

# **Bonneville Power Administration Financial Choices Public Meetings**

**Spokane, Washington  
August 21, 2002**

**Ramada Inn – Spokane Airport, 1 - 4 p.m.  
Approximate Attendance: 85**

## **Opening Remarks**

**Facilitator Hugh Moore (BPA)** welcomed participants and explained the meeting format. **Paul Norman (BPA)** provided background on BPA's financial situation, and **Kim Leathley (BPA)** laid out the approaches BPA has developed as potential ways to address an \$860 million revenue shortfall. The approaches she described are: #1, raise rates to close the gap between revenue and expenses; #2, cut costs and increase efficiencies; #3, increase financial risk to the Treasury; #4, defer costs and push the problem to the future; and #5, make a one-time rate adjustment through the safety-net surcharge. (A complete summary of the introduction is provided for the first meeting in Portland on August 15. The same points were covered in the introduction at all of the public meetings.)

## **Clarifying Questions and Answers**

**Rob Lothrop of the Columbia River Inter-Tribal Fish Commission (CRITFC)** pointed out that according to spreadsheets showing BPA's rate case levels versus actual spending, internal finances are contributing to the problem. Expenses for shared services and corporate are \$138 million over budget, and it appears power business operations are \$165 million above the rate case estimates, he said. Lothrop asked for clarification of what those expenditures entail. Shared services are internal support services, like legal, media and security, Leathley answered. The costs are split between the power and transmission business lines, she said. Power business operations include such things as the schedulers, trading floor and marketing group, Leathley said.

The Power Business Line operations are running about \$100 million over the rate case level in total over the next four years, Norman clarified. There is a combination of reasons – we need to drive those costs down, he acknowledged, adding that environmental and FERC-imposed demands on system operations “have exploded.” We need more people and systems to do the work, Norman stated. The Cost Review recommendations assumed we would not have account executives and related, and that hasn't happened, he explained.

Why is WNP-2 \$190 million over budget? Lothrop asked. The rate case numbers used for the nuclear plant came from the Cost Review, and Energy Northwest “never bought

into them,” Norman responded. Energy Northwest is involved now in benchmarking its nuclear operation against comparable plants in the nation and determining what the costs should be, he said.

To what extent has BPA looked at options that combine approaches #2, 3 and 4 to keep rates stable? asked **Darryll Olsen of the Columbia-Snake River Irrigators**. The solution has to be a combination of approaches, and that is a question of values, Norman responded. I don’t know about the combination, but he said cost cuts alone will not be enough to resolve a \$1 billion problem.

**Brady Bannon of Seattle** asked for an explanation of the hydro system volatility. Volatility is part of the nature of the hydro system, Leathley responded. We get a volume forecast of water in the system to know the amount of firm energy we can generate, and we rely on the surplus energy revenue to credit back and keep rates low, she said. In a bad water year, we have less power to sell, and in a good year, we have more power to sell, Leathley explained. Bannon asked why BPA was not having an evening meeting in Spokane. Finding the right balance of times and places was difficult. We had evening meetings in Seattle and Spokane, Norman responded. These meetings are not the only opportunity to participate, he said, adding that BPA will take written comment until the end of September.

I don’t see an option here for obtaining funds, such as grants, as a source of revenue from other partners, commented **Lyn Russell, a Save Our Wild Salmon (SOWS) member from Cheney, Washington**. Because we are a large agency, the tendency is for people to come to us for such funds, not the reverse, Norman responded. We have been extremely active in renewables development, with our green power programs, he went on. We have been quite successful with developing renewables at minimum rate impact, Norman added.

How much revenue do you lose because of the increased flows for fish? inquired **Rex Lyle of Ritzville, Washington**. Last year is a good case in point, **Bob Austin (BPA)** responded. The operating costs approached \$1.3 billion because of the drought, but in some years, the costs have been more like \$70 million – it varies widely, he added.

Does BPA have to take on firm commitments to serve load? **Bill Johns of Cheney** asked. We had a Subscription process in which we signed contracts for ten years, **Allen Burns (BPA)** responded. We do have to serve the publics that put load on us, and we have some obligations to private power companies, he said. If we were to have a new public entity in the region, we would have to buy power to serve it, but it would pay the full cost of the power Burns added.

