

## **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 IAMAW/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.

R064-0021  
SEP 01 2004

FOR THE HEARING RECORD  
Bonneville Power Administration  
Draft Regional Dialogue  
Boise, Idaho  
August 31, 2004

My name is Edwina Allen. I live at 2114 Ridgecrest Drive in Boise, Idaho 83712.

Your draft plan for your approach to meet the Northwest's future energy needs makes many commendable points. However, there are a few areas that need to be improved. I am particularly concerned that in this plan BPA do all it can to help with the restoration of salmon to harvestable levels. We need to keep reminding ourselves that the Northwest Power Planning Act requires that the hydro system be run for the benefit of salmon and energy production equally, and with salmon sliding toward extinction we need to do better. And we can do better. The future plan must ensure power supplies adequate so that we will not face a future energy crisis that will result with damage to fish. Spill for the benefit of fish must continue at least until the bypassing of the four Lower Snake dams makes this issue less critical. BPA must also continue to protect the environment of the Northwest from the impacts of transmission lines and other energy facilities.

There are steps that need to be taken to assure adequate power supplies. Stealing a thought from Benjamin Franklin, a kilowatt saved is a kilowatt generated. One step toward this goal is for you to significantly increase funding for your low-income weatherization program.. I also request that you provide seed money for new renewable projects. I recently had the opportunity to visit a wind turbine facility and was very impressed with it. But the operator stressed that it was important that they had more economic certainty to be able to expand their operation. Also, I applaud your emphasis on energy efficiency, but I would like to see a more specific plan on how BPA will work with customer utilities to meet your regional efficiency goals.

Thank you for this opportunity to testify.

received 8/31/04 Boise Public Mtg.

Remarks for the BPA Hearing, Spokane

I am President of Bellingham Technical College in Bellingham, Washington. The focus of my remarks is the importance to our community of keeping the ALCOA/Intalco Ferndale plant in operation. The core of our college's mission is workforce education. We are the institution in our community that prepares people to begin careers, and retrain them when they need new ones. We also help our employers train their workforce so that they can be competitive in a tough and increasingly global economy. We pay close attention to developments in our economy, and we help where we can.

While we are here to help, there are limits as to what we can do. Our state has been in severe budget crises in each of the last three years, and our funding has been cut. During this time, we have been actively engaged in retraining workers dislocated from their careers with companies that include Georgia Pacific West, Boeing, and ALCOA/Intalco. Last year, we served 283 Full-Time Equivalent dislocated workers, and we were funded for 97. This year we are funded for 77. As of August 25, we had exactly 56 class openings in six of our 23 programs, and these are filling quickly. The other 17 programs have waiting lists for students who will not be able to attend the program of their choice this Fall. Should ALCOA/Intalco close their operation in Ferndale, we will not have the capacity to retrain the ~~all~~ 400 workers who will be affected.

ALL OF

For those whom we have retrained, we are very pleased to say that our placement rate has been extraordinarily high. However, that is where the good news ends. As a member of our local Workforce Development Board, I get to see a lot of objective data on dislocated workers. The sad truth is that on the average, they average 73% wage recovery after retraining. While our economy has expanded and created new jobs, the wages paid in these jobs do not replace the standard of living afforded by the high wage, heavy manufacturing jobs we have lost in the paper and primary metals industries. No one is creating new jobs that pay what these jobs paid for comparable levels of education.

The issues surrounding power supply are complex, and I certainly understand that they have a fundamental impact on business decisions in the power-intensive aluminum industry. My central point is that these decisions about power supply have a tremendous impact on workers, families and communities, and that we must all be very honest about the fact that the safety net of retraining has some very large holes in it. We have all ready seen some people fall through it. The remnants cannot hold 400 people. Thank you for your consideration of my remarks.

Gerald Pumphrey, Ed.D.  
President  
Bellingham Technical College  
3028 Lindbergh Avenue  
Bellingham, WA 98225

**Kuehn, Ginny - DM-7**

AD04-0023  
SEP 02 2004

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**From:** mgendron@ifpower.org  
**Sent:** Wednesday, September 01, 2004 1:05 PM  
**To:** BPA Public Involvement  
**Cc:** King, Larry D - PSE-Burley  
**Subject:** Regional Dialogue Proposal

**IDAHO FALLS POWER COMMENTS ON THE REGIONAL DIALOGUE  
BPA'S POLICY FOR POWER SUPPLY ROLE FOR FISCAL YEARS 2007-2011, DATED JULY 7, 2004.**

Idaho Falls Power appreciates the opportunity to comment on the Bonneville Power Administration's Regional Dialogue Proposal. We also appreciate your efforts to visit areas such as Idaho to present this proposal and solicit comments from stakeholders in our state. Unfortunately, we were unable to attend the August 31 meeting in Boise. We have reviewed the proposal and are generally supportive of the recommendations Bonneville has made. Idaho Falls also agrees with and supports the comments of the Public Power Council. We will not attempt to make more specific comment on every issue, but following are several comments of particular importance to Idaho Falls:

**Tiered Rates:** We agree with your conclusion to not implement tiered rates for 2007-2011.

**Rate Period:** We appreciate your arguments for shorter rate periods and support your recommendation.

**DSI Benefits:** We do not support the DSI's receiving an inordinate amount of benefit from the FBS. We also are concerned about Bonneville lending credit support to the DSI's.

