

Regional Dialogue Public Meeting: Potential Changes to BPA's Power Supply Role After 2006

September 26, 2002
Owyhee Plaza Hotel, Boise, Idaho

1. Greetings and Introductions.

The fifth regional dialogue public meeting on potential changes to the Bonneville Power Administration's power supply role after 2006 was held September 26, 2002 at the Owyhee Plaza Hotel in Boise, Idaho. Please note that this is a summary, not a verbatim transcript, of the discussion that occurred at this meeting. Many of the written materials referenced are available via the www.bpa.gov/power/regionaldialogue and www.nwcouncil.org/bpa websites.

Northwest Power Planning Council member **Jim Kempton** welcomed everyone to tonight's meeting; he noted that tonight's event is an important one for everyone in the Northwest. **Kempton** noted that the purpose of these meetings is to learn about various ideas and proposals concerning potential changes to how the Bonneville Power Administration markets its electricity after 2006. This meeting, which is jointly sponsored by the Northwest Power Planning Council and BPA, is one of six public meetings we are conducting throughout the Pacific Northwest to solicit comment from interested members of the public on this important issue, **Kempton** said.

Before beginning the formal testimony portion of this meeting, **Kempton** continued, we want to provide some background information on what this meeting is for, what we think the relevant issues are, and the ground rules for this evening's discussions. He noted that these meetings have been set up to allow discussion of the proposals that were submitted to BPA and the Council in response to a letter of solicitation that was distributed broadly throughout the region on June 19.

In that joint letter, said **Kempton**, we requested that written proposals and comments be submitted by Thursday, September 12. That said, however, all who have come prepared to make statements or comments on this topic are invited and encouraged to speak, **Kempton** said.

Electricity is a very important part of the economy in the Pacific Northwest, **Kempton** continued -- we spend around \$8 billion a year in this region for electricity, and about 45% of that flows through the Federal power system. Depending on the outcome of these discussions, he said, there could be major changes in the power business in the Northwest, the role of BPA, access to Federal power and responsibility for Federal system costs and obligations. Decisions we face could have significant long-term consequences and we owe it to ourselves to take a careful look at our options. That is why we are conducting these meetings, **Kempton** said, and that is why it is important

Allen Burns of the Bonneville Power Administration thanked everyone for attending tonight's meeting, noting that one question Bonneville had heard at previous meetings is why is it important to deal with this issue now. The answer is that Bonneville's customers need to know what the future holds now, as does Bonneville, **Burns** said -- we don't want to face a situation again where we suddenly have a large additional load, and have to purchase the energy with which to serve it in the open marketplace. BPA's **Fred Rettenmund** added that Bonneville's contracts with the utilities run through 2011; BPA's contracts with the DSIs run only through 2006. He drew the

attendees' attention to the "Base Case" document, available at tonight's meeting, which explains Bonneville's existing contracting arrangements in more detail.

Kempton went through the ground rules for tonight's meeting, then yielded the floor to the first proposal presentation of the evening.

2. Proposal Presentations.

A. Joint Customer Proposal

Bud Tracy of Raft River Electric Co-Op began the joint customer proposal presentation by describing his utility's geographic scope and contractual relationship with Bonneville. The contracts we presently have run through 2011, said **Tracy**, and the customers have now begun talking about what our relationship with Bonneville will be after that point – what is going to be Bonneville's role, and how are we going to meet the customers' needs? One important question is how to meet load growth, said **Tracy** -- who will be responsible for meeting that load, Bonneville or its customers? That is one of the key questions the joint customer proposal answers, he said. It is very rewarding that this group of customers have come together, he said; in my mind, this is an unprecedented exercise in regional cooperation.

This is a hydro-based system, dependent on Mother Nature and precipitation to deliver much of our energy, **Tracy** said – the joint customer proposal recognizes the fact, demonstrated so forcefully last year, that we don't have control over how much energy the system will produce in any given year. It is rewarding that not only the customers, but many of the special interests in the region, have taken part in these discussions, said **Tracy**.

Pat Reiten, the Chief Executive Officer of PNGC Power, then described his company's structure and geographic scope. He noted that this proposal represents a very substantial cooperative effort to solve some very difficult regional problems. There are 130+ utilities in the Northwest, **Reiten** said; getting them to agree on such a proposal is a major undertaking. We have also reached out to the DSIs, the tribes, environmental groups and others. We're continuing to work together to develop common approaches to solve these very important challenges, he said.