It looks like you spent \$1.7 billion on fish and wildlife (F&W) last year, **Jerry Pitts of Cheney** said. Last year was an anomaly, Austin responded. We have several categories of expenses for F&W and some years it adds up to a large number, he indicated. Generally, our annual F&W expenses are \$400 million to \$600 million, Austin said.

What is the impact of missing a Treasury payment? **Paul Bramsman of the Spokane Alliance** asked. We make a mortgage payment every year to the Treasury to have the benefits of the federal hydro system, Norman answered. Lots of people outside the Northwest don't think it is fair that we get these benefits, and they would like to see them spread around the country, he said. If we miss a payment, we increase the risk of losing the low-cost power benefits of the system, Norman stated.

**John Parker of Columbia REA** asked if BPA could refinance its Treasury obligation. Is it attractive in today's low-interest market? he asked. We are actively refinancing the Energy Northwest debt, Norman replied. We are planning to use the proceeds to make investments in the hydro system, but we could use them to push our costs out into the future, he said. That's a question on which we want your view, Norman indicated. "Our gut reaction is that we aren't enthused" about pushing costs into the future, he added.

With the residential exchange, you're taking money from one set of customers to subsidize other customers, Parker said. The publics have seen their rates go up 46 percent, and PacifiCorp customers are seeing a credit, he added. Congress put it into law that the federal hydro system is a resource for all, and the residential exchange was a way to spread the benefits to the residential customers of investor-owned utilities (IOUs), Norman responded. The IOUs are getting extremely high benefits compared to historical levels, and there is an opportunity to reduce the size of the payment to the IOUs, he said. But it would take agreement among the IOUs, publics and BPA, Norman added.

The savings in your programs should be enough to cover the revenue shortfall, **Jerry Pitts** commented. With line-item program cuts and an opportunity for efficiencies, it would only reduce the shortfall by \$400 million to \$500 million, and our revenue loss is expected to be \$860 million, Leathley responded. Our financial situation is still eroding, she added.

What are the expectations for energy augmentation into the system? asked **Gaylan Prescott of the United Steelworkers in Kelso, Washington**. Has the 1,500 to 1,700 megawatt (MW) need been reduced with the DSIs taken off the system? he asked. Last year, we bought load back from the aluminum companies and others, Leathley said. But our load is still the same, she said. The publics reduced their load by 600 MW, and we bought 600 MW of load from the IOUs, Burns added. Is there more load augmentation needed? Prescott asked. It is coming down, but it hasn't gone to zero, Burns said. What is the cost of the load augmentation going forward? Prescott asked. The number is in the high \$20s to low \$30s per megawatt-hour (MWh), Leathley said. Is it a wash between what you buy and what you sell? Prescott asked. We buy at different times than we sell, so the price is not the same, Leathley said.

What is the interest rate on the Treasury payment? **Larry Peterson of the Port of Moses Lake**, asked. Is there a mechanism to refund the bonds? he asked. We've looked at the federal refinancing in depth and determined that our primary refinancing opportunity is with the Energy Northwest debt, Norman said. Burns said the average rate on the

Treasury debt is 6 ½ to 7 percent. We don't have the opportunity to go to the Treasury and get a lower rate, he added.

If Northwest loads are down, does that affect the amount of load augmentation you need? asked **Larry Felton of Okanogan County PUD**. The amount we need to augment has been going down, Burns responded. We do a "true-up" after the fact and have been crediting back what we don't need to spend on augmentation, he explained. Most of our power contracts with customers are locked up in block sales, and there is no opportunity to reduce the sale, Leathley added.

## **Open Dialogue**

At the start of the open dialogue part of the meeting, Norman explained that BPA staff would be listening intently, but wouldn't be responding to the comments.