**IOU Benefits:** We support your decision to offer the IOU's monetary, and not power, benefits.

**C&RD and ConAug:** We support continuation of these programs and the inclusion of renewables in C&RD.

**Controlling Costs:** We applaud Bonneville for its ongoing efforts to control and lower costs.

**Post 2011:** Idaho Falls Power is in agreement with PPC and public power in general on the long term role of Bonneville. We look forward to working with Bonneville on an allocation of the FBS and other very important longer term issues.

Again, thank you for the opportunity to comment.

Mark Gendron

**Kuehn, Ginny - DM-7**R004-0024  
SEP 02 2004

**From:** PBL Regional Dialogue  
**Sent:** Thursday, September 02, 2004 11:41 AM  
**To:** Kuehn, Ginny - DM-7  
**Subject:** FW: Salmon Survival

This came in to the Regional Dialogue Inbox from one of the meeting attendees.

-----Original Message-----

**From:** Scott Levy [mailto:redfish@bluefish.org]  
**Sent:** Wednesday, September 01, 2004 6:14 PM  
**To:** hugh.diehl@alcoa.com  
**Cc:** Stauffer, Nicki - A-7; PBL Regional Dialogue  
**Subject:** Fw: Salmon Survival

Hugh Diehl,

It was nice to meet with you and fellow aluminum workers to listen to your concerns. Before the meeting, we began to discuss the mortality of Idaho salmon and where it occurs. In July of this year, I compiled the best available mortality estimates and have attached this summary here (also available at [www.bluefish.org/survival.htm](http://www.bluefish.org/survival.htm)). You will notice on the last page that these estimates provide a very close approximation to the mortality that we are actually recording by counting fish. This gives me confidence that the various estimates are relatively good but notice that some estimates have wide ranges (in particular, delayed effects of the hydrosystem survival between 32% and 63%).

I hope that you find this information helpful and I am readily available for future discussion on this complex issue. It is important that your industry and the workers that you represent become informed regarding the plight of Idaho's wild Salmon & Steelhead.

Fish recovery costs will come down if Idaho's fish actually recover. We are currently spending some \$500 to \$700 million annually on fish recovery programs. As of now, the status quo does not appear to be bringing recovery, but time will tell. Six sockeye have returned so far to Idaho out of an expected return of 150 fish. While operating under the 2000 FCRPS Biological Opinion, the region has been cooperating in an unprecedented way to bring about salmon recovery while keeping the dams and reservoirs in place. If return rates do not begin to improve from these efforts then it is clear that more will need to be done. This is the framework that the 2000 FCRPS Biological Opinion was built.

As we can discuss later, the future pressure on BPA rates is downward. Annually, the BPA pays \$500 million per year to bond holders of the failed WPPSS nuclear projects. This debt will be paid down between 2013 and 2018. The lower Snake River dams provide a **gross** revenue of \$210 - \$250 million per year, this is before any of the costs involved are tallied (which I have estimated to be around \$135 million per year). In one since, the gross revenue from the Lower Snake is paying for roughly half of the WPPSS debt. When the debt is paid off, the revenue from the lower Snake will no longer be needed. As BPA rates are cost-based, overall costs will be heading down and so to for BPA rates. Regardless of the detailed economics surrounding Lower Snake River dam & reservoir removal, future rates are heading lower.

Remember, this is before we even consider how salmon recovery costs will be effected if salmon actually recover. Removal of the Lower Snake River dams has a high likelihood of achieving this goal.

Please feel free to contact me further on this issue. The salmon and steelhead of Idaho would be thrilled to have your support.

Best Wishes,

Scott Levy  
[redfish@bluefish.org](mailto:redfish@bluefish.org)  
(208) 726-9278

cc: Paul Norman, via N.M. Stauffer

9/2/2004

# Survival of Snake River Salmon & Steelhead

Data compiled July 2004 by [www.bluefish.org](http://www.bluefish.org)

Close Window

## [Skip to Executive Summary](#)

The following is a generalized example of where salmon mortality occurs. In all cases we will be talking about Snake River salmon & steelhead. Our chief example will follow the spring chinook, making comparison with Snake River sockeye or other species when appropriate.

### **CONCEPTION**

#### **5000 eggs per spring chinook adult pair.**

On average, Snake River spring chinook lay about 5,000 eggs. Studies in Idaho indicate that well over 90% of the eggs will be fertilized by the male (or males). In the gravel, some eggs will perish because they were not perfectly formed, others will fall prey to microorganisms like fungus or parasites. Additionally, young fish and developing eggs are eaten by birds and by other fish. Of the 5000 eggs laid by the female chinook, about 8% survive to migrate downstream towards the ocean. On average, 400 smolt migrate per spring chinook adult pair.

### **DOWNSTREAM MIGRATION**

#### **Juvenile Migration to Hydrosystem Corridor**

For Steelhead and spring/summer chinook about 60% survive to the beginning of the hydrosystem corridor at Lewiston, Idaho. The survival rate to here depends on the distance traveled but typically falls in the 50 - 70% range. Sockeye survival to the first reservoir is a bit lower with a survival rate in the 30-40% range.

#### **Juvenile Survival through the Hydrosystem Corridor of eight dams and reservoirs**

Based on averages from 1994 through 1999, juvenile survival through the Hydrosystem Corridor is 7.4% for fall chinook, 40.3% for spring/summer chinook and 41.5% for steelhead.

#### **Mortality in Reservoirs**

Reservoirs formed behind the dams slow water flows, alter river temperatures, and provide habitat for predators, all of which may result in increased mortality. Salmon mortality occurs mostly in the reservoirs (40%), while mortality at dams is about 20%.

