

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

September 30, 2002
Doubletree Hotel at Lloyd Center, Portland, Oregon

1. Greetings and Introductions.

The sixth and final regional dialogue public meeting on potential changes to the Bonneville Power Administration's power supply role after 2006 was held September 30, 2002 at the Lloyd Center Doubletree Hotel in Portland, Oregon. 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 **Eric Bloch** welcomed everyone to tonight's meeting; he noted that tonight's event is an important one for everyone in the Northwest. **Bloch** 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, **Bloch** said.

Before beginning the formal testimony portion of this meeting, **Bloch** 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 **Bloch**, 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, **Bloch** said.

Electricity is a very important part of the economy in the Pacific Northwest, **Bloch** 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, **Bloch** said, and that is why this process is important

Paul Norman 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, **Norman** 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.

Oregon Power Planning Council Member **John Brogoitti** then welcomed everyone to tonight's meeting, noting that the input of all in attendance is of value to Bonneville and the Council. **Bloch** went through the ground rules for tonight's meeting, then introduced the first presenters of the evening.

2. Proposal Presentations.

A. Presentation of the Joint Customer Proposal. **Randy Berggren** of the Eugene Water and Electric Board (EWEB) provided a basic overview of the primary goals of the joint customer proposal, noting that it is a rare event when all Northwest utilities (save one, Tacoma Power) can agree on such an extensive and important proposal. **Berggren** then yielded the floor to **Pat Reiten** of PNGC, who described his organization's customer base and geographic service area. **Reiten** said he is proud of this plan not only for its contents, which have been carefully negotiated over the past 18 months, but for the cooperative approach it represents.

We are committed to continuing to work together with the DSIs, the conservation and renewables community and the fish and wildlife community to develop a truly unified Bonneville customer proposal, **Reiten** said. He then provided an overview of the "Customer Goals and Objectives," "Key Aspects of the Settlement," "Slice Power Sales Contracts" and "Current Slice Customers" portions of the unified 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) have choices
- A share of power benefits for residential and small farm customers of investor-owned utilities
- Direct Service Industries are included
- 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.

Current Slice Customers

Benton Co. PUD	Clearwater Power Co.
Clatskanie PUD	Consumers Power Inc.
Eugene Water & Electric	Coos-Curry Electric Coop
Franklin County PUD	Douglas Electric Coop
Grays Harbor PUD	Fall River Rural Electric Coop
Idaho Falls	Lane Electric Coop
Okanogan County PUD	Lost River Electric Coop
Pend Oreille County PUD	Northern Lights Inc.
Seattle City Light	Okanogan County Electric Coop
Snohomish County PUD	Raft River Rural Electric Coop
PNGC Power, Including: Salmon River Electric Coop, Blachly-Lane Electric Coop, Central Electric Coop, Umatilla Electric Coop, West Oregon Electric Coop	

Next, **John Saven** went through the “Requirements Customer Contracts” portion of the joint customer proposal:

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.

Saven then yielded the floor to **Scott Brattebo** of PacifiCorp, who described the “Residential and Small

Farm Customers of Investor-Owned Utilities” provisions in 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
- 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.

Brattebo noted that, as Bonneville’s costs go up, the benefits to residential and small farm customers of investor-owned utilities go down. Next, **Saven** discussed the “BPA Cost Controls” and “DSI Service Proposal” portion of the presentation:

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” under the joint customer proposal, noting that, while this portion of the proposal is not un-controversial, BPA’s customers are continuing to work with various public interest groups to reach agreement in this area.

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

Next, **Reiten** addressed the proposal's "Fish and Wildlife Obligations" and "System Operations" provisions:

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.

Reiten then asked **Berggren** to summarize the benefits of the joint utility proposal. **Berggren** reiterated that this proposal would, essentially, do two things: it would transfer from BPA to the region's utilities much of the responsibility for securing additional electricity for load growth in the region. It would also provide long-term stability regarding the allocation of federal system benefits through 20-year contracts between BPA and each of the region's utilities. Finally, said **Berggren**, this proposal was developed and is supported by an unprecedented

coalition of the region's utilities, including preference utilities, investor-owned utilities and cooperatives which, together, serve virtually all of the region's retail electric consumers. Having Bonneville's utility customers come together in such a unified way is truly gratifying, **Berggren** said.

Q&A on the Joint Customer Proposal.

Bloch thanked the joint customers for their ideas, then asked if there were any questions from the audience regarding the structure of the proposal, or the assumptions underlying it. **Patrick Pollock** asked what the DSIs would be getting out of the conservation and renewables program proposed by the joint customers proposal. That's an interesting question, **Reiten** replied; essentially, the Council will be asked to develop a regional target, which would then be divided up among Bonneville's customer base. There is obviously potential there to make major acquisitions of large commercial conservation, **Reiten** said.

Steve Weiss of the Northwest Energy Coalition and **Reiten** discussed the impacts of the operational flexibility Bonneville's customers would enjoy under this proposal, particularly with respect to Mid-Columbia operations; **Weiss** noted that, given the problems with juvenile fall chinook being stranded in the Hanford Reach, in his opinion, this proposal offers too much flexibility to the utilities. That's probably a question you should take up with NMFS, **Reiten** replied.

Lee Higgins of Alcoa's Wenatchee works noted that the 600 aMW the joint customer proposal would allocate to the region's aluminum smelters represents a substantial cut in comparison to the DSI's historic load. Is there any other customer class that would sustain such a large cut in service under your proposal? **Higgins** asked. **Saven** replied that the joint customers believe Bonneville has a statutory responsibility to serve public power's loads, as well as a statutory responsibility to provide benefits to the residential and small farm customers of the IOUs. We also recognize that the direct service industries have both historic and current contracts with Bonneville, **Saven** said; we have looked at the nature of these industries, as well as the size of the federal system, and we believe that the proposal we have made for the allocation to the smelters – 600 aMW – along with financial incentives for bringing new resources to the system and a guarantee of full compensation for workers affected by any curtailments, is workable. There have been no other cuts, per se, in service to other customer groups, he added.

How does your proposal get at the fact that the current operation of the system consistently violates the environmental statutes under which the system is supposed to operate? another participant asked. Again, one of the goals of this proposal is to ensure that fish and wildlife obligations are met, **Reiten** replied; they continue and are not changed by this proposal.

What percentage of the joint utility customers are requirements customers, and second, how would your proposal address the long-term capital intensity required to meet requirements customer load? another participant asked. **Reiten** replied that the Federal Base System (FBS) is about 7,000 aMW; requirements customers represent about 2,000 aMW of that total load. In this proposal, we basically do an allocation of the federal system, and envision that there would be some type of a basic rate available to those requirements customers. Then, to the extent that the overall region is growing, and those requirements customers experience load growth, we're saying that we want them to have the flexibility to decide whether or not the federal government, through Bonneville, to provide additional energy, or, alternatively, if they want to do that on their own. My expectation is that it will be something of a mixed bag, in terms of outcome, **Reiten** said.