**Darryll Olsen** said Administrator Steve Wright had a meeting in Hermiston, Oregon, in June, with a number of elected officials and community leaders present. We thought the comments from that meeting would feed into this, he said. We would like to know if that is the case, Olsen said. I can assure you that meeting is part of the record, Norman responded. Olsen said his group would resubmit its comments, but wanted to emphasize that it is very important to stabilize rates. The region needs to maintain rates of 30 mills or less, he stated. We recommend a mix of #2, 3 and 4, Olsen stated. Our view is that you will have to prioritize things like the fish expenditures, he indicated.

**Dick Heitman of Flathead Electric Co-op** said he is encouraged by what he heard from BPA. Now is not the time for any rate increase at all – the economy is not good, he stated. The CRAC proposals impact various customer groups differently; some pay a lot and others do not, Heitman pointed out. With regard to cost cuts, it sounds like "you are turning over rocks," and that is a good thing, he indicated. You only need to spend money for conservation when you've got money, Heitman said, adding that "now is not the time." The F&W programs need to produce benefits, and the organizations that get money have to be accountable, he said. Stay away from approach #1, Heitman concluded.

**Bill Drummond of the Western Montana Electric Generation and Transmission Co-op** said while he represents utilities that signed pre-subscription contracts, "the program cuts will affect us." Going into debt to cover operating expenses is not a good idea, and if BPA misses a Treasury payment, "we'll all feel the political fallout," he stated. Cut costs and use financial tools before you raise rates, Drummond advised. Don't increase your debt to pay for operations and don't lower the Treasury payment probability (TPP), he reiterated. Energy Northwest has indicated it will delay installing a new condenser and will consider debt financing for its capital costs, Drummond pointed out. The PBL spending increases compared to the rate case are too high – make reductions, he said. We don't recommend cuts in F&W, but pursue efficiencies, Drummond continued. With regard to hydro operations, Idaho and Montana are proposing mainstem amendments in the Council's process that could cut those costs, he said.

Slow down in the spending on conservation, Drummond advised. The Council staff did a study that showed it makes little difference if the spending levels vary when BPA's revenues go up and down, he said. Find better ways to sell green power, Drummond suggested, adding that the "green-tag" power is a good idea. Some capital purchases have been made with cash in recent years, and now is not the time for that, he stated. Cut costs and use cash management tools first, then consider other options, Drummond said.

**A representative of SNAP, a Spokane-area human services agency**, pointed out that the short notice for the meeting and the location were a drawback for broad public participation. The poverty rate in Spokane is high and the average wage is lower than in other parts of the state, he said, adding that low-income assistance and weatherization is vital in the community. Continued investment in energy efficiency and conservation is very important, he said. The proposed cuts are disproportionate to the areas in BPA's spending that are running overbudget, he said, noting that much of the shortfall is due to budget overruns. I suggest BPA do what it can to avoid a rate increase, and if one is necessary, keep it small, he said.

**Heidi Silver of the Northwest Fair Housing Alliance in Spokane** expressed concern about a proposed increase. Low-income people are "hanging on by a thread," if at all, she said. A rate increase will push them over the edge – try to find another way, Silver urged. I am concerned about the environment, and I see myself as a steward of the earth, she said. BPA's actions have a far-reaching consequence for the environment, and "I implore you to find ways to avoid harm to the environment," Silver stated.

**Roberta Weller, a Ferry County PUD Commissioner**, said the economy in her area is based on mining, lumber and agriculture, which means it is not strong. Last year, we endured the BPA rate increase by using reserves to buy down the rates, she said. In addition, we cut expenses and didn't fill the vacancy when one of our employees retired, Weller stated. We have ratepayers who are so irate they are making threats to us and the facilities, she indicated. I urge you to cut back on personnel – look at the hiring that is going on at TBL, Weller said. Cut bonuses and incentives and pay people simply to do the jobs they are hired to do, she recommended. Cut capital expenditures and contract out essential jobs, Weller said. Cut the F&W program in half – "the waste is astronomical," she stated.

Cut the payments to the IOUs, and don't give in to the DSIs, Weller continued. They need to stick to the rules of the contract, she said. Stop spending to study a Regional Transmission Organization (RTO) – it's not needed, Weller said. I'd recommend you put BPA back together as one entity, she added, saying that the change didn't help. Make cuts and don't raise rates, Weller urged. Next winter when it's 20 degrees below, you'll want to feel you have done everything you can for the disconnected customers who are suffering, she added.

