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Alcoa gives views on proposed power sales terms

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Alcoa managers and union employees offered the company's perspective Tuesday on proposed terms for a new 17-year power contract for the Wenatchee Works aluminum smelter that would provide enough electricity to run three pot lines through 2028.

Bob Wilt, former Wenatchee plant manager and now Alcoa's vice president for energy development, told PUD commissioners the proposed contract terms offer benefits for the community, for the PUD's customer-owners and for the global aluminum maker.

"We've come to the conclusion this is a good deal, not a great deal; there is not a lot of money going back to Pittsburgh," Wilt told the board. "It's a fair deal for Alcoa."

Wilt was joined in the presentation by Wenatchee Works Manager Stefan Vogt and union employees Tim DeShazo and Jeff Campbell. They responded to questions raised by commissioners at Monday's meeting on the contract terms and offered some of the financial information used by the company in determining its support for the terms.

Economic analysis from an Alcoa consultant showed the financial benefit to the community under the contract would be more than twice the gain of selling the power on the open market: \$228 million a year from the contract compared with \$110 million a year on the market.

Alcoa figures placed the benefit to the community over the life of the contract at \$3.1 billion including wages and benefits, spending by Alcoa and its employees, local taxes and charitable contributions.

Wilt noted that terms negotiated by PUD staff, if approved, will make the Wenatchee Works a must-run plant. "This would be an expensive smelter to shut down, which is exactly what you want." However, there must be enough power for three pot lines to provide adequate financial returns, he said.

DeShazo and Campbell said the proposed contract offers stability for the Alcoa workforce. Skilled laborers are already looking to Seattle or Spokane for jobs; a new power contract for Wenatchee would keep them here, they said.

Wilt also asked PUD commissioners not to delay in acting on the contract proposal. "We need thorough public process and timely debate, but markets can change, there could be another 9/11...things do happen," he said, adding that a decision by the end of 2007 would be reasonable.

PUD commissioners set two more meetings on the proposed contract terms: a 5:30 p.m. session on Nov. 5, at a location to be determined; and 9 a.m. on Nov. 19 in the PUD board room. No date for a decision has been set.

Bart Clennon of Wenatchee told the board he'd like to see a score sheet for evaluation of the terms before a decision is made. He also agreed with a suggestion by Commissioner Dennis Bolz that protections for the workforce be included in the terms.

Bill Stokes of Wenatchee questioned Alcoa's need for below-market-price electricity to be successful.

Richard Thompson, a retired Alcoa worker from East Wenatchee, noted that the area needs Alcoa's jobs, and that the company can make money on more than just making aluminum.

Proposed contract terms were unveiled last week. If approved as **presented**, the new contract would provide Alcoa with about 25 percent of the output of Rocky Reach and Rock Island dams in exchange for paying 25 percent of the power production costs, plus other fees including an up-front capacity reservation change of \$17.5 million to \$21 million. Information about the **proposed terms** is posted on the [PUD Web site](#).

In other business, commissioners:

- Met in an afternoon session with Chelan County and Port of Chelan County commissioners to discuss issues of mutual interest. Participants agreed that each of the three commissions would meet independently to confirm their participation in 1) beginning to develop an urban growth area for Peshastin and 2) sharing information about items of mutual legislative interest in Olympia and Washington, D.C.

The next regular meeting of the PUD commission is at 1 pm. on Oct. 29, 2007, in the boardroom at PUD headquarters, 327 N. Wenatchee Ave.

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

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