Bloch asked whether the proposal being advanced by the joint customers would actually do better than the status quo, with respect to the acquisition of conservation and renewables. Under this proposal, we have all made a commitment to enhance our level of conservation and renewables acquisitions, **Berggren** replied.

B. Presentation of the Public Interest Proposal.

Andrew Englande of Save Our Wild Salmon and **Sheryl Carter** of the Natural Resources Defense Council presented the public interest proposal. 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 **Englande**. He 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 DSIs 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.

Carter 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.

Carter touched on the public interest group proposal’s conservation and renewables target and accountability provisions, low-income weatherization, and the cost estimate associate 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 **Carter**, 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.

Q&A on the Public Interest Proposal.

Steve Watts of Alcoa asked how the economic repercussions would play out; who is going to pay for the lost jobs your proposal would bring about? **Englande** replied that the intent of the public interest proposal is not to put anyone out of work; in our view, he said, this proposal will create many jobs and enhance employment opportunities in a variety of economic sectors. The reality is that the resources of the federal system are finite, and that, over the years, many jobs that were dependent on the river system have been lost due to changing operations. Another participant asked Watts who has been paying for the lost salmon fishing and other tribal jobs that have resulted from current river operations? I think we all have, **Englande** replied.

C. Presentation of the Alcoa Proposal.

Bob Wilt of Alcoa began his presentation by noting that Alcoa is the world’s leading aluminum producer, with 15% of the world’s market. We are a value-based company, said **Wilt**, which takes its financial, environmental and social commitments very seriously indeed -- Alcoa also pays its bills, he said. This April, we were very pleased to be able to re-start about two-thirds of the Intalco facility, added.

Wilt then presented the Alcoa proposal, touching on the following major topic areas:

- Where is aluminum consumed?
- Where is primary aluminum produced?

- Oversupply has been chronic in the past decade; last year, the oversupply was 3.5 million metric tons
- Growing Chinese smelting capacity
- The long-term price trend in primary aluminum (graph) – down 2.7%, in adjusted dollars, over the past 20 years
- Average smelter power costs by region (\$10 per MWh in Russia and Canada, \$23 per MWh in the U.S.) Bonneville’s recent rate increase means U.S. power costs will be approaching the highest in the world, Mike said
- The critical importance of a stable allocation of power at an affordable cost to the future of the Northwest aluminum industry

As you can see from the many aluminum industry workers in attendance tonight, said **Wilt**, our people are our greatest asset; obviously the decisions you make are critical to their future. We’re convinced that if we all work together, we can find enough power for all of BPA’s customers and still meet our fish and wildlife responsibilities, he said, acknowledging that the region does face some very hard choices in the years to come.

Next, **Wilt** yielded the floor to **Jack Speer**, who provided an overview of Alcoa’s “BPA Post-2006 Proposal.”

Essentially, said **Speer**, the Alcoa proposal would allocate more Bonneville megawatts to the DSIs than the joint customer proposal. At the same time, he said, we believe we need to bring additional resources to the system, without loans from Bonneville; Bonneville would acquire those resources from Alcoa and sell them back at industrial rates, **Speer** said.

Speer moved on, touching on the history of the Bonneville-DSI relationship, the effects of the Northwest Power Act, and an overview of the joint utility proposal. He noted that, in his view, the joint utility proposal is a fine piece of work, which required an unprecedented level of utility cooperation. **Speer** added, however, that he hopes people will look beyond that cooperation to the substance of the proposal itself, because in Alcoa’s view, the joint customer proposal is unfair. It denies Alcoa power from existing low-cost resources Alcoa helped to build, and if implemented, will single out the Northwest aluminum industry for economic hardship. Our plants need economical power to compete, said **Speer**; our communities and our country will suffer if Alcoa and other Northwest smelters don’t survive.

Other key points of the Alcoa proposal:

- Follows existing law – no new legislation required
- Meets loads (up to 700 aMW for Alcoa’s Intalco and Wenatchee facilities) under a long-term contract
- Power rate would be blended and fair – equitable with other industries, mixture of old and new power costs, minimal impact on average BPA rate – about 1/20 of one cent per kWh, less than \$1 per month to the average residential customer
- Alcoa will offer new power to BPA at cost (including return on capital invested); will meet cost-effective standard; from contracts or new plants
- If Alcoa does not meet BPA obligations, BPA will not have to pay for new Alcoa power – this would protect other ratepayers from aluminum risks, and goes beyond what is required of other industries

Q&A on the Alcoa Proposal.

The Alcoa representatives were asked about the fact that Bonneville is not required, by law, to serve the aluminum company’s load. **Speer** replied that, in Alcoa’s view, Bonneville should do what is fair, and what is customary, and what they are allowed, but not required, to do by law.

In your proposal, what types of additional resources do you envision bringing to the system? one attendee asked. We have no specific proposal at this time, **Speer** replied; it includes activities such as conservation and renewables acquisitions and large power purchases that meet the cost-effectiveness standard and existing law –

beyond that, we have no specific proposal.

Emily Platt said that, in her view, Alcoa's proposal doesn't make sense – you propose that BPA simply meet what is required under the law for fish and wildlife, but that Bonneville go beyond what is required under law to serve Alcoa's load – that doesn't seem fair, she said. We're not proposing that Bonneville break the law, but that Bonneville do what is equitable within the law, **Speer** replied – we don't think Congress anticipated that BPA should cut off the DSIs simply because they are not required to serve the DSI load.

To what extent do you see the DSI proposal as reconcilable with the joint customer proposal? **Bloch** asked. As you know, the joint customers have suggested an allocation of 650 aMW in Bonneville power for all DSIs, but Alcoa needs that much power just to serve our load, **Wilt** replied – I don't however, see that as an insurmountable negotiating difficulty. We are concerned about the fact that the joint utility proposal's DSI service proposal appears to be a one-time thing – that we would sign one more contract, then go away. I don't think that is fair, **Wilt** said; what that says, in essence, is that the aluminum smelters don't deserve a share of the federal system, despite our long history as Bonneville customers and as an integral part of the Northwest economy.

