

December 9, 2002

Mark Walker  
Public Affairs  
Northwest Power Planning Council  
851 SW 6<sup>th</sup> Ave, Suite 1100  
Portland, OR 97204

Dear Mr. Walker:

I am writing in response to the Northwest Power Planning Council's November 25<sup>th</sup>, 2002 draft recommendations on the future role of Bonneville.

The United Steelworkers (USWA) submitted comments to Messrs. Steve Wright and Frank Cassidy, Jr. on September 11<sup>th</sup>, 2002 in response to BPA's discussion of power marketing and benefits of the Federal Columbia River Power System for the post 2006 period. I would like to reiterate some of these concerns and interests as they relate to the NWPPC's recommendations.

The USWA applauds the NWPPC's recommendations for continued allocations to the DSIs post 2006. We believe this is critical to providing much needed stability to the industry by offsetting the volatility of the market, from where the balance of the smelters' energy must come. We also appreciate the Council's acknowledgement that the DSIs make important contributions to the NW economies. With Oregon and Washington experiencing some of the highest unemployment levels in the country for the past 15 months, well-paid smelter jobs should be valued and supported more than ever.

While we support these elements, there are others that are severely lacking, namely worker protection during long-term energy curtailments. Others are overly restrictive, such as specific conditions placed on the DSIs. For this reason, USWA cannot support the Council's set of recommendations as written at this time, but hope that with further modification we will be able to give our endorsement. These areas and others are elaborated below.

#### Allocation Level

The USWA supports the 100 MW allocation per smelter, totaling an amount between 600 MW and 1400 MW. We believe this range will allow for flexibility needed to take into account various smelter ownership possibilities over the next few years. Another positive attribute is that under the best of circumstances, this total amount will allow the maximum number of smelters to participate.

The Steelworkers are concerned, however, with the NWPPC's perspective that allocations to the DSIs might raise rates for other customers. This statement does not reflect the fact that BPA allocation levels to the DSIs have been decreasing significantly over the past contract periods. Between 1995-2000, BPA allocated 2000 MW for the DSIs, constituting approximately two-thirds of what was needed for the DSIs to operate. That amount was reduced to 1500 for the 2001-2006 period. The Council and USWA's

proposals to allocate 100 MW to every qualifying smelter for the 2006-2026 period could reduce that figure by another 45%, even when using optimistic assumptions about smelter operations. We do not believe that this low level of use will significantly affect other customer groups.

### Conditions

The Council did not lay out any criteria for qualifying smelters. USWA encourages the NWPPC to require that aluminum companies demonstrate good corporate citizenship by following local, state and federal laws including health and safety, equal employment opportunity, and environmental protection. All meeting these qualifications should have the opportunity to access BPA power.

NWPPC's recommendations restrict DSI contract terms to 10 years with reduced amounts of power available in subsequent contracts. The USWA believes that it would be inequitable to have a different contract period for the DSIs when other customer groups are being treated to 20-year contract periods. The Joint Proposal of the Northwest Utilities, to which the NWPPC is responding, is for a 20-year contract period for all groups, including the DSIs.

The Council's recommendations further state that the DSIs are encouraged to move off BPA power in the long run. First, this statement is vague and needs clarification. Secondly, by providing a consistent base-load demand and constant revenue source, DSI participation enables BPA to avoid selling energy to the market at low rates in years where there is excess power. Thirdly, as stated above, the DSIs provide great benefits to workers and local and state economies. Given these contributions, we believe the DSIs should not be transitioned off of the system until a thorough analysis determines that their costs outweigh the benefits. Please keep in mind that the small amount of base power in question will only approximate 10% of BPA's total load.

### Interruptibility Rights

Interruptibility rights are very valuable for providing additional resources in times of need. It must be recognized, however, that long-term interruptions will have a deleterious effect on the workforce unless all affected employees receive a continuation of full salary and benefits. It would be unconscionable for workers to have to bear the brunt if the industry helps the Northwest reduce its energy load during adverse supply conditions. The United Steelworkers can therefore only endorse interruptibility rights as a condition of a 100 MW allocation if appropriate worker compensation is ensured.

The USWA strongly encourages the Council to adopt essential worker protections similar to those included in the Joint Proposal of the Northwest Utilities. This language on DSI Service, included in the Joint Utilities' Power Point Presentation given at the September, 2002 regional public hearings, recommended the following:

- 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.

### Credit Support

The USWA strongly supports the Council's recommendation that BPA consider providing credit support to DSIs that develop generating resources. Similar to Golden Northwest Aluminum's proposal, this additional power will be provided to regional utilities and the DSIs at-cost and provide a reserve that can be drawn during low water years in order to protect vulnerable NW fish populations. As with any long-term curtailments on the base 100 MW amount, worker protections must accompany any such emergency shutdown. Additionally, if the DSIs are generating their own power independent of BPA, they should be entitled to BPA power totaling a maximum of 1400 MW, rather than be held to a lower amount.

### "Swing Plants"

The USWA concurs with the Council's analysis that the future of several of the Northwest smelters is uncertain and that many of the plants will operate when aluminum prices are high and/or power prices are low. Historically, the nature of the industry is cyclical. Continued improvements in technology and modulation and greater efficiencies will make it more possible for existing smelters to operate profitably as part of an overall integrated approach to power.

### Conclusion

The United Steelworkers appreciates this opportunity to comment on the NWPPC's recommendations on the future role of Bonneville and are pleased to be part of the ongoing discussions. We hope that you will take our concerns into consideration and integrate them into your final decision.

Sincerely,

David A. Foster  
Director, District 11  
United Steelworkers of America  
2829 University Ave., SE, Suite 100  
Minneapolis, MN 55414  
(612) 623-8045; [dfoster@uswa.org](mailto:dfoster@uswa.org)

### CONTACT:

Carla Din  
Environmental Liaison, District 11  
5299 College Ave., Suite E  
Oakland, CA 94618  
(510) 594-6898; [cdin@uswa.org](mailto:cdin@uswa.org)