columbia Falls Chamber of Commerce, said the chamber represents 150 local businesses. We are the first incorporated city outside of Glacier National Park, she said. Our large industries, like CFAC, are vital to the community, she said. CFAC has long been important to the community, and it supports local activities, Pike stated. CFAC meets and exceeds environmental standards for the industry, and that is important since we all want a clean environment, she said. When CFAC is at full production, it has a \$32 million annual payroll, Pike said. "It's humongous" for the local community, including the support it provides for schools and other services, she stated. We urge BPA to provide 500 MW to the DSIs and to see that CFAC gets its share, Pike said. "We are proud to be the industrial hub of Flathead Valley," she concluded.

Jason Bronec, General Manager, Glacier Electric Co-op, described Glacier's service territory and noted that the co-op serves the Blackfeet Reservation and that a large percentage of the co-op's customers are low income. We support the Regional Dialogue proposal – it's important to clarify things for the future and have a plan to stabilize BPA rates, he said. We have a pre-Subscription contract, Bronec pointed out, and it's important for BPA to give its customers an early "heads up" on its policies for the future and protect cost-based rates – it allows us an opportunity to plan ahead and to do things like phase in changes to rates. We appreciate your proposal to allow five-year contract holders to renew and get power at the lowest cost-based rate, he added. This was in support of Flathead.

With regard to cost control, there is discussion of risk to BPA in the proposal, but no mention of risk to end-use customers, like homeowners, businesses and farmers, Bronec said. As utilities, it should be a top priority to remind ourselves who we serve, he said. We tend to get focused internally on ourselves and our organizations, but we can't forget who our customers are and that we are here to serve them, he said. Your proposal talks about getting at best practices in its operations, but is silent on setting the same standard

for best practices on fish costs – there is no reason fish and wildlife programs should not meet that same standard of accountability, Bronec said.

We feel BPA must keep in mind the foundation of public and regional preference, he continued. The Bonneville Project Act says that BPA will operate for the benefit of the general public, and preference will go to public bodies and co-ops, he said. BPA must protect all preference rights, Bronec said. Our communities depend on it, he concluded.

Keith Haverfield, CFAC, said CFAC needs to be able to keep the jobs it has and to add back the ones that have been lost. We have workers who are the second and third-generations of families that have worked at the plant, he pointed out. CFAC needs enough cost-based power to run at 50 percent capacity so we can make it through the tough times, Haverfield said. I support Terry Smith’s and Steve Knight’s comments, he stated.

Matt Leow, MontPIRG, said his organization applauds BPA’s conservation and renewables proposal. I hope the way you meet new demand is to acquire conservation and renewable resources, he said. Conservation and renewables reduce environmental impacts, and they offer the cheapest way to meet load growth, Leow said. We applaud BPA’s energy efficiency efforts, and we are glad to see that your Regional Dialogue proposal acknowledges that energy efficiency does not require new transmission to serve customers, he stated. BPA needs to further define its obligation on conservation by setting a target and seeing that it is met, Leow said. We applaud you for pledging \$21 million for renewables, he stated, adding that BPA with its hydro system could firm up wind power in the system. We support your conservation and renewables work and encourage you to continue it and strengthen your commitment, Leow wrapped up.

Patrick Judge, MEIC, said he supports a clean, affordable, reliable energy system for Montana, and “I think this document does that.” He pointed to a recent study that said future load growth can be met with conservation and renewables. Another important benefit of renewables is that they bring diversity to the system and reduce risk in the hydro system posed by drought, as well as risk posed by increases in the price of fossil fuels, Judge said. We encourage you to bring more renewables into the system, he added. We support having a low-income weatherization goal in the proposal – we need to see more about that goal and how fast it can be achieved, Judge stated.

Pat Flaherty of IAMAW/Alcoa told the audience the Regional Dialogue “is a big deal for us.” Like the workers at CFAC, we’ve lost much of “our family,” and there are a lot of people in our community without jobs, who can no longer contribute tax dollars to the local economy, he said. Those who used to pay for services now stand in line to receive them, Flaherty added. We can’t keep doing this to American industry, letting jobs go away, he said. BPA has heard us, but we’re trying to educate communities about this, Flaherty said. We have a modern plant with a good safety record, he continued.

Flaherty explained that Alcoa Intalco has an arrangement with a Portland extrusion company to provide aluminum ingots, which keeps people working in Portland. We need

to keep viable jobs here in the United States, he stated. It's nice to see other aluminum workers here and to hear from the public and community officials – we're pushing our people to get comments in to support keeping these jobs, Flaherty said.