Reiten then provided an overview of the "Customer Goals and Objectives," "Key Aspects of the Settlement," "Slice Power Sales Contracts" and "Requirements Customer Contracts" portions of the joint customer proposal:

Customer Goals and Objectives

- Create a common interest in the federal system for both public and private utilities
- The federal system is finite – equitably allocate available power benefits through long-term contracts that will secure the federal system for the region
- Expose all BPA customers to the same risks, costs and benefits of the federal system
- Establish clear obligations for who serves growing loads
- Reduce BPA's need to acquire new resources
- Reduce BPA's role as either a buyer or seller in the wholesale competitive market
- Assign responsibility for procuring power for future load growth to the serving utilities either directly or bi-laterally with BPA
- Allow serving utilities to decide how best to meet their consumers' loads not met by the federal system
- Allow serving utilities to assume the responsibility for marketing their share of any federal surplus or purchasing power from the market when needed
- Stabilize conservation and renewable investments
- Ensure fish and wildlife obligations are met
- Settle outstanding litigation and avoid future litigation!
- Accomplish all these goals without new legislation

Key Aspects of the Settlement

- Equitable sharing of the power benefits of the Federal Columbia River Power System
- Public agencies (Slice customers, requirements customers)
- A share of power benefits for residential and small farm customers of investor-owned utilities
- Direct Service Industries
- Responsibility for conservation and renewables

Slice Power Sales Contracts

- Slice customers receive a percentage allocation of the output of the federal system
- The Slice percentage is based on 2007 net requirements and critical water federal base system (FBS)
- Slice customers accept their percentage of the actual output of the FBS and,
- Slice customers agree to pay the same percentage of actual costs of the FBS
- Slice customers accept the uncertainty of FBS actual output – droughts and floods
- Slice customers agree to not place additional loads on BPA for the 20-year term of the contract – BPA has no obligation to serve
- Slice customers accept the obligation to market excess power under good water conditions and purchase power under bad water.

Requirements Customer Contracts

- BPA continues to provide power needed to meet requirements loads in excess of the customers' resources, if any
- Requirements customers will retain similar contractual rights, responsibilities and obligations as they have now
- BPA will establish its rates for requirements service.
- Requirements rates will recover their share of the FBS costs plus any BPA costs to acquire new resources to meet the requirements loads
- Requirements purchasers can develop non-federal resources for use in serving load growth or for sale into the market
- Requirements customers will be able to develop their own new resources with appropriate notice to BPA Actual benefits will vary over time as BPA's costs and natural gas prices change
- During the first five years of this settlement, some power will be provided to PGE instead of the full financial benefits
- The power will be delivered to PGE in the shape of the residential loads with a peak delivery of 280 MW
- This is expected to result in an average energy delivery of about 140 aMW and it will be sold at the same power rates as those charged requirements customers.

Scott Brattebo of PacifiCorp addressed the “Residential and Small Farm Customers of Investor-Owned Utilities” portion of the joint customer proposal:

- Residential and small-farm customers that are served by investor-owned utilities will receive financial benefits from the federal system similar to the value of a Slice contract
- This will help align the interests of the region's consumers to preserve the FBS for the region's benefit.
- There are no specific limits to the benefits during the first five years.
- The settlement amount is based on the costs of acquiring new combined-cycle combustion turbines to serve the residential and small farm customers
- These CCCT costs are compared to the cost of federal power to Slice customers, adjusted for the value of actual surplus power that is sold
- Actual benefits will vary over time as BPA's costs and natural gas prices change
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Brattebo noted that, as Bonneville’s costs go up, the benefits to residential and small farm customers of investor-owned utilities go down. He then went through the “BPA Cost Controls” and “DSI Service Proposal” provisions of the joint customer proposal:

BPA Cost Controls

- Customers making a long-term commitment to pay BPA costs need to participate in BPA’s budget planning process
- Long-term commitment by the customers merits meaningful and enforceable customer participation in the process for setting BPA’s expenditures

DSI Service Proposal

- Preference customers loads have grown to match the capability of the FBS
- The customers have proposed 600 aMW of BPA service to existing DSI smelters in the region with an additional 50 aMW for BPA service to non-smelter DSI loads
- BPA will make the allocations with active smelters being provided a base allocation of 100 aMW per plant (or more under certain conditions)
- DSIs accepting BPA power and willing to provide new generation in the region may qualify for BPA financial support for such generation, if needed
- For those DSIs that need financial support to develop new generation in the region, the customers will recommend that BPA provide credit support
- The details of particular credit support arrangements are important to all parties, but are too detailed for this presentation.
- During future power crises, if BPA curtails DSI loads, they should ensure that the workers are compensated for the curtailment
- Funds from BPA to compensate workers should be handled through an escrow account
- Any curtailment should be reviewed no less frequently than every six months to determine if it is possible to resume production of aluminum.

Next, **Brattebo** addressed “Conservation and Renewables” and “BPA’s Role in C & R Delivery” under the joint customer proposal:

Conservation and Renewables

- The goal is to acquire cost-effective conservation and renewables
- NW Power Planning Council will continue to develop regional power plans and develop conservation and renewables targets.
- The Council will also estimate the portion of the regional target that is applicable to BPA
- The obligation to serve load growth is transferred from BPA to Slice customers
- The conservation and renewables discount (C&RD) program will be enhanced to provide incentives for utilities to acquire cost-effective conservation and renewables
- Approved measures would be identified by an Independent Regional Technical Forum (RTF)
- BPA would increase the C&R discount to ensure that conservation investments have a stable funding source available
- Any utility that is subject to a system benefits charge or other local conservation and renewable mandates will be able to count the funds expended against the BPA credits
- Utilities that fail to secure sufficient RTF-approved measures will forfeit the credit and pay a higher rate for power to BPA
- All utilities will file annual progress reports to demonstrate their progress toward

- acquiring the desired conservation and renewables
- Any credits not provided to utilities will be used by BPA to acquire cost-effective conservation and renewable resources.