Through the first reservoir, 95-96% of the steelhead and spring/summer chinook reach the first dam (Lower Granite). The situation is much worse for the fall chinook with only 60% surviving to Lower Granite dam.

During late June through August, summertime flow augmentation provides measurable survival benefit for juvenile fall chinook. It is far from conclusive, however, if this survival benefit is due to water temperature, turbidity or flow rate. The next few years of returning adults (which migrated downstream as juveniles during low flow augmentation years), will greatly increase our understanding of flow augmentation effects (see [www.bluefish.org/fishflow.htm](http://www.bluefish.org/fishflow.htm)).

### **Mortality by Predacious Fish**

Survival past predacious fish is estimated to be about 92.7% - 94%. The higher survival rate is attributed to a sport reward fishery of Northern Pikeminnow costing Bonneville Power Administration ratepayers (primarily Washington electricity users) \$1 million annually.

### **Collection and Transportation by Barge**

During migration season, salmon and steelhead are collected, transferred and transported by specially designed barges where they are released below Bonneville dam, the last dam before the ocean. For decades, the Army Corps of Engineers has suggested that collection and barging provides adequate salmon survival. The recent "Comparative Survival Study" by Fish Passage Center (11/26/3) suggests otherwise:

- Little or no transport benefits were evident in most years for Snake River wild chinook based on available PIT tag data, 1994-2000.
- Delayed mortality was evident for transported Snake River chinook smolts, which died at a greater rate after release below Bonneville Dam than smolts that migrated through the hydrosystem.
- Smolt-to-Adult return ratio (SAR) of transported and in-river migrants were much less than the 2-6% SAR needed to recover Snake River spring/summer chinook.

## **ESTUARY AND OCEAN**

### **Predation in estuary below Hydrosystem corridor**

Caspian Terns consume 10.4% of spring/summer juvenile chinook, 5.4% of juvenile Fall Chinook and 18% of juvenile steelhead. Cormorants consume approximately 3% and gulls consume another 1% of juvenile salmonids. Comparable to the predation by birds, it is estimated that harbor seals may consume 14.4% of juvenile chinook.

### **Delayed Mortality (see [www.bluefish.org/stressdam.htm](http://www.bluefish.org/stressdam.htm))**

Indirect evidence suggests that the hydropower system causes delayed mortality in salmon. While direct mortality from hydropower eliminates 25 to 73 % of juveniles and adults, Snake River fish may experience 37% to 68% "additional mortality," or delayed mortality from the effects of the hydrosystem corridor.

### **Ocean Conditions**

Ocean conditions, availability of food, and an abundance of predators brings an estimate of 94% - 98% mortality in the 2 to 3 years spent in the ocean.

## UPSTREAM MIGRATION

### Adult survival to Hydrosystem Corridor

#### Mortality by Seals and Seal Lions

Returning adult salmon face predation by seals and sea lions at an estimated mortality rate of 1% to 1.5%.

#### Harvest Impacts allowed by NOAA Fisheries

For spring chinook and sockeye, allowable impacts depend on expected run sizes. In recent years fishery managers have allowed a 31.3% impact on Snake River fall chinook, up to an 11% impact on spring/summer chinook, and 17% impact on steelhead.

### Adult survival through Hydrosystem to Spawning Grounds

Based on data collected on returning adult chinook and steelhead, 72.2% survive upstream migration through the Hydrosystem Corridor. For adult chinook that survived all the way up through Hydrosystem Corridor about 80% - 90% return to their homeland spawning beds.

## SUMMARY

In the case of Snake River spring chinook, an adult female lays about 5000 eggs.

5000 eggs per adult spring chinook pair.

400 smolt migrate, assuming 8% survival.

200 - 280 smolt survive to first reservoir, assuming 50% to 70% survival.

81 - 113 **survive the Hydrosystem Corridor as juveniles, assuming 40.3% survival.**

57 - 80 survive bird and seal, sea lions predation in the estuary, assuming 71.2% survival.

18 - 51 **survive delayed effects of the Hydrosystem, assuming 32% to 63% survival.**

0.36 - 3.0 survive years in the ocean to begin upstream migration, assuming 2% to 6% survival.

0.32 - 2.7 survive seal and seal lion predation and harvest, assuming 87.5% to 88% survival.

0.23 - 1.9 **survive the Hydrosystem Corridor as adults, assuming 72.2% survival.**

0.18 - 1.7 adult progeny survive to spawning grounds, assuming 80 to 90% survival.

## OVERALL POPULATION TRENDS

The available data indicates with 95% confidence that Snake River salmon and steelhead populations continue to trend downward. Note that while the 2000 FCRPS Biological Opinion establishes *lambda* as the best measure of population trend, the proposed draft Biological Opinion looks to abandon this approach.

#### Estimated return rates: Adult to Adult

1.76 survive to spawning grounds per adult pair Snake River fall chinook.