Representative Doug Ericksen of Washington's 42nd legislative district said the Whatcom County district he represents is a great place to live “if you can find a good paying job.” As a legislator I have two jobs, he said. First, I need to help create an economic environment where people can get jobs and thrive and be successful, Ericksen said. When we do that, communities thrive, he said. Energy drives industry, and our vision should be clear: we want to give energy to industry to keep those jobs, Ericksen stated. My second job is to help people in need, he said. If I do the first part of my job well, there is not as much to do when it comes to helping people in need, Ericksen pointed out.

We need to do what we can to keep jobs here – “once the plants go cold, how do we bring them back?” he asked. Ericksen said he was glad to see BPA's proposal for energy efficiency and renewables – we have to do what we can to save energy. We're working hard to give our Congressional delegation information about this and keep them involved in these issues, he wrapped up.

Ken Sugden, manager of Flathead Electric Co-op, thanked BPA for coming to the Kalispell area for one of its Regional Dialogue meetings. Flathead Electric agrees with most of your policy, he said. We agree with your proposal to extend lowest cost PF to utilities with 5 year contract options, Sugden said, noting that Flathead Electric is one of the utilities that would be offered an extension. It would mean a lot to our members to have lower rates, and we thank you for that part of the proposal, he said.

CFAC is a major employer here with the best jobs in the valley, Sugden said. We agree with your proposal to provide 500 MW to the DSIs so they can keep operating, he said. With regard to conservation and renewables, we agree with your policy, Sugden said. Conservation is best done at the local level, and we've committed to have our employees work on the committee that will be developing the region's conservation programs, he said. We also agree with your facilitation role for renewables, Sugden said. We agree that you should step back from large-scale involvement and get back to the facilitation role, he stated. (Ken also mentioned serving DSI through local utilities)

Hugh Diehl of IAMAW/Alcoa pointed out that the Kalispell area is like the area where he lives in Washington, a nice community with beautiful scenery. We urge BPA to go back to its original mission statement and to stimulate rural economies, he said. “Go back to your roots,” he said. This is another one of the region's small towns that needs large industry, Diehl said. We are here to support Alcoa's proposal, he continued. BPA, you have listened to everyone, and now you have to go back and consider what you've heard: we need jobs, so consider the need for jobs and do what you can to keep industries going in the Northwest, Diehl urged.

Bill Drummond, Western Montana G&T, said his organization represents seven utilities in western Montana that serve about 100,000 customers. BPA did an excellent job on this proposal and made the right policy calls on most of the issues, he said. That's important because this sets the stage for major long-term decisions, Drummond said.

We believe it's appropriate for BPA to offer extensions at the lowest PF rate to the five-year contract holders, he said. This offer must be preceded by a net-requirements determination that people see as fair and credible, Drummond said. The net-requirements determination is preparation for the long-term questions, he added. With regard to new public power loads, public power did not give BPA a lot of direction, Drummond said, but a net requirements determination could be part of the answer to this issue. If a new public entity is formed from a former IOU, it should come into the system with existing resources and exchange benefits and that would limit the amount of power needed from BPA, he pointed out.

We have worked on the DSI issue for over 20 years, Drummond continued. BPA has no statutory obligation to serve the DSIs and doing so would hasten load/resource balance, he said. Some DSIs have "arbitrated" power in the past and some left BPA with unpaid debts, Drummond stated. We think 300 MW is the right amount to offer the DSIs, but we don't think they should have any special rate treatment, he said. We could discuss the idea of a capped financial benefit to the companies that are now operating, Drummond added. And, as Jack Speer suggested, we could examine the idea of moving the DSI load to local utilities – that examination makes sense, he stated.

We support the Regional Dialogue proposal on renewables, Drummond said. With regard to conservation, it is best done at the local level, and we will be represented on the committee that is developing the region's new conservation programs, he said. This proposal is going in the right direction, Drummond wrapped up.

Gene Dziza, Flathead Business and Industry, said business and industry "pay the light bill" here and in other places. It provides the jobs that allow people to pay their bills, he stated. Our concern is with BPA providing an adequate and reliable power supply to CFAC, Dziza stated. There is so much power generated here in Montana, he said, BPA should "show some compassion for our state and communities" and preserve the jobs. They pay the bills, Dziza summed up.