BPA's Role in C&R Delivery

- Market transformation
- Low-income weatherization
- R&D for new resources applicable in the Northwest
- Backstop for utilities that fail to meet their targets
- Administer C&RD program and report to the Council on progress

Reiten then addressed the “Fish and Wildlife Obligations” and “System Operations” provisions of the joint customer proposal:

Fish and Wildlife Obligations

- Fish and wildlife obligations continue and are not changed by this proposal
- BPA, the Corps of Engineers and the Bureau of Reclamation continue to meet all Treaty/Trust responsibilities
- NMFS and Council requirements will continue to be determined as they are now
- BPA's customers will continue to pay for BPA's fish and wildlife obligations.

System Operations

- All operational decisions continue to be made by the Corps, Bureau and BPA
- All non-power “hard” constraints continue to limit power production
- BPA sets the operating range for Slice customers subject to the constraints on the system
- Operational constraints in the BiOps are HARD constraints
- BPA continues to have full control of the entire system in the event of power system emergencies
- Emergency operations include increasing system generation to assist California or other neighbors
- Ancillary services needed for transmission reliability will continue to be provided by BPA until a market for these services is formed.

Tracy then concluded by saying that this state and this region continues to operate in a manner that is highly dependent on electricity; preserving the benefits of the FCRPS for the region is of paramount importance to us all. He read through the five original, goals Bonneville put forward in its solicitation letter; he said that, in his view, this proposal meets each of these goals, and encouraged Bonneville and the Council to give this proposal every consideration.

Q&A on the Joint Customer Proposal.

Steve Reynolds of Alcoa asked whether Alcoa would have to supply additional power to Bonneville if they wanted more than the 100 aMW specified in the joint customer proposal. That's correct, **Brattebo** replied -- they would have to provide a resource to Bonneville to supply that amount. However, **Brattebo** said, we would still maintain a 650 aMW cap on the DSI load. **Reiten** reiterated that the joint utility proposal also includes provisions for taking care of workers during periods of load curtailment for the DSIs.

Steve Weiss of the Northwest Energy Coalition said he is somewhat confused and troubled by the concept of “meaningful and enforceable customer participation in Bonneville's budget process.” If you have control of the budgets, how can you avoid interfering in fish and wildlife operations if you have enforceable customer participation in the budget-setting process? **Weiss** asked -- for one thing, I'm not sure what you propose would even be legal.

What we're talking about here is a 20-year contract under which utilities would take on the risks of both

load growth and meeting the cost of the federal system, **Reiten** replied; there is concern in the utility community about the implications of that commitment. The feeling among the utilities is that, if they sign on for such a long-term commitment, there has to be some cost control, **Reiten** said. What you see in the current draft of the joint customer proposal amounts essentially to a series of broad principals, he continued – there is a lot of work to be done on this issue. With regard to the legality of this provision, **Reiten** said, I don't think any of the utilities would expect to have legal control over agency actions; however, we would like to work out mechanisms where customers have rights under their contracts, whether those are offramps or other mechanisms, in order to assure that there is accountability to provide an efficient product, from a cost standpoint. Again, there is a lot of work to be done on this issue, but there is substantial concern, on our part, about having some input, he said.

Justin Hayes of the Idaho Conservation League noted that the sponsors of this proposal are customers, not owners of this public resource; how would you feel if we said we're not going to put a cap on the price you pay for power, but will leave that open? It seems to me that if you want to be a partner in the system, you should share a lot more of the risk, rather than just trying to reap the benefits of the federal power system, **Hayes** said.

Reiten replied that, in some respects, an open price is exactly what Bonneville's customers would be getting under this proposal – we're suggesting that the utilities sign up for their share of this resource for a long period of time, where the generation from that system is going to be variable. So you would be amenable to signing long-term contracts specifying a minimum price, but no maximum price? **Hayes** asked. I think we're perfectly happy to suggest that we will pay the actual cost of the system, as long as we have some input into what those costs are, **Reiten** replied. PNGC is already living that reality, **Reiten** said – PNGC meets two-thirds of its load through Slice, and that two-thirds accounts for 4.27% of the entire capability of the federal generation system. We pay that percentage of the cost of the items that go into producing that power, and those costs are trued up to actuals, he said.

Ed McKerlie of Alcoa's Wenatchee works asked whether, if all of the region's smelters decide to light off because the price of aluminum goes up, under the joint customer proposal, it still wouldn't be possible for the smelters to obtain more than 600 aMW from the federal system. Do you know how many jobs we've lost over the years? he asked. We're well aware of that, yes, **Brattebo** replied. **Reiten** added that the aluminum smelters are not the only ones having to bear the consequences of how the system is operated.