In response to a question from **Norman**, **Wilt** said that, without long-term assurances from Bonneville, it will be difficult to keep Alcoa's smelters operating. It takes several years to site, design and construct new power plants, **Wilt** said; right now, with the current state of the utility industry, the people we would depend on to build those plants are financially incapable of building new power plants. Our concern is that we're all sitting around looking at each other, wondering who is going to build that next resource. In the meantime, loads are continuing to grow here in the Northwest, and we're worried that we're going to see a repeat of the last two years, and that power supplies will once again tighten up. We all need to know how much load we're going to have, and who is going to be responsible to meet those loads, said **Wilt**.

Speer added that the sense of urgency is acute with respect to how BPA is going to allocate power to Alcoa, particularly in the post-2006 cycle. We're going through a capital cycle right now, he said, and I can assure you that there will be minimal capital dollars invested in either Wenatchee or Intalco until this issue is resolved. Both of these plants are viable and merit capital modernization and investment, **Speer** said, but until this issue is resolved, we're basically in a holding pattern.

In response to another question, **Speer** said the rates Alcoa pays are set by Bonneville, and are comparable to those paid by other Northwest industrial customers – around \$32 per MWh. Our competition in South America, Canada and elsewhere in the world is paying about \$19 per MWh, he said. Under what circumstances would you be paying more than Bonneville's other small farm, utility and industrial customers? the participant asked. Given the current price of natural gas and power marketing costs, **Speer** replied, a new resource would likely cost in the neighborhood of \$38-\$39 per MWh. If we are forced to do without the power from Bonneville, he said, we would be paying that \$39 per MWh rate.

You say that Alcoa doesn't have the financial wherewithal to make the capital investments in these facilities, said **Cindy de Bruler** of Columbia RiverKeeper, but it sounds as though no one else has the financial ability to build new power plants to serve your load. We have the financial wherewithal to invest in these facilities, **Speer** replied; however, given the uncertainties regarding our post-2006 power supply, it would be short-sighted to make a long-term capital investment.

Another participant said she would prefer to avoid an us vs. them situation; don't you think there is some way all sides can win? she asked. I think we all have to do everything we can to ensure that the benefits of the Bonneville system are shared as equitably as possible, but that they stay here in the Northwest, **Speer** replied.

John Cooper then asked about the differences in DSI allocation between the joint customers' and the Alcoa proposal. **Speer** replied that the aluminum business is extremely competitive; Alcoa's Northwest plants produce lower-cost aluminum if they operate to capacity. We have certain fixed costs, he said; if they are operated to capacity, we're in a better competitive position on the worldwide market. To operate efficiently, we need a threshold amount of energy to operate at full capacity, and to be competitive in the worldwide market, said **Speer**.

What the current level of commitment on the part of the DSIs to sustainability and to conservation? **Bloch**

asked. What would the DSIs would be willing to consider in terms of conservation and renewables? Certainly conservation is essential to our prosperity, **Wilt** replied; we're constantly re-assessing our energy conservation opportunities and the efficiency of our process. From a purely economic standpoint, he said, we were leaders in conservation before conservation was cool. Alcoa also takes its environmental excellence and civic responsibilities very seriously; although our proposal does not specifically address conservation issues, said Wilt, we understand the social and economic importance of conservation very well -- I think Alcoa could be a corporate leader in the conservation field. **Speer** added that Alcoa's product is much more environmentally-friendly than aluminum produced elsewhere in the world, noting Alcoa's aluminum, which incorporates a significant percentage of recycled aluminum, is used to reduce the weight and fuel consumption of cars, airplanes and other forms of transportation.

D. Presentation of the United Steelworkers Proposal.

Jim Woodward, Steve Powers and Gaylan Prescott provided an overview of the United Steelworkers proposal:

- 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 **Woodward**:

- 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, **Woodward** 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 **Woodward**, 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.

In closing, said **Prescott**, the United Steelworkers' experience has shown them that, when we approach the great public resource that is the Federal Columbia River Power System from a position of competing interests for a limited resource, we risk a solution that causes harm to the very public to which the resource belongs. We believe our proposal provides the protections the public deserves for the use of their resource, by focusing on common interest, rather than competing interest, he said. I am extremely proud of our union for the outreach we have done, **Prescott** said; while we can't walk arm in arm with everyone we've reached out to, we have made great inroads with environmental organizations, tribal interests, even Alcoa. I am encouraged to hear that Alcoa is reconsidering its former opposition to the good corporate citizenship clause we put into the aluminum contract, said **Prescott**.

Q & A on USWA Proposal.

How will you provide thousands of jobs in the State of Washington on a measly 600 MW? one participant asked. **Woodward** replied that, with the new generation the DSIs would bring to the system, there should be ample power to operate all of the smelters. Participant **Bill Sherwood** asked about the aluminum industry's contributions to the region's salmon restoration programs over the past decade. **Woodward** replied that he is unsure of the exact dollar amount the DSIs have contributed to salmon recovery efforts in that period, but that it is certainly in the millions of dollars every year.

If the DSI power is interrupted to meet the needs of salmon, and work ceases for more than a six-month period, what's your proposal for a shutdown longer than six months? another participant asked. Our intent is that any curtailment would be reviewed every six months, **Woodward** replied; we certainly don't want to see a situation where a smelter would automatically be shut down for a year or two, without review.

In response to another question, **Woodward** discussed the metric ton output of the various aluminum facilities on the grid, noting that almost all are in the 210-250 metric ton range. And how many are running today? another participant asked. Three of the 10 smelters are operating partially, **Woodward** replied.

Another participant asked about the expense involved in shutting down, then re-starting the potlines. Our proposal does address that, in that it would require Bonneville to provide capital to restart the potlines, because that is very capital-intensive, **Woodward** replied.

3. Public Comment.

Raphael Bill of the Confederated Tribes of the Umatilla Indian Reservation, a Commissioner to the Columbia River Inter-Tribal Fish Commission (CRITFC) read a statement regarding BPA's financial choices, asking that it be entered into the public record for this meeting:

BPA is once again facing financial difficulties, like so many times before. And once again, BPA is asking citizens of the region for input on its budget problems. As an answer to these problems, BPA again wants to retreat

from its numerous commitments and obligations to protect and restore Pacific Northwest fish and wildlife.

I urge BPA not to retreat. I urge BPA to abandon its practice of sacrificing salmon on the altar of economic expediency.

On repeated occasions in the past, BPA has committed to fully fund fish and wildlife restoration. BPA made this promise in government-to-government consultations with the Treaty Tribes. BPA made this promise in its rate case. BPA should refuse to follow this dismal historic pattern with which the tribes are so familiar, of empty words and broken promises.

Our region has made some genuine progress in restoring salmon. Recent adult returns have improved significantly. Yet that progress is at risk if BPA will not provide the necessary funding. More needs to be done, over the long haul, to achieve sustainable, healthy salmon populations. More needs to be done, if BPA is going to obey the Endangered Species Act and the Northwest Power Act's "equitable treatment" requirement.