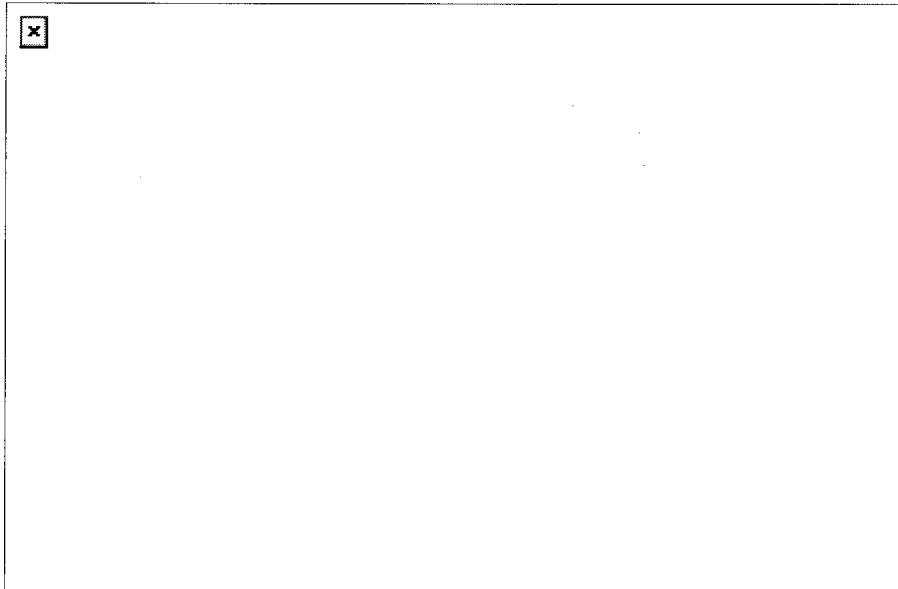
1.62 survive to spawning grounds per adult pair Snake River spring/summer chinook.



1.42 survive to spawning grounds per adult pair Snake River steelhead.  
0.36 survive to spawning grounds per adult pair Snake River sockeye.

**Four Lower Snake River dams in southeastern Washington**

Lower Granite, Little Goose, Lower Monumental and Ice Harbor



For further information, questions or comments contact [redfish@bluefish.org](mailto:redfish@bluefish.org)

Visit [www.bluefish.org](http://www.bluefish.org) to stay current on the plight of Idaho's wild Salmon & Steelhead.

# **LDC**CONSULTING INC.

5794 CAMPBELL ROAD  
PHONE/ FAX: (509) 548-9095

PESHASTIN, WA 98847  
E:MAIL: LDConslt@rah.net

R004-0025  
SEP 03 2004

Date: August 11, 2004

RE: DSI Power Rates

As a Senior Staff Mechanical Engineer at Alcoa's Wenatchee Works, I was asked to retire after 27 years of faithful service to the company. Alcoa's top management had decided to eliminate all staff engineer positions from the payroll in favor of hiring contract labor.

My desire to live in Washington while continuing to use my experience and training prompted me to create my own consulting business. As a result, over the past few years I have had several opportunities to work at Alcoa's Intalco Works.

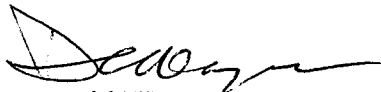
On the behalf of Intalco as well as myself I am asking you to do everything possible to provide Intalco with the lowest cost power possible. By doing so there is a chance they can be even more competitive in the international marketplace.

Intalco has already made severe cuts across the board in an effort to keep a portion of their potlines operating. The workforce seems to be extremely willing to do whatever is necessary to keep some jobs in Whatcom County. They are doing everything they can; now they need your help.

With the labor situation in Wenatchee being what it is, perhaps a deal can be struck with the Chelan PUD to somehow use that low cost power to bless the people of the State rather than just the Wenatchee Valley. The employees at Wenatchee Works didn't take advantage of their opportunity; I believe Intalco employees will.

Keeping aluminum production facilities operating in Washington means additional tax revenues for the State in a time where every tax dollar has significant meaning. Please do whatever you can to keep Intalco running by providing them with low cost power.

Thank you.



David Wagner  
Chief Consultant  
LDConsulting, Inc.

**Kuehn, Ginny - DM-7**

R007-0026  
SEP 03 2004

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**From:** shalpin@kballoys.com  
**Sent:** Friday, September 03, 2004 12:04 PM  
**To:** BPA Public Involvement  
**Subject:** Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011

**Comment on BPA's Regional Dialogue Policy Proposal for FY 2007-2011**  
View open comment periods on <http://www.bpa.gov/corporate/kc/home/comment.cfm>

Steve Halpin  
KB Alloys  
shalpin@kballoys.com  
360-371-2312  
8615 Semiahmoo Dr.  
Blaine WA 98230

Dear Sirs: Please do not abandon the DSIs. Aluminum smelters provide not only family wage jobs for small communities, they provide a strategic material necessary for the stability of our regional and national economies, as well as the defense of the nation. The USA is now a net importer of aluminum necessary to build defense related items. Do we want to depend on China and other off shore sources for a vital material? The Northwest bears the brunt of the effect of the dams on our rivers. Why shouldn't we enjoy the benefits? Only spot excess BPA power should be marketed outside this region. Why should we tolerate dams on our rivers only to ship a large part of the power outside the area? If that continues, you will see a surge in interest to remove the dams. The DSIs deserve the right to do business direct with the BPA. The DSIs gave BPA its start 70 years ago and have been faithful customers ever since. The PUDs want all the power to resell to home owners to power micro wave ovens and TVs. I think we should produce something with the power and enjoy the compounding effect that making and selling something provides. How can the PUDs sell power to people without jobs and the ability to pay their power bills in the very communities that have lost good paying aluminum jobs? PLEASE allocate at least 8-900 megawatts for aluminum smelters. Sincerely, Steve Halpin KB Alloys - a supplier to the aluminum industry. PS: My job may be the next to go, so yes, I have a vested interest, as do my coworkers at our plant in Wenatchee and our friends at Alcoa next door.