B. Presentation of Affiliated Tribes of Northwest Indians Proposal.

The next presenter was **Margaret Schoff** of the Affiliated Tribes of Northwest Indians Economic Development Cooperative; she noted that their presentation is available via the Council website. She asked interested parties to read it at their leisure, then touched on some of the key points of that proposal:

- Bonneville's future role
- The importance of Bonneville honoring its treaty/trust responsibilities
- The disturbing idea (to the tribes) that Bonneville's customers could gain more control over river operations through this proposal
- Positive financial consequences for gains in salmon recovery, negative consequences when goals are not met
- A "non-rainy day" account to mitigate for low-water years when river operations may adversely impact salmon, as well as negative impacts on cultural resources
- Bonneville needs to begin a much stronger program for low-income customers
- The limitations on new Bonneville preference customers to 75 MW

Again, said Schoff, please refer to the <http://www.nwcouncil.org> website for the full text of this proposal.

C. Presentation of United Steelworkers of America (USWA) Proposal.

This proposal was presented by **Gil Hayes** of the USWA:

- The United Steelworkers (USWA) supports a comprehensive Northwest energy policy that provides adequate, affordable and diversified supplies of energy in an environmentally sound manner that also preserves Northwest aluminum jobs.
- The aluminum industry has been an integral part of the Pacific Northwest since 1937,

when industrial customers were sought by Bonneville Power Administration to provide a stable revenue base

- Today, with continued energy from the FCRPS, the network of aluminum smelters would provide thousands of jobs and stimulate some of the Northwest's most economically depressed areas, such as Klickitat and Wasco Counties
- With Washington and Oregon recording the highest unemployment rates for the 12th consecutive month, the region urgently needs to retain valuable aluminum jobs in the region
- The industry provides, on average, wage and benefits of nearly \$50,000 per year, compared to \$37,000 for Washington State's average
- Every aluminum industry job supports 2.9 jobs elsewhere in the economy
- The industry provides significant property tax benefits – in Washington State alone, the industry contributed \$129 million (0.9%) in state and local taxes in 1998
- According to John Stucke of the Spokane *Spokesman-Review*, "Smelters... have long been among the nest big-labor jobs in the state
- The aluminum industry also helps stabilize BPA rates by preventing power from being sold to the market at low rates during years when there is a surplus of power

With respect to our actual proposal as to what BPA allocations should be to the DSIs after 2006, said

Hayes:

- With a high level of uncertainty about the Northwest's aluminum industry, it is unclear what the level of operation will be in the future. However, every effort should be made to retain operations in the Northwest and to keep businesses viable by making affordable power accessible.
- The United Steelworkers supports a fair and modest minimum allocation of 100 average megawatts to each operating smelter, contingent upon the following:
- Full compensation for all affected workers during any limited energy curtailment of no more than six months
- Aluminum companies demonstrating long-term viability with stable outside power contracts or independent production of matching energy to augment the limited BPA power.
- The United Steelworkers additionally supports five-year credit support to the DSIs for the development of additional power including renewable energy and other environmentally-sound generation.

The USWA additionally supports the following, **Hayes** said:

- Modulation agreements, where less power is used during peak times and more during off-peak times
- Interruptibility rights, giving BPA the ability to interrupt service (with advance notice and appropriate compensation) in times of severe drought when relying on hydropower would negatively impact threatened fish species
- An FCRPS that achieves the legal responsibility of salmon restoration and recovery
- Adequate investments in conservation, renewable energy and cost-effective energy efficiency services to meet a minimum level of standards.

In conclusion, said **Hayes**, the United Steelworkers believes this proposal will help to create a flexible Northwest energy system that would:

- Stimulate the region's economy
- Maintain workers' income during energy curtailments
- Reduce the threat to salmon during low-water years
- Provide new sources of highly-efficient energy at-cost to BPA and
- Help keep rates affordable for all customer groups.

Q & A on USWA Proposal.

Jim Keating of the Idaho Wildlife Federation said the proposal to pay steelworkers' salaries during energy

curtailments is intriguing; would you support the same reimbursements to farmers, fishermen and others whose livelihoods depend upon river operations here in Idaho? **Keating** asked -- after all, if we see poor adult salmon and steelhead returns as a result of the 2001 operation of the hydrosystem, we will lose the \$90 million sport fishing is worth per year here in Idaho.

Hayes replied that the 2001 operation of the hydrosystem is exactly what this provision of the USWA proposal is intended to mitigate for. I'm not an official steelworkers' spokesman, said **Hayes**, but we're trying to work with everyone in the region to develop fair and equitable solutions. Your question would certainly enter into the discussions and negotiations we're hoping to engage on through this process, he said. Would the United Steelworkers support reimbursements to workers in other segments of the economy whose livelihoods are adversely affected by the operation of the hydrosystem? **Keating** asked. I can't sit here and tell you yes or no, **Hayes** replied; again, that question could certainly enter into the ongoing discussions among the various groups in the region who are attempting to reach agreement on a final solution.