BPA needs to look aggressively at the substantial administrative costs and endless procedural hurdles that fish and wildlife projects face. All too often, these burdens only increase expenses, not salmon. BPA needs to look at the cost recovery adjustment provisions that were an important part of its rate case and its earlier commitments, and implement them when necessary. There is no excuse to ignore the tools available.

BPA also needs to look at greater diversity of power sources. We applaud BPA's efforts to promote conservation and renewables, and encourage you to do more. We urge you to look at a broader approach to meeting energy demands. BPA should look at the tribes' proposal to the river managers in the Tribal Energy Vision. Our approach does not rely excessively on the hydrosystem. Dams are and will remain an essential part of the power picture, but as the 2001 water year proved, they are inherently unreliable.

BPA should back up its words with actions that support them, not undermine them. The Confederated Tribes of the Umatilla Indian Reservation have backed up our words with actions. We've restored salmon to the Umatilla River after they were exterminated for over 70 years. We did it while preserving the area's agricultural economy. We are developing a 1,200 aMW natural gas-fired power plant to serve Northeastern Oregon and beyond. We are carrying out these initiatives in the spirit of cooperation, using the tools of productive partnerships. We ask that BPA do the same. Strengthen your commitment to fish and wildlife restoration; don't weaken it.

The next speaker was Gil Hayes of the USWA, who made five essential points about the post-2006 BPA power allocation:

- The aluminum industry supports 2.9 spinoff jobs for each smelter job
 - Aluminum has long been a stabilizer for BPA's power sales, especially because it has been willing to use power during off-peak hours, one of the factors that prevents involuntary spill (and lost power revenues) during certain times of the year. This long-standing and beneficial relationship should be factored into the discussion of the post-2006 Bonneville allocation.
- The additional generation brought on-line by the Northwest's smelters in the years to come will help the salmon recovery effort by reducing demand on the federal hydrosystem, particularly during low water years.
- To aid in this process, the USWA request a five-year credit support program to aid the development of such generation; many smelters will be incapable of such development without the help of BPA.
- Given the current state of world politics, this is not the time to eliminate the domestic production of this strategic metal.

In conclusion, said **Hayes**, the United Steelworkers believes that this proposal would be a huge stimulus to the region's economy, and we urge BPA to give it every consideration.

Mark Albert, an electrical engineer with the Vulcan Power Company, was the next to comment. **Albert**

spoke in support of an aggressive renewable energy policy here in the Northwest. He noted that it has been puzzling, frustrating and aggravating that the Northwest lags far behind states like Texas and Nevada when it comes to encouraging the development of renewable energy resources. **Albert** urged Bonneville and everyone in attendance tonight to strengthen their commitment to renewable energy resource development.

Sandy Lonsdale, also of Vulcan Power, encouraged BPA and the Council to rely as heavily as possible on conservation and renewable resources, and as little as possible on combustion turbines, to meet future load growth. He described the potential of the Newberry Crater geothermal project as an example of the type of benefit renewable resources can bring to the Northwest's energy portfolio; these are the types of projects BPA should support wholeheartedly, **Lonsdale** said. Polls show that Oregonians support the addition of renewable energy to the Northwest power mix, he said. **Lonsdale** added that further global warming will only reduce the snowpack in the Northwest, reducing both hydropower production and the amount of water available for salmon recovery. For all these reasons, he said, BPA must commit to the development of new renewable energy resources here in the Pacific Northwest.

Kyla Merwin of the Bend City Council said she is deeply concerned about the impacts a highly-consumptive society is having on the global environment; she expressed puzzlement about the lack of emphasis in Oregon on the development of renewable energy resources. **Merwin** said Bonneville has the opportunity to become a national leader in renewable energy development, and urged them to seize this chance.

Cylvia Hayes of Earth Connection described the goals and membership of this Bend-based group, noting that she is also a candidate for the state legislature. **Hayes** said that her presence here tonight, in the throes of a hotly-contested legislative race, should adequately testify to her commitment to the renewable energy cause. She described the potential of renewable resources – wind, solar and geothermal -- as the energy sources of the future. It is very important that BPA make every commitment to developing renewable energy resources, **Hayes** said; as a state legislator, I will work to ensure that they do so.

Brad Lynch of USWA, the next commenter, recapped the four main goals of the Steelworkers' proposal:

- Adequate, reliable, affordable and diversified supplies of energy that are friendly to the environment and preserve Northwest aluminum jobs, vitally needed in the small rural communities in which most aluminum smelters are located.
- Oregon and Washington have had the highest unemployment rates in the nation over the past 12 months
- Aluminum smelting should remain in the U.S., where the labor and environmental standards far surpass those in other parts of the world.
- Given the current world political situation, an assured domestic supply of strategic metal is a necessity.

The bottom line is that if we don't work together to resolve this issue here in the Northwest, there are many others on the East Coast and elsewhere who are eager to do the job for us, said **Lynch**.

The next speaker was **Tom Wolf**, Chair of the Oregon Council of Trout Unlimited. We support the public interest joint proposal, he said; we feel that is the best opportunity to meet the job requirements in this state, to protect and restore salmon and to deal with our renewable energy crisis.

We realize, of course, that no one proposal will be considered in this process, **Wolf** said; with that in mind, we ask that Bonneville consider these criteria in its decision process:

1. BPA must meet its current legal and moral responsibility for salmon recovery, and even go beyond what is currently being done.
2. BPA's energy portfolio must be diversified to include an increased investment in renewable energy resources and conservation.
3. While Trout Unlimited is very concerned about the loss of aluminum-industry jobs, there has not been much mention of others whose livelihoods have also been affected by the operation of the FCRPS – the tribes, commercial fishermen and those in the recreation industry. In whatever

proposal is adopted, said Wolf, we must also ensure that there will be salmon for the industries they support.

4. In addressing the current financial crisis, we cannot lose sight of the consequences of our decisions 50 years from now.

Next, **Mike Keith**, President of Local 9170 of the United Steelworkers in The Dalles; described the importance of the aluminum industry to Wasco County, where the GNA smelter provided more than 500 union-salary, family-wage jobs for the past 15 years, before it was shut down two years ago. He noted that Wasco County currently has the second-highest unemployment rate in the State of Oregon, which, with the State of Washington, has led the nation in unemployment for the past twelve months.

Keith encouraged BPA and the Council to support the United Steelworkers' proposal, noting that the union employees of the smelters in The Dalles and Goldendale have made commitments at considerable sacrifices to allow these facilities to restart. We have recently ratified a new concessionary labor agreement that will offset a significant share of the power rate increases, said **Keith**. Northwest aluminum management have also agreed to apportion cuts in order to facilitate a restart, he said.