**Kell McAboy of SOWS** expressed frustration that the meeting was being held in the afternoon because it diminishes public participation. With regard to approach #2, it is

hard to comment on the cuts without details on what they might be, she said. “It is our river, not BPA’s,” McAboy continued. We are lucky to have the river and the power, but salmon are also a natural resource, she said. If you’re considering cuts to your investment in clean renewable energy, I recommend against it, McAboy advised. Governor Locke is today speaking in Spokane to a Northwest energy technology collaborative, she said, suggesting that with the right support, energy technologies could bring needed jobs to Spokane. BPA can be a leader in this area, McAboy said. The Stateline wind project is very exciting and is giving Walla Walla County revenue and jobs, she stated. I would advocate for removal of the four Lower Snake River dams, McAboy stated. They are giving us less than they are taking, she added. McAboy presented BPA with 1,100 postcards to put into the record that she said urge BPA not to cut F&W or investments in clean energy.

**Lyn Russell** said the Northwest is too dependent on energy from hydropower, and she urged BPA to diversify into wind generation. We have lots of “prairies” in this part of the state, and we have the wind – there is a lot of opportunity, she said, adding that BPA should work with other companies and partners to make windpower work. Russell said while many at the meeting are concerned about money, she is more concerned about the future and quality of life. Alternative energy is the best alternative for the future, Russell stated.

**Barbara Johnson, manager of the Columbia Center Mall in Kennewick, Washington,** said electricity rates went up 35 percent last year, insurance costs went up 50 percent and the costs for security rose 25 to 50 percent. I can’t pass those costs onto the consumers, she said. Let’s put the environmental concerns in perspective, Johnson said. Last year in the state of Washington, \$783 million was spent on education, and BPA spent \$1.3 billion on F&W, she said. “We have our priorities mixed up,” Johnson stated. There are fixes that won’t put small businesses out of business – look at cost cutting before you raise rates, she urged.

The only way to stabilize this situation is to put baseload plants on line – coal and nuclear power are needed, according to **Bill Johns**. Solar and wind won’t do it, he added.

**Dick Johnson said Energy Northwest** recognizes the severe financial situation BPA and its customers face. The Columbia Generating Station produced power at a cost of 2.06 per kilowatt-hour (kWh) last year, and in the last three years, the average cost was 2.25 cents, he said. Energy Northwest also operates the Packwood Hydro Project, and is just completing a 48 MW wind farm, which is the largest public power wind project in the country, Johnson said. This year, we completed the largest public power solar project in Washington, he added. We have offered to finance \$500 million in transmission improvements for BPA at what we think would be better than Treasury rates, Johnson reported. The numbers used in BPA’s rate case for the Columbia Generating Station were not our numbers, but we are looking for efficiencies in our operation, he continued. Johnson pointed out that Energy Northwest has proposed reducing the cash requirement on BPA by \$76 million in the rate period by deferring purchases. We are also working

on debt reduction and carrying out a debt optimization program that when completed will save \$20 million per year, he said.

**A representative of a cattle range conservation group** said he opposes cutting funding to F&W and clean-energy development. To reduce the F&W spending, remove the Snake River dams, he urged.

**Mark Peterson, a United Steelworker from Goldendale, Washington,** said selling surplus power to the DSIs is good business. BPA's lack of market is basically due to the DSIs being shut down, he said. The DSIs were encouraged to come to the region because of the power supply and now BPA won't use the supply it has on the market to help the DSIs, Peterson contended. The Bonneville Project Act said that the dam shall be operated for the general public, but withholding power from the DSIs and income from BPA is not operating for the general public, he said. Peterson said BPA should use the available options to increase income, make the Treasury payment on time, cut its expenses and never push debt out to the future to make the present look better.