Justin Hayes noted that, under the Steelworkers' proposal, BPA would have the right to interrupt service to the DSIs with appropriate notice; if that is an accurate characterization, he said, my organization would be very supportive of that provision. That's correct, **Gil Hayes** replied.

Rettenmund asked whether the United Steelworkers feel that any new energy resources the DSIs might bring to the system should be counted in addition to the 100 aMW per operating smelter base allocation referenced in their proposal. **Hayes** replied that the United Steelworkers would hope that any outside generation brought to the system by the DSIs would be considered an addition to the 100 aMW allocation the Steelworkers are proposing.

D. Presentation of the Public Interest Proposal.

Pat Ford of Save Our Wild Salmon and **Steve Weiss** of the Northwest Energy Coalition led this presentation. **Ford** began by commenting on the public process Bonneville and the Council have devised for this issue, noting that, in his view, this process has not been optimally designed for those who are not paid to attend these meetings. Specifically, **Ford** suggested that, in the next round of public meetings in this process, the meeting agendas be structured in such a way that those who have come to comment are not forced to wait until the very end of a three-hour meeting for their opportunity to speak.

Our members view this process as one of several in which the many benefits of the Snake and Columbia River system will be decided for the next two decades, said **Ford**. This is the 200th anniversary of the Lewis and Clark expedition, he said, and the eyes of the nation will be focused on this region; from our point of view, this is a fortuitous time to be engaging in this dialogue. We look forward to a reasonable and productive discussion with the utilities and other regional stakeholders, said **Ford**; however, that has not yet occurred.

Ford noted that, in the view of the public interest coalition, the current system operation does not comply with existing environmental and treaty/trust responsibilities; the future operation of the system must include a substantial decrease in power output. He then went through the main points of the public interest proposal:

- The purpose of this proposal – to operate the Snake and Columbia Rivers to achieve the legal responsibility of salmon recovery.
- BPA and other federal agencies have largely failed to meet their legal requirements to protect and restore wild salmon and steelhead in the Columbia and Snake Rivers. The public interest proposal argues that solidifying any proposals to distribute federal power without correcting what the proposal called “this dysfunctional system” could prove disastrous for current and future salmon recovery efforts, and for the Northwest in general.
- Salmon and clean energy advocates have put together a proposal that seeks to right a system that in 30 years has yet to produce harvestable numbers of wild salmon and steelhead.
- The proposal would remove the economic and operational incentives to violate salmon requirements over time
- In return for their “Slice” of the system, utilities will bear weather, market and load growth risk. Therefore hydro “emergencies” except for short-term situations threatening health and safety, are **prohibited**. Fish operations are **hard** constraints.
- Salmon must have an equal and meaningful voice in power and river operations decisions

- In order for any new federal power operation plan to work, salmon must be given an equal and meaningful voice in all decision-making processes for operation of the Columbia and Snake River dam system. The public interest proposal recommends that the Columbia River Treaty tribes be given the authority to speak on behalf of salmon – with authority equal to that of the federal government – in all river operations forums and decisions.
- Reduce the pressure on the Columbia/Snake Rivers through energy conservation and renewable energy. A diversified energy portfolio can help enhance salmon recovery efforts by lessening the pressure on the Columbia and Snake Rivers to generate energy.
- At this point, the public interest proposal does not take a position on whether or not DSI should have access to federal power. If any contracts are ultimately negotiated with regional aluminum companies, provisions should be in place to allow BPA to curtail their loads under drought conditions in order to meet salmon requirements. We recommend that during these curtailment periods, reviews be conducted every six months to assess curtailment status. In these circumstances, we support full compensation (100% of salary and benefits) and advance notice for the workshop for the duration of any curtailments. We believe that aluminum workers, their families and their communities should be protected from the adverse effects of such changes.

With respect to worker protection, **Ford** reiterated that, at this point, the public interest proposal does not take a position as to whether or not the DSI should have access to federal power. However, we do believe aluminum workers, their families and their communities deserve protection. This is a tough nut to crack, he said – getting our somewhat divergent goals to match up. However, we appreciate your willingness to continue to talk to us about how to meet those goals, and we are certainly more than willing to continue to talk to you, to see if we can't find some common ground, **Ford** said.

Weiss then provided an overview of the “Clean Energy and Federal Power Allocation” and “Lessons Learned: 2000-’01 ‘Energy Crisis’” provisions of the public interest proposal:

- Public interest groups, with input from the Oregon and Washington energy offices, have developed a detailed conservation and renewables proposal which will significantly increase the amount of energy conservation and renewable energy purchased by Bonneville and utilities. The proposal is designed to meet the energy needs of the region as inexpensively as possible while providing more jobs and environmental benefits to the region.
- The proposal outlines specific levels of investment in energy conservation and renewables for each utility that receives power from the Bonneville Power Administration, with accountability and enforcement provided by BPA.
- Protect the public's air, water and health and reduce climate change by avoiding the construction of more fossil fuel plants.
- Improve salmon recovery efforts by reducing reliance on hydropower to meet the region's energy requirements.
- In 1993-'94, conservation and renewable energy investments in the region were cut because analysts thought energy prices would stay low indefinitely; if the region would have stayed on the same pace of conservation and renewables development, it would have saved 365 aMW in conservation and 100 aMW in renewables. If those investments had been in place last year, they would have saved the region about \$1.7 billion in energy purchase costs.
- The region needs to get off the conservation and renewables funding “rollercoaster;” this industry, and the jobs and energy savings it creates, depends on sustainable, level, constant funding levels in order to maintain infrastructure.