Our company is developing and demonstrating new smelting technologies that are more current-efficient and more productive, said **Keith**. We are not, therefore, sitting on our hands while someone else fixes our problems for us; we are doing everything we can to help ourselves, and we need your support for the Steelworkers' proposal as presented to you tonight. Please remember that for every aluminum job lost, an additional three support jobs are lost, **Keith** said.

Glenn Vanselow of Pacific Northwest Waterways Association was the next speaker. He thanked BPA and the Council, as well as all of those who have developed proposals, for encouraging the region to think ahead. He noted that his organization agrees that environmental stewardship is a key part of BPA's role now and in the future; he urged BPA to increase the cost-effectiveness of its fish and wildlife efforts. We also urge Bonneville to reduce its costs in all areas of operation to ensure the efficient operation of the FCRPS, to help maintain the economic viability of both the F&W program and the Northwest's river-dependent communities, **Vanselow** said.

Marty Rosback, President of the Northwest Rafters Association, said he group supports the public interest proposal. He noted that, when it comes to fish and wildlife, whatever man can attempt in terms of restoration can be derailed by short-sighted changes in water use policy; he cited the 2002 decision to divert water needed for salmon from the Lower Klamath River to the area's irrigators, and the massive salmon kill that resulted. History may not remember that irrigators in the Lower Snake had to find another source of water, or that the businesses in Lewiston had to move their goods by rail, rather than by barge. History will certainly remember, however, the tragedy of a short-sighted generation that failed to do everything in its power to save and prevent the extinction of the fish and wildlife around us, which are not ours to lose, **Rosback** said. He urged Bonneville and the Council to look at this situation anew, and to put aside any past prejudices they may have in order to preserve the Northwest's fish and wildlife heritage.

Steve Reynolds of Alcoa Wenatchee said that, in his opinion, 100 aMW for each smelter is not enough for the aluminum smelters; he said he supports the Alcoa plan.

The next speaker was **Delbert Nicholson**, representing United Steelworkers Local 9170 in The Dalles. He noted that this is a very complex issue that is going to require a great deal of thought to resolve. He said he supports the United Steelworkers proposal, and asked that those in a position of authority on this issue keep in mind that their decisions affect real people in real jobs.

There has been a lot of discussion of doing away with these jobs because of costs which some say burden the rest of the Northwest ratepayers, said **Nicholson**. At one time here in the Northwest, we enjoyed the deep prosperity basic industry provided. With the demise of the timber industry, mining and a number of key manufacturing facilities, we have definitely felt the economic damage that has been incurred, he said. Today, we are looking at the possible elimination of another of those staples of a healthy economy -- aluminum.

I was born and raised here in Oregon, said **Nicholson**; I have never seen this state in such dire financial

straits. We as responsible adults and taxpayers are entrusted by our children and grandchildren to set them on a course that will bring them the same measure of security we received from our predecessors, he said, but at this time, the future looks bleak.

We now have an opportunity, however, to approach the future differently, and to bring about a more favorable result, **Nicholson** continued. Without the strong base our basic industries provide, keeping our lifestyle as-is will be a daunting task to say the least. **Nicholson** added that both he and the USWA are firm supporters of a healthy Northwest ecosystem, as the United Steelworkers plan attests. We know the health of our salmon and other fisheries are an integral part of life for all people, he said; the aluminum industry has invested millions to keep the rivers as safe to use as is technologically possible. **Nicholson** noted that he sees many points of common interest and agreement among the various proposals that have been put forth from industry, the public interest groups and the tribes. We live in a deep-rooted, balanced environment, he said; all of these groups have spent untold amounts of time, capital, labor, negotiation and compromise in an effort to keep it healthy.

This balance has allowed us to carry on our individual duties and responsibilities to our people, said **Nicholson**. With the commitment of all parties involved, I know that, if we can keep important basic issues in the forefront, finding common ground will be the result, he said. I implore each and every one of the groups here tonight to look at their communities and neighbors and think objectively to find a compromise that will ensure a robust economy, a healthy environment, and a coalition that will make the Pacific Northwest the envy of the rest of the country, **Nicholson** said.

Bob Geary of the United Steelworkers in The Dalles asked the Council and BPA to review the literature provided by the steelworkers at tonight's meeting; he reiterated that Oregon and Washington currently have the highest unemployment rates in the country and needs to retain every aluminum job it can. He recapped the annual value of each of those jobs, the historic importance of the aluminum industry to BPA and the region and the Steelworkers' support of adequate investment in cost-effective conservation and renewable energy to meet the region's loads. He asked BPA to do all it can to keep their costs – and the price of power – as low as possible; a few cents difference in rates can make the difference between profit and loss, and survival and failure, for many Northwest businesses, **Geary** said.

Cindy de Bruler of Columbia RiverKeeper said her organization supports the public interest proposal; she thanked the Steelworkers for including attention to the environment in their proposal as well. I don't think we're really very far apart here, she said; **De Bruler** asked BPA to bring all its creativity to bear in solving all of these challenges, and in bringing all parties in the region to the table. She added that her organization also strongly supports the recommendation that the Northwest tribes be given decision-making authority on river operations.

Gareth Bolt of Fluor Global expressed his support for the Alcoa proposal. In addition to its aluminum, he said, Alcoa provides another valuable product – living-wage jobs for families in the county in which the Intalco plant is located, not only the families of the men and women who work at Intalco, but for other, like me, who work for companies that provide products and services to Alcoa. It's really important that you find a way to make this work for Alcoa and the other DSIs, **Bolt** said.

The next speaker, **Clark Brockman**, a private citizen, said he supports the public interest proposal, as well as the comments expressed in the course of tonight's meeting about renewable energy. If BPA is serious about meeting its environmental and conservation and renewables obligations, while still meeting all of its power generation needs, it is clear that BPA must create a plan that assigns real economic value to all of the stakeholders, including the tribes, the fisheries and the salmon themselves, **Brockman** said. All we have heard from the utilities and the DSIs on the subject of fisheries is that current laws would be adhered to under their proposals, as they are now. What they're saying, then, is that the current system, in which juvenile fish are trucked alongside the river is compliant and acceptable. In my opinion, said **Brockman**, that is a travesty. It seems that the only proposals that are being seriously considered tonight are those that assign dollar values to electricity-driven jobs, he said; the other players, including the tribes, fishermen and the salmon themselves, need economic playing cards so that you will take them seriously as well. We need a true salmon recovery plan, not a salmon maintenance plan or a slow salmon degradation plan, **Brockman** said.