**State Senator Harold Hochstatter** pointed out that the "P" in BPA stands for power. It's not the Bonneville Salmon Administration or the Bonneville Conservation Administration or the Bonneville Fiber Administration, he said. "We're finding out that aluminum was more fragile than salmon," Hochstatter commented. "The fish are out swimming in the river, and the aluminum industry is almost extinct," he added. Windmills are highly subsidized by the government, Hochstatter said. If you want to do some alternative energy projects, if you want green power, "put your money on it," he said to those who advocate conservation and renewables. Industries and people are teetering on the brink, while we trade the economy for the environment, Hochstatter concluded.

**Troy Berglund of Benton Rural Electric Association** said the REA was hit hard last year with a 66 percent increase in BPA's power costs. That meant a 32 percent rate increase to our member/owners, he stated. People want support for renewables, but we have to consider that BPA has a financial hardship and conservation spending worsen BPA's financial condition, Berglund stated. As for renewables, I agree with the Senator – if you support it, put your money on it, he said. When we don't have the money, we can't support it, he stated. Scientific studies are now questioning the value of spill, and we need to look at that, Berglund continued. We must quit looking to the ratepayers to bail us out of financial problems – "our REA ratepayers are going without essentials," and the effects of the rate increases are devastating, he stated. We can't keep reaching into the pocket of the ratepayers, Berglund said. "Cut to the bone" if it takes that to avoid a rate increase, he concluded.

**Brady Bannon** urged BPA to think long term in solving its financial problems. Part of the reason for the problem is because there is volatility in the hydro system, he said. Diversify your energy resources – invest in clean energy, conservation and renewables, Bannon said. BPA has ESA, treaty and Northwest Power Act mandates to protect fish, he pointed out. Jobs are critical, but think about fishing and F&W jobs – I'd like to see

graphs that show how your approaches would affect salmon runs and salmon jobs, Bannon stated. We ought to look at the barging and trucking programs – they're expensive and they could be cut, he said.

**Dave Clinton of Inland Power & Light** strongly opposed approach #4. Pushing the costs out to the future only avoids the day of reckoning, he said. We compliment you on your efforts to cut costs aggressively, but we urge you to do more – eliminate all costs that are not essential to get the job done, Clinton urged. Your customers have had to do that – aggressively cut costs, he stated.

**Larry Peterson** said two large industries in Moses Lake are in jeopardy and any near-term rate increase would be devastating on efforts to keep the industries alive. A combination of #2, 3 and 4 would be preferable to the other approaches, with an emphasis on #2, he said. With regard to the impacts of RTO West, Peterson said he hopes BPA concludes it is not good for the Northwest. It could mean more increases in costs, he stated.

**Bill Meany of Ponderay Newsprint Co. in Newport, Washington**, said his company is a large user of electricity. We have found ourselves in a similar situation as BPA in terms of economics, he said. The selling price of our product dropped, and we have had to cut costs 15 percent, Meany reported. Half of the power we use comes from Box Canyon Dam, which is up for relicensing, and that could triple the price of our power, he said. Coupled with a BPA rate increase, "it could put our business out of business," Meany stated. Reduce your costs and don't increase your rates, he urged. Be diligent about cuts – they are difficult, they hurt, but they are necessary, Meany concluded.

**Rein Atteman of The Lands Council in Spokane** said he was not excited about a rate increase, but "I'll spend \$3 a month more to ensure salmon recovery efforts." He recommended BPA diversify its sources of energy – look into solar and wind. Diversification aids in creating jobs, Atteman said. Don't put all of your money into one resource, he said.

I'd gladly pay an additional \$3 per month for salmon recovery, **Neil Beaver of Spokane** said.

**An unidentified speaker** said energy production is linked to global warming – it is occurring, he said. Coal-fired generating plants and the internal-combustion engine are the biggest sources of carbon dioxide, he pointed out. The answer is obvious, he said: conservation and phasing out coal and the internal combustion engine. Wind energy and fuel cells are a good alternative – there is lots of potential for resources that can be developed for 4 cents per kWh, he said. Aggressively push conservation and pursue wind energy, he recommended.

**Mike Peterson of The Lands Council** read a letter from former Washington Governor Mike Lowry, urging BPA not to cut its investment in clean energy and to maintain its

funding for salmon to meet its legal responsibilities. Between program cuts and a rate hike, a rate hike is the more responsible choice, according to Lowry's letter.