Weiss touched on the public interest group proposal's conservation and renewables target and accountability provisions, low-income weatherization, and the cost estimate associated with meeting these conservation and renewables targets:

- The goal of the plan is to meet all new regional energy needs and replacement resources – about 350 aMW per year – with cost-effective conservation and new renewables instead of power generated by burning fossil fuels. Each utility in the region will be responsible for meeting a share of the conservation and renewables target.

- BPA will charge a penalty if a utility fails to meet its targets. Money collected for the penalties will be used to purchase green power.
- Low-income weatherization – BPA will fund local agencies (as they do now) to weatherize 1/20th of all unweatherized dwellings annually
- Cost estimate – NWECC estimates that the regional utility costs would be approximately \$350 million per year for conservation and \$93 million per year for renewables. These utility costs will be offset significantly by reducing the need for power; besides the environmental benefits, residential and other energy users will see lower bills, because the cost of the conservation is less than that of building new power plants.

In summary, said Weiss, we have had some constructive discussions with the utilities and Bonneville on the conservation and renewables front; we are quite close on the mechanisms by which those goals can be accomplished. However, there are some differences:

- The utilities' slice would be passive, not active, when it comes to river operations – they would not control storage or other river operations, but would receive a slice of the system's energy output only.
- No hydro emergencies in the future, since the utilities will be responsible for meeting their own loads – the public interest groups want that in writing
- The tribes would have equal authority in river operations
- The public interest groups' target, meeting all load growth through conservation and utilities, is much larger than the joint utility proposals'
- Finally, all utilities, not just Bonneville customers, would be responsible for meeting the conservation and renewables targets.

3. Public Comment.

Celeste Schwendiman from the Idaho Power Company was the first commenter; she noted that IPC fully supports the joint utility proposal.

David Hawk of the J.R. Simplot Company was the next speaker. Hawk began by saying that Bonneville has worked hard over the year to satisfy every group that would be a customer taking power, and/or every group affected by the operations of the Bonneville Power Administration. The fundamental value of BPA, in my opinion, is, with as much social and environmental sensitivity as possible, is to make as much energy, at the lowest possible price, as possible, he said. BPA's role as a wholesale producer of energy for the Northwest should be inviolate, he said; all other functions need close review to see whether they are or could be done by others.

With respect to renewables and conservation, BPA should be only a pass-through agency, **Hawk** said. In our view, renewables facilities should come into the BPA weighted average cost at a price no more than the avoided cost allowed for [inaudible] in the same states where BPA is operating. Conservation must also meet a hurdle related to avoided costs and payout times, **Hawk** said. Dollars collected from large industrials should be 100% available for self-directed conservation projects by those industrials.

In conclusion, he said, it is difficult to talk about the post-2006 BPA issue; it is almost premature to comment in detail, because not all of the elements have been settled. The public needs more information about the rate impacts of these proposals under various defined assumptions. BPA cannot replace the responsibilities of state legislatures and state programs when it comes to low-income customers, public and social issues and conservation and renewables.

From the industry's point of view, said **Hawk**, BPA's most important role is to provide low-cost power to its public utility customers. To do that, BPA must operate cost-effectively, and focus on power production and delivery. We support the need for more clarity as to who bears the responsibility for finding additional sources of energy in the post-2006 period, **Hawk** said. We want to be sure that any proposed solution carries a pricetag that is reasonable for public utilities and their customers, he said.

The next speaker, **Don Angell** of the Wells Rural Electric Company, read the following written statement:

Wells Rural Electric Company wishes to provide comments on the Joint Proposal of the Northwest Utilities (herein referred to as the Joint-Utility Settlement) submitted to BPA and the Council on September 6, 2002 by the Public Power Council.

Wells Rural Electric Company is a member-owned cooperative that provides electric service to their member owner companies in the northeast corner of Nevada and Wendover, Utah. Wells Rural serves approximately 12,000 square miles of territory, serving residential, farming, commercial and industrial customers. Wells Rural Electric is an all-requirements customer of the Bonneville Power Administration.

Wells Rural Electric is a member of the Public Power Council and Northwest Rural Utilities, two of the organizations that have participated in the Joint-Utility Settlement, which provides for the allocation of post-2006 power outputs and benefits of the FCRPS. Wells Rural Electric has actively participated in the regional process that has produced the Joint-Utility Settlement and has a thorough understanding of the Settlement.