Next up was Greg Gilbert of Tacoma Power, who read a statement explaining Tacoma Power's opposition

to the joint customer proposal.

Gilbert began by noting that Tacoma Power advocates for the equitable allocation of the federal system, equitable sharing of the costs and benefits of the system and of utility responsibility for managing load growth. However, said **Gilbert**, Tacoma Power does not support the joint customer proposal, because it offers Tacoma Power a reduction in the benefits it currently enjoys.

To the extent that one customer class receives a disproportionate windfall benefit in the first five years of the subscription period, their benefits should be adjusted downward during the second period to ensure that all customers receive equitable benefits during the 10 years of the subscription period, **Gilbert** said. Likewise, he said, customers that receive fewer benefits during the first five years of the subscription period should receive proportionately more benefits during the second five years.

As an example, **Gilbert** continued, if it were found at the end of the current rate period that one customer class – the IOUs for example – received a disproportionate share of the federal system’s benefits, their benefits during the second rate period should be proportionately adjusted downward to ensure that their overall 10-year benefits are no greater and no less than the benefits allocated to any other customer class. Likewise, if it were found at the end of the current rate period that one customer class received less than their share of the benefits of the federal system during the first five years, their benefits would be adjusted upward during the second five years. Any other course of action would be a blatant violation of the fundamental objectives of the subscription strategy.

Gilbert noted that Tacoma Power was one of the original participants in the development of the joint customer proposal. Our support for the proposal was rooted in the fundamental objectives of equitable allocation of the federal system, and equal exposure for all customers to the risks and benefits of changes in the costs of the federal system, he said. We support the proposal’s principals and objectives, said **Gilbert**; however, Tacoma Power does not support the joint customer proposal itself. If the final version of the proposal had met the proposal’s objectives, he said, we could have supported it. Unfortunately, we find this proposal to be skewed toward certain customer groups, with certain customers gaining benefits over and above their current contracts, while other customers, including Tacoma Power, would lose a portion of the benefits they receive under their current contract.

We seek only to maintain the benefits Tacoma Power enjoys under its current contract, **Gilbert** said. Absent that certainty, however, the joint customer proposal is unacceptable. Specifically, the proposed allocation scheme takes away the planning and resource certainty we have today, by transferring more risk to Tacoma Power sooner, while providing more certainty and stability to other customers, **Gilbert** said -- this is in clear violation of the equal risk principal, and is unacceptable.

Tacoma Power has proposed an equitable solution that would provide us with the minimum benefits we require, on par with the benefits we currently receive under our contracts, he continued. However, our proposal was not accepted by the joint customers prior to the submission of their proposal to the Public Power Council, and ultimately, to BPA, **Gilbert** said.

Finally, with regard to post-2011 contracts, any approach developed to address BPA’s power supply role after 2006 must include as a key element post-subscription contracts, **Gilbert** said. Although the customer proposal may provide alternative contracts beginning in 2007, BPA must identify as early as possible what it intends to offer customers in 2011 – the products, rates, terms and conditions of those contracts. Customers deserve to know, prior to agreeing to contract conversions in 2007, what alternative contracts might be available in 2012 if they choose to stay with their current subscription contracts, **Gilbert** said. We request that, at a minimum, BPA develop language specifying that both the quantity and price for those choosing to remain with their subscription contracts through 2012 will be under the same terms and conditions as those choosing to convert their contracts in 2007 under the customer proposal. Customers choosing to stay with their current contracts, then to transition to the new settlement contracts upon expiration of their current contracts should be able to do so without penalty, said **Gilbert**. We see this approach as retaining much of the initial value of our subscription contracts, while capturing an equitable share of the out-year benefits shared by all customers under the joint proposal, he added.

In closing, our request to BPA is simple, said **Gilbert**: that the benefits and the risks of the federal power system be shared equitably among all customers during this subscription term. We also ask that, beyond the 10-year

term of this subscription agreement, BPA ensure that sufficient and robust contractual mechanisms exist to guarantee the continuing equitable allocation of benefits and risks well into the new millennium.

Ed McKerlie, the next commenter, expressed his support for the Alcoa proposal, and his opposition to the inequities inherent in the joint customer proposal's proposed allocation to the DSIs; more power is needed for basic industries, he said, not less. The utilities don't support the job base the DSIs do, he said; we need these industry-based jobs. I urge you to keep everyone on the grid, and get the aluminum industry back where it's supposed to be, said **McKerlie**.

The next speaker, **Debbie Todd** of Chelan PUD, noted that she is married to an Alcoa employee. She said she supports the Alcoa proposal. **Todd** asked two questions: one regarding the cost of BPA's participation in the RTO, the second regarding what innovative salmon protection measures Bonneville is considering, such as fish bypass technologies and predation control, which will allow outcome-based results that could potentially minimize costly spill. Bloch replied that, while these are certainly legitimate questions, given the lateness of the hour, he would prefer that Bonneville provide its response outside of tonight's meeting.

Douglas Todd of Alcoa's Wenatchee works said he is here representing his family, his union and his community; he posed a series of statements and questions, prepared by him and his fellow union workers: 1) Economic indicators show that Washington leads the nation in unemployment. What possible purpose is served by sacrificing aluminum jobs? 2) The very existence of aluminum smelters has provided millions of dollars toward alleged salmon saving plans through their power purchase revenues. Why bite the very hand that feeds you? 3) During the 1970s and '80s, our nation watched the emasculation of its steel mills. Aluminum, arguably the metal of the future, is a precious commodity, historically linked to hundreds of Washington jobs. What possible benefit will Washington State see if aluminum smelters succumb to a similar fate? 4) In that taxpayers are already overburdened for the cost of saving salmon, why now sacrifice Northwest aluminum smelters, signing the death warrant for a precious commodity and putting thousands of Americans out of work? 5) If BPA's plan is indeed to eradicate Northwest aluminum smelters from the power grid by 2006, forcing hundreds into the unemployment line, how high will Washington's unemployment rate escalate because of BPA's inclination to focus on punishing industrial customers? Lastly, said **Todd**, referring to the cause, in his opinion, of the decline of the Columbia River salmon runs: it's the nets, stupid.

Pat Flaherty of the International Association of Machinists and Aerospace Workers (IAMAW) said his organization supports the Alcoa proposal; he touched on some of the good things the DSIs have done over the past 20 years: Intalco's \$200 million contribution toward fish enhancement over the past 20 years; its recent \$75,000 contribution to a Nooksak Tribal fish enhancement project; the Intalco employees' \$100,000 annual contributions to United Way; its recent \$250,000 contribution to the City and school district of Ferndale; its upcoming \$425,000 contribution to Whatcom County programs; a total contribution to local causes this year of \$1.2 million. If Intalco goes away, it will devastate our community, **Flaherty** said. He added that, with respect to conservation, Intalco is the most efficient aluminum producer in North America; it is second to none in environmental concerns. We set our own environmental and conservation standards, higher than what is required of us by state and federal law, **Flaherty** said -- all we ask is a fair and equitable price for power, that will allow us to keep our jobs here at home.