9/3/2004

August 30, 2004

Rec'd  
09-07-04

R D04 - 0027  
SEP 08 2004

Barry Hullett  
3351 Barkley Boulevard  
Bellingham, WA 98226

Bonneville Power Agency  
Administrator Steven Wright  
P.O. Box 3621  
Portland, OR 97208-3621

Dear Administrator Wright,

I am writing this letter to solicit your support to aid in securing competitively priced power contracts to Intalco Works located in Ferndale, WA. Presently, Intalco is only operating at less than 50% of capacity due to high power pricing. Intalco Works has the safest and most productive workforce of any smelter in North America. **With your help we can put the entire workforce back to work. Obviously, with Washington State having one of the highest unemployment rates anywhere in the nation, this should be a top priority for all of us.**

Without reasonably priced power, these jobs will be lost overseas. Many of the overseas smelters do not have the same environmental control systems as Intalco employs. **A decision to sacrifice this plant, will have an overall negative impact on the world environment.** BPA enjoys renewable, hydropower that does not burn fossil fuels. Many of the overseas facilities are now being targeted to supply energy using fossil fuels. Compounding this, most of the aluminum has to be transported from these third world countries to industrialized countries where companies like Boeing consume it. Required transportation again adds to a negative environmental impact by consuming more fossil fuels. As I am sure you are aware, aluminum is environmentally friendly. It does not rust and can be recycled numerous times. It is also lightweight, so again it conserves energy in cars, railroad freight, airlines, etc. etc..

With your help, Intalco works can continue to provide jobs well into the future. **This is the best decision for American jobs and for the environment. It would be shame to un-employ the safest, most productive aluminum smelter workforce in the nation.** I look forward to your support on this issue.

Sincerely,



Barry Hullett  
Reduction Manager  
Intalco Works

# Bonneville Power Administration Regional Dialogue Public Meetings

R004-0028  
SEP 08 2004

Spokane, Washington  
August 26, 2004

Airport Ramada Inn – 6:00-8:00 p.m.  
Approximate Attendance: 40

## Opening Remarks

**Paul Norman (BPA)** welcomed people to the meeting and introduced himself and **Helen Goodwin (BPA)**. He also acknowledged **Tom Karier, a member of the Northwest Power and Conservation Council**, who was in the audience.

This is the third of six BPA Regional Dialogue meetings, Norman said. He asked those who wished to speak to sign up to do so, and he suggested speakers keep their remarks to around five minutes. He also asked people to leave any written comments with BPA staff at the registration table. Norman pointed out that the statements people make and notes of the meeting would become part of the record on which BPA bases its policy decision.

The Regional Dialogue is a significant decision process that will answer how and to whom federal power is sold, and it will set the stage for rates and new contract terms, Norman explained. BPA wants a policy that will clarify roles, keep rates stable, and nail down the agency's long-run obligation for conservation and renewables, he said.

Besides “the shenanigans” of marketers like Enron, one of the reasons for the big rise in power rates a few years ago was an underinvestment in electricity infrastructure, Norman continued. The underinvestment was caused by a lack of clarity about the role BPA and others in the region would play in providing future resources, he said. With this Regional Dialogue policy, we want to create clarity about the roles we will all play in resource development, Norman explained. The Regional Dialogue proposal carves out the questions BPA needs to act on quickly and outlines a second phase in which to answer “bigger, long-run” questions, he stated.

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; exclude product switching; provide limited support to the Direct Service Industries (DSIs); implement the settlement that was reached on IOU exchange benefits; adopt principles to guide development of conservation consistent with the Council's plan and work with an advisory group to put together details of the next conservation program; define a role in facilitating development of renewables; and continue to consult with stakeholders and build on cost-control initiatives. We welcome your ideas and thoughts about whether this proposal is the right thing to do, Goodwin concluded.

## Public Comments

**Jack Speer of Alcoa** said his company is one of BPA's DSI customers. We are a good citizen in the region with smelters in Ferndale and Wenatchee, Washington, he said. Unlike with some industries, people in our communities "like having us next door," Speer said. We provide good jobs and contribute to the local economy, he added. But it is people remote from our plants that don't like us and don't care if we go away, Speer said.

"We produce a valuable product in a responsible manner," he stated. Speer encouraged people to go to the Alcoa web site and look at the company's sustainability report, which details its economic, environmental, and societal sustainability goals. He listed ways Alcoa has lessened its water consumption and its waste stream. "We're a good company to have around," Speer said.

Our proposal is to have BPA extend our contract, which ends in 2006, on a short-term basis, so we can have some time to work out our power supply for the future, he explained. "It's a stopgap measure," and not a long-term solution, Speer said. He indicated that copies of Alcoa's proposal were available at the meeting. "BPA ought not to make a policy decision in December that puts us out of business," Speer stated.

**Julian Powers, a retired former BPA employee from Spokane,** said BPA has been a great benefit to the region by providing cheap electric power. "But the good times may be over," he cautioned. Powers said that if you look at what the climate is doing, "the most important single action BPA can take" is to invest in conservation, energy efficiency and renewable resources. This is the best way to meet the energy demands of a growing area, he stated. Powers pointed out that decreases in and the melting pattern of the snowpack is leaving BPA with less than the usual supply of hydropower. He said that responsible experts from around the world are increasing their warnings that "we are headed for disaster and global catastrophe" due to climate change.