Wells Rural Electric wishes to express their support for the Joint-Utility Settlement for the following reasons:

1. Twenty-year contracts will ensure long-term access to the FCRPS by BPS's public customers by allocating the output of the FCRPS between Slice and Requirements customers.
2. The IOU benefits will be determined by a formula that will ensure long-term stability of the financial impact of the benefits on public customers.
3. The responsibility for load growth is transferred from BPA to the utilities.
4. There is a provision for BPA to provide 650 aMW of power to the DSIs
5. And finally, the Settlement will ensure a long-term revenue stream for repayment of debt to the U.S. Treasury.

The Joint-Utility Settlement is a complicated settlement that required over a year of negotiation to accomplish. It represents many compromises from all of the parties that participated. No one party received all of their wishes.

There are many benefits that accrue from the Settlement, but the greatest benefit we see is to our retail customers, who are our member owners, in the form of stable long-term electric rates. We feel that the Settlement proposed by the utility customers of BPA will ensure long-term stability of electric prices for the BPA public customers. Our retail electric customers have indicated to us that stable long-term rates are desired. They have indicated that they do not want to be subjected to volatile electric rates. Wells Rural Electric has made every effort over the years to ensure long-term stable rates for our customers and we see the Joint-Utility Settlement as meeting that goal for the future.

In closing, we wish to emphasize that the Settlement represents many compromises on the part of the utilities, the Settlement spreads the benefits of the FCRPS over the utility customers of the region, the Settlement preserves the conservation and renewables programs that provide regional benefits, and the Settlement ensures long-term repayment of U.S. Treasury debt. We encourage BPA to support the Joint-Utility Settlement and incorporate the Settlement in the post-2006 power supply contracts for IOU, Slice and Requirements customers.

The next commenter was **Steve Reynolds** of Alcoa. He described the potential consequences if the Alcoa Ferndale or Wenatchee plants shut down due to lack of access to the federal grid; we need that power, **Reynolds** said, and we need as many aluminum jobs as possible in the Northwest. We need affordable power, just as Bonneville has traditionally supplied, he said.

Bert Bowler of Idaho Rivers United spoke next; he briefly described his group's membership and goals, then noted that IRU supports the public interest proposal, for the following reasons:

- Only the public interest proposal will ensure that we have clean, reliable and affordable electricity, will also protect ratepayers and wild salmon, and will boost the economy.
- Anadromous fish – salmon and steelhead – recovery is of paramount importance to the Northwest and its economy. The Snake River is extremely important to that effort, because of the

amount of quality habitat it contains; it is the world's largest producer of wild spring/summer chinook and summer steelhead in the world.

- The Snake River causes a huge headache for the federal family because of the enormous expense of re-engineering the Snake River dams for fish recovery; this re-engineering has, however, resulted in very low sustained wild fish returns.
- Power output from the Snake River dams is minimal during most of the year, simply because there is very little water flowing through the Snake River. Lower Snake River dam retirement should be a key element of the allocation debate, because it could reduce much stress from the fish and power side of the equation. There is also a huge adaptive management component, which the Power Planning Council continues to support in its fish and wildlife planning process.
- Clean, affordable and reliable energy is of paramount importance to the Northwest and its economy. A diversified Northwest energy portfolio can help anadromous fish recovery by lessening the pressure on the Columbia and Snake Rivers to generate energy. The allocation proposal must explicitly advance diversification by reducing the region's reliance on hydro through increased investments in non-hydro renewables and conservation.

Next up was Justin Hayes of the Idaho Conservation League. He noted that his organization also supports the public interest proposal, then read the following statement into the record:

The Idaho Conservation League has a long history of involvement with salmon recovery, water quality and river protection issues. As Idaho's largest statewide conservation organization, we represent members from around the state, many of whom have a deep personal interest in ensuring that the federal hydrosystem is managed in a manner that helps to restore Idaho's salmon and steelhead. The issue before us this evening is of immense importance to the ultimate success or failure of our efforts to recover wild salmon and steelhead in Idaho.

The Idaho Conservation League endorses the Public Interest Proposal that the Save Our Wild Salmon Coalition and the Northwest Energy Coalition have put forth. This proposal is balanced and should be adopted by the Bonneville power Administration.

Specifically, we urge BPA to endorse the following principals:

- BPA and the other members of the federal family must ensure that the Columbia and Snake Rivers are operated to provide both the river conditions salmon and steelhead need for recovery and to provide the funding to implement recovery measures in both the mainstem rivers and their tributaries.
- BPA must remove the economic and operational incentives to violate salmon requirements. As part of this, BPA must require a reduction in energy generation from federal dams, including the removal of the four dams on the Lower Snake River.
- Salmon must have an equal and meaningful voice in river operation decisions. BPA needs to change the current decision-making structure and grant Columbia River Treaty Tribes the authority to speak on behalf of the salmon – with authority equal to that of the federal government – in all river operations forums and decisions.
- Further, BPA must reduce the pressure on the Columbia and Snake Rivers through energy conservation and renewable energy development.
- The Idaho Conservation League also endorses the United Steelworkers proposal that seeks to allow the DSI load to be interrupted for salmon, and that the Steelworkers would receive pay and benefits during such periods.