Emily Platt, a private citizen, was the next speaker; she expressed her support for protecting salmon, and said that, in her view, BPA's efforts to date have been appalling, ineffective and sloppy. She objected to the barging of juvenile salmon, and said she wants to see new solutions that bring back the jobs and the Northwest's salmon-related economy. She also spoke to the importance of encouraging renewable resource development, and expressed her support for the Steelworker's proposal for plenty of family-wage jobs.

Vicki Henley was the next speaker, representing the IAMAW; she described the extensive community service many of her fellow Alcoa workers engaged in during the most recent energy curtailment. **Henley** noted, however, that in her view, the worker compensation during curtailment packages included in the United Steelworkers and joint customer proposals fall far short of what is needed; she said even paying workers during the shutdowns is not enough. There are tremendous costs associated with re-starting the potlines after a shutdown, **Henley** said; it is also a dangerous job, far more complex than just flipping a light switch on and off. Please put equal value on the people who work these jobs, she said.

Patrick Shannon, a local citizen, said he frequents southeast Alaska, and noted that the fish runs there are the mainstay of the economy -- people fly in from all over the world to enjoy it, and it also supports a commercial fishery so large it is the number one industry in southeast Alaska. I would like to see those kinds of runs return to the Columbia, he said -- I would like to see people fly in from all over the world to fish here in the Northwest. One way to do that is to concentrate on renewable energy that not only supports existing employment, but creates new employment opportunities. For these reasons, said **Shannon**, I support the public interest proposal.

Next, **Clarence Harper** of the IAMAW expressed his support for the Alcoa proposal. Like other speakers before him, **Harper** stressed the vital importance of aluminum industry employment to the Washington State economy, noting that all Alcoa is asking for is an energy allocation that will allow it to continue doing what it has done so well for many years: producing high-quality aluminum and employment opportunities in an environmentally-sound manner. Harper noted that he also represents Alaskan cannery workers, and is intimately familiar with many of the companies doing business in the fishing industry there. The salmon issue is a complex and critical one, he said; in my view, the Alcoa proposal is not inconsistent with the needs of salmon.

Rob Gala of the Northwest Energy Coalition was the next speaker; he noted that, clearly, there are many different ideas out there about how we ought to shape our energy future. **Gala** noted that his organization has received literally thousands of letters from concerned Northwest citizens that he will be delivering to Bonneville tonight. He thanked the United Steelworkers for extending the hand of compromise, recognizing that everyone in the region will have to give up something to achieve equitable resolution of this issue. As someone said earlier, said **Gala**, our goal should not just be to survive, but to become the envy of the nation by achieving a truly innovative and workable solution.

Jason Eisdorfer of the Citizen's Utility Board said he wanted to share some new thoughts with respect to the joint utility proposal. He noted that this proposal seems to represent a significant shift away from Bonneville's historical role in the region, particularly with respect to the utilities' promise not to place any new loads on Bonneville for the next 20 years, but rather, to take care of those resource needs themselves. This would seem to be saying that Bonneville should no longer need to acquire new resources, and that regional planning would become a thing of the past, **Eisdorfer** said.

The reality is that after the 20-year contract period is over, the public utilities, by law, would be able to put their entire accumulated load onto Bonneville, **Eisdorfer** continued. This suggests a couple of things, he said: first, that the joint customer proposal says that new publics will not be served at preference rates until 2026. This is an issue this region must address at a policy level, he said; it represents a dramatic shift away from the philosophy of public power. This would have the effect of preventing the right of IOU customers to form a public utility and get access to BPA preference power, **Eisdorfer** said.

The second point I wanted to make is has to do with conservation, energy efficiency and renewable energy, said **Eisdorfer**. BPA's obligation to serve preference customers never truly goes away; neither should BPA's obligations in the field of energy efficiency and and renewables. These types of resources expand the diversity of the region's energy portfolio; they reduce the market volatility caused by changes in the price of fossil fuels. The groups sponsoring the public interest proposal are continuing to work with the utilities to make progress on the conservation and renewables front, **Eisdorfer** said; however, in whatever plan is finally adopted by Bonneville, funding for energy efficiency and renewable energy is a critical element of the regional energy policy.

So, too, is regional energy planning, **Eisdorfer** said; the region's energy demand will continue to grow over the next decade, and both Bonneville and the Council need to continue to play a key role in regional power planning. The joint customer proposal does not advocate a need for regional planning, he said; quite the contrary. Multiple, disparate utility plans are no substitute for a clear regional understanding of our future energy needs and the strategies to meet them.

Finally, said **Eisdorfer**, fish and wildlife cannot fair worse under the strategy Bonneville ultimately adopts for its role after 2006 -- they must fare better. We urge you to treat the Columbia River ecosystem fairly, and preserve this tremendous national heritage.

The next speaker, **Nicole Cordan** of Save Our Wild Salmon, noted that the format of these meetings is not

very sensitive to the needs of those who are not being paid to attend them; it isn't fair that people who have given up their evening to attend are forced to wait until the end of the meeting to make their views known, she said. **Cordan** then highlighted two key points of the public interest proposal: first, if we continue with the status quo, we will be sorry as a region. Second, she said, we need to protect family-wage jobs; Save Our Wild Salmon sincerely appreciates the United Steelworkers' willingness to reach out to us and teach us about their point of view.

Scott Bowmer, a private citizen, said he is a multi-generation resident of the Northwest; he noted that, while he believes that aluminum jobs need to stay here in this country, it is obvious to him that the aluminum industry is dying here. We need to focus, instead, on tourism and salmon recovery, ideally by removing the four Lower Snake dams, said **Bowmer**. Tourism and renewable energy need to be our focuses in the future, he said; I do have a lot of sympathy for Alcoa, because they have given a lot back to the community, but I have no sympathy for Kaiser, which took the money to Texas and locked people out. **Bowmer** urged Bonneville and the Council to consider the potential for increased economic contributions from the tourism and renewable energy industries, in addition to the aluminum industry.

Next, **Fred Heutte** of the Sierra Club and the Alliance for Sustainable Jobs and the Environment said his organizations support the public interest proposal, for a variety of reasons: the fact that it implements the best parts of the 1980 Regional Power Act; that it fairly balances the costs and benefits of the system; that it emphasizes a long-term strategy for the acquisition of environmentally-sound new resources.

