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Discussion continues on Alcoa contract terms

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Fourteen community members offered comments to PUD commissioners on Monday morning about the proposed terms for a new power contract with Alcoa's Wenatchee Works aluminum smelter.

Supporters of the proposal cited the economic benefit of retaining the high-paying Alcoa jobs and the financial certainty the proposal would provide for the PUD and Alcoa.

Many of those speaking Monday questioned the 17-year term of the proposed contract in light of climate change concerns that will likely push the price of electricity higher. Others urged the board to bring in outside expertise to review the proposal and to consider other options for future use of the 25-percent share of the output of Rocky Reach and Rock Island dams. The new contract would run from 2011-2028.

"There is very, very little risk going forward that our power won't be worth way more in the future," said Jim Brown of Wenatchee. "I urge you to take some time, look at the process and slow it down."

Conway Narby of Wenatchee said the PUD needs outside expertise to match the expertise Alcoa brought to the negotiations. "I urge you to go out and get some advice. I want a win-win situation. I want Alcoa here and I want the best situation for us."

Don Bottoms of Plain asked why the "take-or-pay" design of the proposal was the only approach considered, adding that offering a discount on market rates for power would provide as much benefit for Alcoa and protect the PUD from price swings.

Craig Larsen, Wenatchee Valley Chamber of Commerce executive director, said the organization supports the proposed contract terms.

Alcoa employees Jo Keyser and Mike Willett urged commissioners to approve the proposal to provide certainty for fellow employees and the community. The proposed terms would provide Alcoa enough power to start a third pot line at the Wenatchee plant, supporting about 70 new jobs for a total of 450.

Following public comment, Commissioner Werner Janssen proposed hiring an outside consultant to review the PUD's business relationship with Alcoa and to look at contract options. His motion died for lack of a second.

Proposed contract terms were first presented on Oct. 15. 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 and delivery costs, plus other fees including an up-front capacity reservation change of \$17.5 million to \$21 million. Details about the **proposed terms** are posted on the PUD Web site, <http://www.chelanpud.org/>.

PUD commissioners will continue discussion of the proposed Alcoa contract terms at 9 a.m. on Dec. 3 in the PUD boardroom.

In other business, commissioners:

- Conducted a hearing on two standards included in the 2005 PURPA (Public Utility Regulatory Policies Act). The board will act Dec. 3 on staff recommendations to: 1) take a "wait and see" approach on the fuel diversity standard; and 2) not 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.
- Extended the 18-month limit on future energy sales to allow the sale of a 25-megawatt block of electricity in the third quarter of 2009 and another in the fourth quarter of 2009. Randy Lowe, Energy Resources executive manager, asked for the authorization to provide additional flexibility to manage wholesale revenues.

The next regular meeting of the PUD commission is at 1 p.m. on Monday, Nov. 26, in the boardroom at PUD headquarters, 327 N. Wenatchee Ave.

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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