The Stateline wind power project went forward because of BPA, and the project came on line "nine months after the first shovel went into the ground," Powers said. You can't build other kinds of generation that fast, he added. Powers urged BPA to continue to pursue wind power and keep up with improving technology in that area. Wind turbines and the hydro production at Grand Coulee are "an excellent complement" to each other in terms of system reliability, he said.

BPA needs to rapidly diversify into wind and other renewable resources, Powers continued. Don't encourage more coal-fired generation – "it's the dirtiest of fuels," he advised. "Global warming is here, it's bad, it's getting worse, and you ain't seen nothing yet," Powers summed up.

**Ken Sterner, North Columbia Community Action Council,** spoke in support of low-income weatherization programs. "I was pleasantly surprised" with BPA's proposed

policy – “you did a great job,” he said. We work with low-income people to provide heating assistance and weatherization services, Sterner said. The local utilities’ “Share the Warmth” program brings in donations of about \$20,000 annually, and we also get financing from grants and other sources, he indicated. With these funds, we can serve only about 19 percent of those in the county who could use our help, Sterner said. “We turn away a lot of people,” he said, adding that the winter climate in eastern Washington is inhospitably cold. Sterner pointed out that local utilities made investments in resources that have kept rates low, but still “people need help” with their electric bills.

“This is a great policy, stick to it,” he urged BPA, adding that the final policy should be more definite and commit a certain level of dollars to low-income weatherization. Sterner also expressed support for the development of renewable resources. Our agency has gotten involved in trying to develop a wind project, and it is very difficult for a small entity to do, he said. We need commitment and leadership from regional and local officials to make these projects happen, Sterner indicated. We support renewables, energy efficiency, and low-income weatherization, he concluded.

**Dave Van Hersett of Northwest Energy Services, Inc.**, said his company has provided conservation services since 1982. We are delivering 99.4 percent of what we estimate we can deliver with our energy-efficiency projects, he said, noting that the company’s customers are primarily commercial and industrial energy users. Our business was started as a response to the demand created by utilities for conservation and energy efficiency services, Van Hersett said. But with demand going up and down, depending on what the region is investing in conservation, it is difficult to maintain professional organizations to provide the services, he indicated.

Van Hersett pointed out that more sophisticated control technology is now available to take conservation to “the next level.” But long-term commitments and support are necessary to keep the energy services industry stable so it can provide new energy-saving devices and services, he said. It takes one to four years to get programs implemented and develop the demand, and “you can’t turn things on and off” when you are trying to create demand and get people to invest in energy efficiency, Van Hersett explained.

“My message is quite simple,” he said: when we started, there was strong demand for commercial and industrial conservation, but that demand has diminished lately. If you want to maintain investments in energy efficiency, you need to be consistent, Van Hersett concluded.

**Vicki Hanley of IAMAW/Alcoa** spoke in favor of the Alcoa proposal. We’ve had up to 1,200 employees at our plant when it was operating at full capacity, she said. In the last few years, we’ve experienced a curtailment and a restart, and now we are ramping down again – “it’s been a yo-yo,” according to Hanley. Referring to layoffs at the plant, she said employees with 30 years in at the company have been laid off, and people who would have been ready to retire are instead retraining for new careers.

We need aluminum production in this country for many things, including defense, but the jobs are going overseas, Hanley continued. There are two of 10 smelters still operating in the region, she pointed out.

Alcoa has paid its bills and met its obligations, but it has been hard to erase what some other DSIs have done wrong, Hanley said. In summary, we need affordable power to start the aluminum factories up again, she stated.

**Kris Mikkelsen of Inland Power & Light** offered comments “strictly on behalf of Inland.” We generally support the BPA proposal, and we support what it says about tiered rates, she said. We have a contract that we feel entitles us to firm power at the lowest PF rate, Mikkelsen added. We appreciate the clarity that is provided in this document, she continued. How BPA charges us for power is very important and impacts “what and how” we charge our customers, Mikkelsen said. I can’t overstate the importance of BPA giving its customers an early warning on what it is thinking about doing, she added.

Inland was lucky in signing a presubscription contract that stabilized rates, Mikkelsen said. Even though wholesale power rates will go up when the contract expires, we will have time to phase in the rates, stepping them up gradually, she indicated.

Mikkelsen said she has participated in BPA’s cost-control forums, including the Customer Collaborative and the Sounding Board. Both have produced good work and savings, she reported. Equally important, the forums have furthered understanding between BPA and its customers, Mikkelsen. I have a new appreciation, for example, about BPA’s fixed versus its non-fixed costs, she added. The cost-control efforts have helped “to reforge trust between the agency and its customers,” and I hope these activities continue, Mikkelsen stated. She cautioned that while BPA hopes to have customers enter 20-year contracts for the post-2011 period, there might be reluctance to sign unless the cost-control efforts have greater specificity and “teeth.”

With regard to resource acquisition, we support BPA limiting its firm power sales at PF rates to the resources available in the Federal Base System (FBS), Mikkelsen continued. She also discouraged BPA from getting into resource acquisition in the 2007 to 2011 period. As we get further along, Mikkelsen said, many utilities will look to BPA for their Tier 2 power, and those utilities will want cost-effective resources. We’ve heard about low-income customers tonight, and at our utility, we see a lot of problems with customers’ ability to pay, she said. It’s critical that we have access to competitively priced power for our needs other than Tier 1, according to Mikkelsen.