**Christie McAloon of Benton County PUD** said the 17 large irrigators on Benton's system are environmentally conscious folks and good stewards. These people have done what they can to reduce their costs, but "farmers are struggling to stay afloat," she said. Seventy percent of our costs are for power, and we took on a 70 percent increase in costs last year, McAloon said. BPA, look for cuts to avoid a rate increase and find a way to solve your problem without raising rates, she urged.

I irrigate from a deep well, and I'd gladly pay \$3 a month for F&W too, instead of the \$20,000 that goes to F&W from my \$150,000 power bill, according to **Rex Lyle**.

**Carroll Urba of Gifford, Washington**, spoke on behalf of the return of wild salmon. Don't lose track of your mission, she said. If there is a federal salmon program, address the Administration for more tax dollars to support it, Urba advised.

**Chase Davis said the Sierra Club** told BPA in the rate case that its assumptions "were wildly optimistic." We argued for higher rates in the rate case, and now it's time to use the safety-net CRAC if it's needed to fund salmon recovery, he urged. Investments in conservation and renewables should be retained, Davis said. If BPA hadn't pulled the plug on conservation and renewables, the problem of price spikes would not have been so severe, he pointed out. Conservation and renewables and salmon recovery are getting "second-rate treatment" and they should not be cut back, Davis contended. He also noted that BPA should have provided a better opportunity for public participation.

**Bob Halleck of Kootenai Electric in Hayden, Idaho**, said he is concerned about BPA deferring costs. Going after efficiencies is the best way to go, he said.

**Rob Lothrop** said the treaty tribes are involved in recovering salmon and support BPA's F&W program. We consider BPA a partner in our work throughout the basin to restore salmon, he said. Lothrop pointed out that the tribes have unfunded F&W projects on the table that have had scientific review. We are willing to look at efficiencies in F&W spending, but we think they will be found in reducing the red tape and redundant reviews we go through in getting projects approved for funding, he stated. Lothrop said if efficiencies are identified, any money saved should be used for more F&W projects. The real cash money that is spent annually on F&W is \$250 million – half of that is debt service on Corps and Bureau capital projects and the other half is investments that go to local communities for F&W projects, he said.

CRITFC supports triggering the CRACs, Lothrop stated. And costs can be reduced, he added. We will also help BPA go to the Treasury to extend the debt repayment and to get more capital borrowing authority to finance F&W projects – TBL is using it all for its transmission projects, Lothrop said. We have talked about the consequences of missing a Treasury payment, but there is another threat under the ESA, he said. If we have to convene a "God squad" because fish species go extinct, it would nationalize the salmon

issue and put a spotlight on BPA, Lothrop cautioned. BPA has said it would forego a Treasury payment if it needs to in order to meet its F&W obligations, but it has not, he stated. Don't put that out as an option, if it's not real, Lothrop said.

**Kathy Gunderson of the United Steelworkers in Spokane** encouraged BPA to sell power to the DSIs. They deserve the opportunity to buy power, she stated. Spokane has lost 680 family-wage jobs because the aluminum industry shut down, Gunderson said. Look at the options put out by the smelters, she urged.

Our members have said we need sustainable, living-wage jobs, according to **Paul Bramsman**. Last November, over 300 alliance members met with BPA Administrator Steve Wright, and we subsequently put forward our concerns in a letter, calling on BPA to conserve watersheds, energy and species, he said. Wright acknowledged the need for a steady flow of conservation funding, Bramsman continued. A consistent conservation investment is vital, and we are forming a non-profit development company to support it, he reported. Maintain your stewardship of the environment and your conservation efforts, Bramson concluded.

The people in Cheney will pay \$1 million more in power rates this year because of the load-based CRAC, according to **Tom Richards of the City of Cheney**. We face the worst crisis we've ever had in our general fund revenues, he said, adding that there will be severe budget cuts. "I don't know how we'll do it," Richards acknowledged, adding that the city is also facing higher insurance costs. Understand that rate increases have a great impact on local governments, he stated.

