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November 6, 2008

## MEMORANDUM

**TO:** Council Members

**FROM:** Terry Morlan  
Director, Power Planning

**SUBJECT:** Public Power Council Perspective on Offering Power to Alcoa

This agenda item relates to the previous Council agenda item on a possible sale of Bonneville power to Alcoa Aluminum, and to a similar item on the Power Committee agenda. The cost of tier one power to Bonneville's public utility customers would be affected by a sale of power to aluminum companies.

The Public Power Council will provide its perspective on the proposed sale. A press release describing their concerns is attached. Additional information on the proposed sale of power to Alcoa Aluminum is provided in the Power Committee packet and the preceding agenda item in the Council packet.

Attachment

**FOR IMMEDIATE RELEASE**

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## **Utilities Question Costly Deal for Aluminum Companies**

**Portland, Oregon – October 10, 2008** – Upon release today of a proposal by the Bonneville Power Administration to serve an Alcoa Aluminum plant in Washington with federal power, leaders representing consumer-owned utilities raised serious questions about the deal.

“The trouble is the deal is paid for by a rate increase totaling up to \$70 million per year for customers and businesses already struggling to make ends meet,” said Scott Corwin, Executive Director of the Public Power Council. “What will be the job loss suffered in communities bearing the cost of this subsidy?”

“BPA is proposing to sell power that it doesn’t have. We believe that it is illegal for BPA to purchase power for resale to the aluminum companies at a loss. We think that BPA cannot legally require public power to cover those losses. And, they will be huge over the life of this contract,” said John Prescott, President & CEO of PNGC Power.

“The annual subsidy here will cost up to \$145,000 for each job at this plant within this multinational corporation,” explained John Saven, CEO of Northwest Requirements Utilities. “That is a tough thing to justify to the rest of the ratepayers.”

For the first 10 years of the deal, it would provide 240 aMW of power. For scale, the entire city of Seattle uses about 1200 aMW. Customer-owned utilities with first right to power of the federal Columbia River system sign contracts that guarantee payment of all BPA’s costs; they are concerned about the impacts to their local consumers and taking on additional risk in these agency obligations.

There may be another shoe yet to drop. A deal not yet reached for the other remaining aluminum company in the Northwest could cost ratepayers an additional \$30 million per year. Utility representatives will be analyzing these proposals carefully in order to provide detailed comments. But, our first look gives us cause for concern that the risk to ratepayers region-wide outweighs any intended benefit.

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