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Alcoa contract terms approved

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After nearly two hours of public testimony, PUD commissioners Monday voted 4-1 to approve the proposed term sheet for a new long-term power sales contract with Alcoa as it has been presented by the District's negotiating team.

Commissioners Norm Gutzwiler, Ann Congdon, Dennis Bolz and Randy Smith voted in favor. Commissioner Werner Janssen voted against.

About 55 community members and Alcoa employees attended Monday's meeting. Eighteen commented on the terms and most spoke in favor. The terms provide a structure for contracts that could provide enough electricity to run three pot lines at the Wenatchee aluminum smelter from 2011-2028.

Smith moved for a vote on the terms, saying he had the PUD's mission statement of providing utility services that enhance the economy and quality of life in the county in mind. Bolz, who seconded the motion, said the proposed contract terms offer a way to share the benefit of a public asset with a local entity and recognize, "the fidelity of a relationship in the community."

Janssen said he supports Alcoa, "but I feel strongly the process could have been handled differently." His motion to table the vote until March 3, 2008, failed.

Proposed contract terms were first presented on Oct. 15. **As approved**, the new contract terms will provide Alcoa with about 25 percent of the output of Rocky Reach and Rock Island dams in exchange for paying the same percent of the power production and delivery costs, plus other fees including an up-front capacity reservation change of \$17.5 million to \$21 million. Details about **the terms** are posted on the PUD Web site, www.chelanpud.org.

Negotiations on an interconnection agreement will continue and the full contract will go to the board for final approval at a date not yet set.

2008 budget approved

PUD commissioners approved a combined \$297 million budget for 2008, which reflects a 2-percent decrease from overall anticipated spending this year. The spending plan holds increases in next year's operation, maintenance and tax expense to 3.7 percent over 2007 projected results and below the target of 5.3 percent. It includes 5-percent electric and 9-percent water and sewer rate increases.

Nine new positions are included in next year's budget, but full-time regular positions are down from the equivalent of 751 this year to 743 for 2008. The number of PUD employees at the end of Nov. 2007 is down more than 30 from November 2006, and monthly payroll savings are about \$93,000.

Capital spending is targeted at \$97.3 million, slightly below this year's \$98 million. Large projects will include ongoing modernization at Rock Island and Lake Chelan dams. Wholesale power sales revenues could range from \$33 million to \$77 million in 2008. At this point, an average water year is expected.

As part of the financial actions, commissioners used internal funds to pay down \$53.6 million in Utility Services debt and transferred those funds and associated debt to the hydro systems to meet capital and licensing requirements. They also put \$50 million into a new rate stabilization fund to be used as a means, along with rate increases and surcharges, to protect against unexpected fluctuations in revenues and expenses. A transfer of \$23.8 million was approved to cover 2008 fiber-optic network funding requirements.

In other business, commissioners:

- Took a "wait and see" approach on the fuel diversity standard required by federal regulation (PURPA) and decided not to adopt the fossil fuel efficiency standard because it does not apply to the District, which uses clean, renewable hydropower to generate almost all of its electricity.
- Approved Utility Service regulations that combine items for retail electric, water, sewer and wholesale networks customers into one document, effective Jan. 1, 2008. The regulations will be posted on the PUD Web site under "customer service."

The next regular meeting of the PUD commission is at 9:30 a.m. on Dec. 10 to conduct regular business in the boardroom at PUD headquarters, 327. N. Wenatchee Ave. The meeting will continue at 1:30 p.m. with Chelan County commissioners in the Chelan County Chambers, 350 Orondo Ave.

The start of the Dec. 17 regular board meeting was changed to 10 a.m.

PUD commissioners canceled the Dec. 24 and Dec. 31, 2007, board meetings that fall on Christmas Eve and New Year's Eve. The first regular meeting of 2008 is set for 9 a.m. on Jan. 7 in the boardroom.

Most PUD commission meetings are recorded, and a link to the audio is available on the PUD's home page at www.chelanpud.org.

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[Link to board meeting.](#)

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