**Northwest Power Planning Council member Tom Karier** said the Council provides the region with a power plan and a F&W program and is looking at BPA's financial difficulties systematically. Over the past several years, with increased scientific review, we've seen an improved quality in the F&W projects the region funds, Karier commented. In the past year, ratepayers have suffered and the impacts on fish have also been bad, he said. BPA ratcheted down the benefits for fish because of the drought, and the ratepayers and the fish "paid dearly" for the drought and the power crisis in California, according to Karier. We are now looking at another serious situation, and we need to make some adjustments, he added. The Council will be meeting in Spokane in September, Karier said. We intend to nail down the F&W expenses, but before we can do that, we have to have more numbers and information on how much is being spent on ESA, "so we can make honest recommendations," he stated.

I want to reinforce the importance of the Ponderay Newsprint mill to our county, **Jim Scheel of Pend Oreille County PUD** stated. We have to come up with a budget that does not have a rate increase, he said. Scheel urged BPA to get its costs down.

**Jim Berry of Spokane** said fish recovery has to go by the recommendations of scientists at the dams. We have to do a lot and do it soon for the wild salmon, he said. We have power problems and economy problems – the Avista rate increase was 39 percent, Berry

stated. Lets do things that are accepted by the scientists – the fish need water, not these gimmicks at the dams, he said.

**Lupito Flores of Spokane** urged BPA not to cut spending on salmon or conservation and renewables. You have a moral and legal obligation for salmon – don't put this financial problem on the backs of salmon, he stated. Look at the programs where you are overbudget and make the cuts, Flores advised. He said the Snake River dams should be removed, and he called on BPA to put more effort into conservation and renewables to help avoid these problems in the future.

**Gaylan Prescott** said two years ago, the region had 10,000 good-paying aluminum jobs with benefits – now those jobs are virtually gone. We are at the point where we question whether the industry will ever exist again in a region that once had 43 percent of the primary smelting capacity in the United States, he said. I represent the workers, and we're looking for help from anyone to protect those 10,000 jobs and the 40,000 supporting jobs, Prescott stated. We're faced with extinction of an industry that was once "a vital and vibrant part" of the Northwest economy, he concluded.

## Closing

Norman wrapped up the meeting with a summary of the messages he had heard. I heard a lot about jobs and people, that people are suffering and hanging in the balance, he said. I heard that BPA has the opportunity to sell power to the closed smelters, and that there are jobs associated with conservation, Norman continued. I heard people say that BPA has a legal and a moral mandate to recover fish, and if there are efficiencies identified in F&W spending, plow that money back into fish programs, he said. I heard that fish spending is out of proportion to other spending, and I heard many reasons for supporting conservation and renewables, Norman summarized. I also heard some people say to spend money on conservation when we have it, but not now, he added.

I heard people advise that we not push costs into the future and to work on our internal administrative costs, Norman said. We were advised to target cuts in areas that are overbudget, and to cut expenses that are not mission critical and to cut to the bone, he stated. I heard that rate increases could tip rural economies over the edge, and I also heard that people are willing to pay a little more to fund salmon recovery, Norman said. People also urged us to think about the future, and not to sacrifice the future with the solution to a short-term problem, he concluded.

How costly are the augmentation contracts, and is it possible to unwind any of them? **Jim Scheel** asked. We bought about 1,000 MW of power for augmentation, cut load and we left the rest of the purchases to the market, Norman stated. The average price of the augmentation is \$30 per MWh, but there is a wide range of prices within that average, he added. Some of our highest-price purchases are from Enron, Norman acknowledged. We've terminated some of the Enron contracts, but some would be risky to terminate, and we have asked FERC for relief from them, he said. If we could get rid of the Enron contracts, it would solve \$200 million of our \$800 million problem, Norman stated.

The meeting adjourned at 4 p.m.

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At the Spokane meeting there was a question regarding the cost of barging juvenile salmon in FY 2001. BPA agreed to include the response with these meeting notes.

The response to that question is: In FY 2001 juvenile transportation costs were \$3 million or 0.5 percent of the total average annual fish and wildlife expenditures for the 1996 – 2001 period.