BPA needs to do a new net-requirements determination prior to any allocation of the system, she stated. The allocation should be based on historical data that is as contemporaneous as possible with the new rate period, Mikkelsen added. “It is imperative that customers feel the allocation is fair, objective, and based on the best available data,” she said.



**John O'Rourke of the Citizens Utility Alliance** thanked BPA for the emphasis in its proposal on conservation and weatherization programs. History says these investments pay off, he stated. Since 1980, the region's conservation efforts have resulted in 2,600 average megawatts (aMW) of energy savings, which have a value of hundreds of millions of dollars, O'Rourke said. We need to "ratchet up" our efforts to protect people from energy price spikes and alleviate the need "to participate in unstable markets" to purchase energy, he added. Conservation and renewables protect customers, especially the most vulnerable, from price instability, O'Rourke said. We endorse the comments of the Northwest Energy Coalition – we need firm commitments on conservation and renewables, and BPA should include incentives in power sales contracts so its customers will hold up their end of things in developing these resources, he advised.

**Representative Doug Ericksen of Washington's 42<sup>nd</sup> legislative district** said the Alcoa Intalco Works is in the district he represents. Energy drives industry in the state and the state needs industry, he said. Conservation and renewables are very important, but it is difficult to run an aluminum smelter with wind and solar power, Ericksen pointed out. We need these high-paying aluminum jobs in the state of Washington to support infrastructure and communities, and we need to disperse the good jobs in the state to rural areas, he said. While some things in the aluminum industry are unpredictable, we should get the structure in place to value the jobs and keep them in these communities, Ericksen indicated. Good-paying jobs make communities work, and without them, communities don't work, he added. Dividing the power from the federal system is a big issue, and I would urge BPA, as it makes its decisions, to focus on helping to create jobs in Washington State, Ericksen concluded.

**Washington State Senator Dale Brandland** said he has heard people say that aluminum is a dying industry and should go away in the state. "That is so irresponsible – it would be an absolute travesty," he stated. While several of the people here represent Alcoa Intalco, we also speak for aluminum workers in Wenatchee and at Columbia Falls, Montana, who are trying to raise families, Brandland indicated. We should never forget about the importance of people having living-wage jobs so they have the ability to send their kids to college and save to retire, he said. The aluminum industry is a large supporter of the tax base in Whatcom County, Brandland continued. We have one of the finest school districts, but if the Alcoa plant closes, the schools "will be in dire straits," he stated. Conservation and renewables are important, but there is room for balance, Brandland said. Conservation is important, renewables are important, "but jobs and families are equally important," he summed up.

**Daren Krag of IAMAW/Alcoa** said that a couple of years ago, he represented 800 union workers, but that number has dropped to around 500. "We are a close-knit community, and we have done what we can to make this work," he said of the downturn in the industry. Some of the additional need for low-income services in the state comes from "our people," Krag said. Guys who are being laid off and losing good-paying jobs aren't making it and are having "to jump on the rolls" of low-income programs, he indicated.

Alcoa is asking for less power than it has had in the past; we are not asking for too much, but we want a reasonable allocation for a valuable industry, Krag continued. A decision will be made soon that will indicate whether the industry is important to support or whether it should go away, he pointed out. "Letting it go away would be the wrong choice," Krag concluded.

**Cathy Gunderson of the United Steelworkers** said she is a former employee at Kaiser's Mead plant, but "our jobs are gone." She encouraged BPA to work on developing renewable resources and to use local workers to manufacture generating equipment, such as wind turbines. "Don't go off shore – use local labor," Gunderson urged. She said laid-off workers are having a hard time figuring out what to train for that will not soon be outsourced. We have very adaptable skills, she stated.

**Gary E. McKinney, a United Steelworker**, said he too lost his job at the Mead plant. That plant is being dismantled, and "it's hard to swallow," he stated. There are people who worked there for 40 or 50 years, McKinney added. I want to make sure the allocation for the DSIs is still in place and assure the DSIs get 900 MW of power, plus consideration for interruptible power, he stated. Restarting aluminum plants in this region would increase the number of family-wage jobs and give hope and opportunity to our work force, McKinney said. Developing renewables is the best way to achieve this, he continued. It insures the region against low water conditions and high demand, McKinney said. He urged BPA to pursue renewables and to use local workers in their development. Get the local work force back to work, McKinney said.

**Gerald Pumphrey, president of Bellingham Technical College**, said his institution prepares people to join the workforce and retrains workers seeking new careers. We have been serving the laid-off workers from Alcoa Intalco, he said. We have a good placement rate, but "that's where the good news ends," Pumphrey stated. The average wage recovery for the aluminum workers who have been placed in new jobs is 73 percent, he pointed out. Every year for the last three years, our funding has been cut, so we have had to go to the legislature to seek more money, Pumphrey said. Getting money from the legislature means taking money from programs for the sick and the needy so we can train and retrain workers, he said.

Our college had 56 openings last week out of 1,200 spots, and most of our programs have waiting lists, Pumphrey continued. We can't absorb another 400 laid-off workers, he stated. "The retraining mechanism in the safety net for these workers has holes," Pumphrey said. There is a human dimension to all of these policy decisions, he concluded.

**Neal Beaver, legislative assistant to Senator Lisa Brown**, said BPA's basic proposal is sound, but any changes should not allow BPA to neglect its obligation to renewables, energy efficiency, low-income weatherization, and recovery of fish habitat.