Hayes added that the Idaho Conservation League does not support the concept of long-term 20-year contracts put forward in the joint customer proposal; in our opinion, he said, the contract period should be shorter.

The next speaker, **Jim Keating** of the Idaho Wildlife Federation, referenced his deep personal interest in the recovery of fish and wildlife populations in Idaho; he noted that he had worked for many years for IDFG. He said he had found an old newspaper clipping from a talk he gave to the Lewiston Chamber of Commerce nearly 50 years ago, in which he predicted the extinction of Idaho's salmon runs if dam construction continued unabated. He

said his organization supports the public interest proposal, in particular, the removal of the Lower Snake dams, even if that means increased short-term use of combustion turbines. **Keating** concluded by saying that salmon and steelhead are of major cultural and economic importance to the State of Idaho, noting that the improved runs in recent years have produced an economic windfall approaching \$200 million. The runs are a fraction of what they once were, he said, but they are still capable of providing enormous benefits to the state.

Edwina Allen, a private citizen, took the Council and Bonneville to task for failing to make meaningful inroads into effective salmon recovery; she said she supports the public interest proposal, for a variety of reasons. In your new plan, she said, it is important that you promote energy efficiency and renewables such as solar and wind power. We must meet the Power Planning Council's conservation goals, including the funding of weatherization for low-income homes. New BPA contracts must not include provisions detrimental to salmon recovery. We need to diversify our sources of power, said **Allen**, so we are not so dependent on Mother Nature to provide rain. Consider the costs and benefits of replacing one high-use incandescent bulb in each home with a compact fluorescent light bulb, she said – what would happen if you made energy-efficient bulbs available at little or no cost to your residential customers?

Two centuries ago, Native Americans saved the lives of the starving Lewis and Clark expedition by feeding them salmon, **Allen** said. Today, those tribes need to have an equal voice with the federal government in salmon recovery decisions.

On some levels, she continued, these energy and fish discussions are very complex; on another, they're really very simple. If you step back and look at the big picture, the issue is simply this: the salmon need a river to migrate and swim in. The Bonneville Power Administration is spending more money to kill fish than it would cost to save them, said **Allen**. The four Lower Snake dams don't make sense for people or for fish. If bypass the four Lower Snake dams, we will save money, fish, and Idaho's economy, she said.

Next up was **Ed McKerlie** from Alcoa's Wenatchee Works, who said he supports the United Steelworkers' proposal. **McKerlie** said lower power rates from BPA are essential to the smelters and the local economy. If we had all of the jobs lost to smelters in recent years, he said, we would be way, way ahead of where we are now. The aluminum industry has met all of the environmental standards it has been asked to meet, he said; we have done our part to deserve a piece of the power pie, and have even put forward a proposal to give power to get power. We're a profit-making company, he said; if BPA was a for-profit company, there would be a lot of people heading down the road. There are a lot of smelter-dependent people here that are really hurting, he said; we need those smelters. This industry has been hurt enough, said **McKerlie**; we've already taken out some of the biggest industries in this state – mining and logging.

The next speaker was **Reed Burkholder**, a local resident who said he has dedicated the last 10 years to restoring the salmon runs of his native state. He advocated the removal of the Lower Snake dams, noting that they are weak, poorly-located and unreliable. **Burkholder** said that, specifically, according to the Department of Energy's Energy Information website, Georgia has 26,000 aMW of coal, natural gas and nuclear resources; Ohio has 25,000 aMW in similar resources. Florida has 41,000 aMW of power, he said. But when you look at the Northwest, you see power plants on rivers that consistently generate low amounts of power.

Burkholder noted that Lower Granite is currently producing a week-average of only 133 aMW, despite the fact that many power plants around the country are producing 3,000 aMW or more. In return, he said, that power plant is right in the middle of one of the most important salmon environments in the world. If DOE wants 100 aMW of reliable power, he said, it should build a modern power plant somewhere it won't do any harm.

Next up was **Delbert Nicholson**, representing two United Steelworkers' locals. He asked those in attendance to review the literature provided by the Steelworkers at tonight's meetings, noting that, for the twelfth consecutive month, Oregon and Washington have led the nation in unemployment. Let me call upon BPA to do everything in its control to lower costs and energy prices, he said; even a few cents' difference in our power rates can be the difference between life and death for some businesses.

4. Closing Remarks.

Hawk asked what the process will be for BPA to bring out its proposal. **Kempton** replied that the formal comment period ends on October 18. After that, the Council will develop its recommendations to BPA, and Bonneville will begin to develop its draft proposal. There will then be another series of public meetings and another opportunity for formal comment; Bonneville will then produce its final proposal by April, 2003.

Kempton thanked everyone for their input at tonight's meeting; he said that, in his view, the opportunity to exchange views with the region's citizens is a crucial part of the Bonneville decision process. He thanked everyone for taking the time to come to tonight's meeting; with that, the session was adjourned.