What we need, in the words of one of the great scientific minds of the last century, is less blame and more fixing, **Heutte** said. He expressed his alarm at the direction of the energy policy bill currently being debated in Congress, noting that it would repeal a number of key pieces of earlier legislation, including the Public Utility Holding Act of 1935 and the Public Utility Regulatory Policies Act of 1978. As we look forward, said **Heutte**, we need strong planning, we need strong development, and we need a strong market to fill in the gaps where energy development falls short. However, he said, we should not rely on the market to fulfil our every need, which is essentially what the energy bill before Congress would force us to do. Despite our differences, he said, we need to stand together as a region – what has struck me most about tonight's discussion is the many places where our goals and desires converge, rather than where they diverge. It won't be easy, **Heutte** said, but the basis for a deal is there.

Peter Ovington of Save Our Wild Salmon recapped many of the points made earlier in this process in support of the public interest proposal: the recent Rand report conclusions that the region can have both jobs and power, and that removing the Lower Snake dams would have a positive, rather than a negative, effect on the Northwest economy; that it represents an improvement, rather than a return to the status quo, as the joint customer proposal advocates; that it proposes an increase, rather than a decrease, in regional investment in conservation and renewables. In response to an earlier comment that "It's the nets, stupid," **Ovington** noted that the largest nets in the system are the four Lower Snake dams, which harvest up to 80% of the juvenile salmon migrating to the ocean. It is unfair and disingenuous to suggest that nets, particularly those of the tribes, are the cause of the decline in our salmon populations, he said. I wish a busload of commercial fishermen could have attended tonight's meeting, in addition to the busload of aluminum workers, he added; however, despite our differences, I think if we keep talking, we can find some common ground.

The next speaker, **Jay Ward** of the Oregon Natural Resources Council described his organization's geographic scope and membership; he said he is reminded of a quote from Aldo Leopold: "The first principal of intelligent tinkering is to keep all of the parts." It seems to me that, through this process, BPA and the Council are deciding which parts to throw away, said **Ward** -- which of God's creatures to consign to the trash heap of history. The decisions you make through this process will, if not made correctly, result in the termination of members of an endangered species, and the cessation of a genetic line.

Wild salmon restoration should be the baseline from which BPA plans its power generation activities, said **Ward**. It is time for BPA to lead the other federal agencies which have abdicated their moral and statutory responsibilities to the native fish and wildlife of the Northwest. Salmon protection is not a whim of the affluent, to be cast aside at the first dry season or economic downturn, he said – wild salmon is the defining issue of our time in the Northwest, and we will have to answer for its resolution to our grandchildren. I ask that you ensure that all costs of power generation are accurately reflected in the price of a kilowatt-hour, **Ward** said; only then will renewable and alternative sources of power be able to supplement hydro and gain a foothold in the marketplace. You must take

charge of the system in a way that benefits all of the citizens of the United States; don't try to avoid your legal responsibilities by passing statutory responsibility to non-federal, and therefore less-accountable, entities. You must also establish an adjudicatory mechanism that allows for an honest, transparent evaluation of river management activities, said **Ward**.

My heart goes out to those whose livelihoods are threatened by the various proposals we have heard tonight, said **Ward**; I am certainly willing to consider subsidizing industry on my back, but not on the backs of the salmon. He added that the Tribes of the Columbia basin have stewarded the river for millennia without imperiling the fish; perhaps it's time that we allow them to teach us a thing or two. If you're unwilling to relinquish control, **Ward** said, at least make sure they have an equal vote in power decisions.

Last week on the Lower Klamath River, we saw what happens when political power triumphs over scientific reason, **Ward** said -- the result was thousands of dead chinook and coho salmon, many of which were endangered. Tribal, commercial and recreational fisheries were destroyed. While the results of the decision you make in this process may not be as obvious, said **Ward**, they will be every bit as permanent.

Liz Hamilton, executive director of the Northwest Sportfishing Industry Association (NSIA), was the last commenter of the evening. She described her organization's membership and geographic scope, noting that the NSIA is very, very sympathetic to those in the region who fear job loss. However, these meetings are meant to look at the big picture, she said -- at the future of BPA in our region, and the distribution of federal power in the Northwest. From the perspective of the NSIA, said **Hamilton**, one cannot separate the future of the FCRPS from the hydrosystem's casualty salmon and steelhead.

Public- and investor-owned utilities have submitted a proposal in which they are seeking long-term stability and certainty from BPA and from the FCRPS itself, **Hamilton** continued. The NSIA and its members can understand their desire for stability and certainty from a business perspective. After all, who wants to operate a business amidst unstable energy markets and chaotic electricity trading? Yet the utilities are not alone in their desire for stability and certainty.

My businesses, too, desire certainty, certainty that the operations of the hydrosystem will not interfere with the ability of salmon to return to the rivers of their origin to spawn and continue the cycle of life, **Hamilton** said. Our families' livelihoods depend on it. Consequently, we find it impossible to support energy contracts spanning decades, when those contracts are not anchored with the needs of salmon being met first in the river.

Hamilton said the NSIA sees this process not solely as a process to decipher how and when utilities will get their share of federal power, but more as an opportunity to correct a system of operations that for 30 years has largely failed to recover salmon. This opportunity to turn over a new leaf, and go in a new, more secure direction for all of us, holds huge potential. I urge BPA and the Power Planning Council to join me in this broader approach to the issues before us.

The NSIA and a coalition of commercial fishing associations, conservation organizations and clean energy advocates have submitted a proposal which we feel puts us in the right direction, **Hamilton** continued. Our proposal would give salmon an equal voice in decision-making processes, and help ensure that the Columbia and Snake Rivers are not operated simply to generate and market power, but rather to achieve the legal responsibilities of salmon recovery once and for all. Our proposal would also stabilize and increase regional investments in clean energy to lessen the burden on our rivers to generate electricity.

In conclusion, said **Hamilton**, since the construction of the four dams on the Lower Snake River, our industry has suffered the loss of thousands of jobs. In a sense, the Northwest's energy systems have operated on the backs of our businesses and families. I urge BPA and the Council to adopt the proposal put forward by NSIA and other public interest groups so that our businesses can look forward to the very same stability and certainty as that sought by the region's utilities.

4. Closing Remarks.

For the record, said **Bloch**, this was very worthwhile to all of us who sit up here with the responsibility to

make some of these decisions on behalf of the region. We genuinely thank you for making your voices heard, and for taking the time to share your thoughts with us tonight. **Bloch** noted that the formal comment period for this portion of the process 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.

With that, the meeting was adjourned.