Vicki Henley of IAMAW/Alcoa said she was touched by the stories the CFAC workers had to tell – "we have the same story." We want to keep jobs and we need jobs in the Northwest, she said. CFAC feels the same as we do – we don't want special deals, we just want a piece of the pie, Henley stated.

State Senator Jerry O'Neil pointed out that his parents sold property and mining claims to CFAC years ago. The understanding back then was that the dams would go in, and the power would go to businesses in Flathead County, he said. That has been a good agreement, and it should continue, O'Neil stated. I speak for the co-ops and for CFAC in asking BPA to continue that agreement, he said.

Jim Stromberg, power manager for CFAC, thanked BPA for coming to Kalispell and said his first point was not a DSI issue. The co-ops want contract extensions in order to get most of their power from BPA at the lowest PF rate. That would be good for consumers and good for the valley, he stated.

None of the DSIs have taken all of the power they were entitled to under their current contracts, Stromberg pointed out. There are smelters in the region that are in bankruptcy, and it's a very tough situation for the companies now, he said. We can support the idea that companies have to be creditworthy to get more power from BPA, Stromberg said, pointing out that CFAC is creditworthy and has met its obligations. Some companies have not, and they owe BPA money; I want to be clear – that's not us, he stated.

Stromberg made the point that because CFAC is a large load east of the Cascades, when the plant is taking power, reduces the need to transfer federal power west from Montana resources. He also said CFAC provides reserves, and BPA's trading floor can call the plant and ask them to drop load in order to provide stability if there is a problem on the system. It's a huge benefit to BPA, Stromberg said. Without us, the other solutions would be a \$150 million investment in transmission, which is something BPA does not want to do, he added.

Stromberg said he did not endorse the 500 MW figure in BPA's proposal for the DSIs – between Alcoa and CFAC, our need is more than that. If BPA were to provide more power than 500 MW to the DSIs, the rate impact would not be great, even if market purchases were \$10 per MW above the price of BPA power. As for BPA's "preferred option" of financial incentives, "we prefer power," Stromberg said. We will look at the other options, but we prefer BPA as a power supplier, he reiterated.

With regard to service from a local utility, it's not a new idea, but we could work toward that, Stromberg said. "It could be a great solution," he added.

Montana State Representative Dee Brown said the Flathead Valley has been the beneficiary of great jobs, but things have taken a downhill turn because of the power situation. We need high-paying jobs, she said, adding that the residual effect of job loss is significant in the valley. We've lost a lot of good-paying jobs and lost a huge portion of our tax base, Brown stated. We need jobs with benefits, and we'd ask that you do what you can to help the aluminum companies in the region become viable businesses again, she concluded.

Liz Harris, Jobs Now, Inc., said at one time, CFAC accounted for 12 to 15 percent of the income in the valley, and with the multiplier effect of those jobs, "it was huge." I am constantly engaged in attracting new businesses and in job development, but the Number 1 rule in economic development is "keep what you have," she said. CFAC needs enough cost-based power to keep partial operations going, Harris said. If they are able to get power to operate at 50 percent capacity, they can ramp up again in more robust times, she pointed out. BPA can go a long way to helping us with that, Harris stated.

Doug Grob, Flathead Electric Board of Trustees, said he appreciated BPA's proposal to renew Flathead's five-year contract at the lowest PF rate. Our current power supply contracts make us the highest-priced utility in western Montana, he said. And that is not a good thing since we have a number of low-income people here who suffer having their lights turned off, Grob said. CFAC is in our backyard, he continued. The federal dams were built before there were people or loads to take the power, and the aluminum industry paid a lot of money toward making those original dams possible, Grob said. Not all of the dams would have been built if it hadn't been for the aluminum companies, and we would not have the federal power system we have today, he said.

"The industry that is most responsible for the system should not be barred from the door," Grob stated. Other industries have access to low-cost power through their local utilities, so let's not bar the industry that has the closest connection to the benefits we get from the federal system, he urged.

Joe Unterrine, Kalispell Chamber of Commerce, spoke in support of the Alcoa proposal. The effect of CFAC job loss has a ripple effect on the economy, and it ripples down to Kalispell, he said. There was a closure of a big outdoor store here recently, and it was due to job layoffs in the valley, including those at CFAC, Unterrine said. CFAC has taken many steps toward being efficient, and it allows them to be in the position they are in, he pointed out. We support the DSI proposal, and ask BPA to help us out here in Flathead County.

Wrap Up

Smith thanked the audience for attending. I encourage you to submit written statements, she said.

The meeting adjourned at 6:45 p.m.