**Hugh Diehl of IAMAW/Alcoa** addressed a comment to the representatives from Senator Maria Cantwell's office, thanking them for fighting the Enron corruption. I'd also like to

thank the legislators who came here to support us, he said. Business spending is supposed to lead the economic recovery in Washington, but we need power from BPA to get back into business, Diehl indicated. He said BPA should go back to its original mission of stimulating the economy and creating jobs in the Pacific Northwest.

Former aluminum company employees are now using social services rather than contributing to the agencies that provide them, Diehl said. As you have this dialogue with BPA, include and support the Alcoa plan, he urged. We want our industry to stay in the United States – we need to keep aluminum production here, Diehl stated.

**Chase Davis of the Sierra Club** encouraged BPA to take the lead with utilities to develop cost-effective conservation. While your proposal is good, it is not enough, he said. With few exceptions, such as EWEB and Seattle City Light, utilities have not invested in conservation and renewables on their own volition, and BPA needs to keep that in mind, Davis stated. He pointed to an attempt not far in the past when Washington Water Power tried to build four coal plants at Creston. It was a waste of money, Davis said. If we need resources, acquire them and don't rely on the utilities, he told BPA.

In the 1990s, "utilities swore they would invest in conservation and renewables," and they didn't do it, he said. BPA cut its programs in this area, but "the utilities did not take up the slack," according to Davis. This contributed to the 2000-2001 energy crisis and "fish got fried," he said. We want to see how you structure the arrangements with utilities on conservation and renewables; "their track record has been poor," Davis stated.

Reduce reliance on hydropower so we can recover fish, he continued. Northwest economies also benefit from healthy fisheries, and millions of dollars can go into rural economies from fishing, Davis said.

BPA has "a moral and legal obligation" to build capacity in conservation and renewables for the future, he said. Davis said declines in the hydro system, including removal of dams, are things BPA should plan for. "Frying fish is illegal," and advance planning assures that won't happen, he concluded.

**Jeff Schlect of Avista Corp.** pointed out that because of prudent resource decisions, Avista is one of the lowest-cost utilities in the country. We support BPA's proposed long-term approach of limiting firm sales to the output of the FBS, he said. Even though Avista does not depend on BPA for its power supply, as the preference customers do, "we have an interest in a healthy BPA," Schlect said. Your role in the region's economy is great, and a healthy BPA is good for our customers who get benefits through the residential exchange, he said. Schlect said the proposed long-term approach and tiered rates would give the right price signals. We need to see the true marginal costs of power so the region has an incentive to invest in conservation and renewables, he said. The region needs to have adequate resources, and the true marginal costs will be an incentive for their development, Schlect summed up.

**Ron Johns, Sierra Club**, said that since he retired, he has been working on environmental issues. I empathize with the aluminum workers, he said. With all of the talk about outsourcing jobs, it seems we could direct some energy in a way that would stop that from happening – directing energy to the aluminum companies sounds like a good direction, Johns added.

Restoration of Pacific salmon is the issue I am working on, he indicated. Johns referred to “crass, insensitive comments” made by Enron traders about “fish kills.” We never want to get into the position again where we have to make a choice between power and fish, he said. The fishing industry provides a lot of jobs, too, Johns stated.

**Mike Rousseau, Alcoa Intalco Works plant manager**, said many people, including himself, have chosen aluminum production as their profession. With plant closures in the Northwest, workers have had to move around to where the jobs are, he pointed out. We have people working in our smelter who are from Kaiser in Spokane and from Troutdale because this is their chosen profession, Rousseau stated.

It is tough to see people with kids and mortgages asking what power prices are doing from week to week, an indication of whether we’ll be able to continue to operate, he said. Rousseau said the Alcoa smelter in Northwest Washington is well located to support material needs at a bike manufacturer in Portland, another source of jobs in the region. They send us scraps from their extruded products, and we recycle them and send the aluminum back, he explained.

If we truly want to energize the Northwest economy, “we need to stay at the table,” Rousseau said. BPA’s proposal to offer “some support” to the aluminum industry concerns me, he said. We need 500 MW to operate at full capacity, Rousseau continued. We have some of the highest power costs in the world’s aluminum industry, he pointed out. As you discuss supply, consider us for 500 MW so we can run at full capacity, Rousseau urged.

## **Wrap Up**

Bonneville pays a lot of attention to the opinions that are expressed at these meetings, Norman said. He gave a summary of the issues and comments, which included the following points:

- The aluminum industry is good for the economy; it provides jobs within and outside the industry.
- The aluminum industry supports local schools and the local tax base.
- The replacement wage for retrained aluminum workers is 73 percent.
- Aluminum jobs are moving overseas, which is bad for the country.
- A healthy BPA is part of a healthy region.
- Conservation needs stable funding – do all cost-effective conservation and be specific about what BPA is going to provide.
- BPA should support renewables.

- Displaced aluminum workers could be used to manufacture equipment for the renewables industry.
- The region should not depend on utilities for conservation and renewables development.
- More low-income services are needed, and the BPA proposal ought to be more specific about what it will provide.
- Cost control needs more teeth if utilities are to sign 20-year contracts.
- Resource augmentation should be limited, and BPA needs to purchase cost-effective resources for utilities that will request Tier 2 power.
- Global warming is a reality and conservation and renewables are a way to address the threat.
- It is important for BPA to create clarity about what it will provide so utilities can plan.
- FBS allocation should be based on customers' net requirements.
- Investing in conservation and renewables is a way to address fish recovery.
- Fish are also important to local economies.

The meeting adjourned at 8 p.m.