



Power sales to benefit company and ratepayers

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Bonneville Power Administration

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PORTLAND, Ore. – The Bonneville Power Administration and Golden Northwest Aluminum Inc. have agreed on a plan to re-market electricity purchased by the company and use some of the revenue to benefit plant employees and Northwest ratepayers.

Golden Northwest Aluminum purchases electricity under contract from BPA to produce aluminum at smelters in Goldendale, Wash., and The Dalles, Ore. The company announced Tuesday that it was further curtailing production at the facilities and reselling the power at current market rates.

The re-sale of power through September should generate about \$400 million in revenue, the actual amount depending on market prices. Under Golden Northwest's agreement with BPA, proceeds from the sales would be used as follows:

- To benefit Northwest ratepayers by dedicating 20-25 percent of the proceeds, or about \$100 million, to BPA to help defray the agency's costs of operating in the current market, which is characterized by high and extremely volatile costs;
- To invest up to \$100 million in a new gas-fueled combustion turbine and a wind energy project that will benefit the Northwest's power system;
- To continue paying wages and benefits to employees of the smelters during the period that the smelters are operating at a reduced level of production;
- To cover the costs of curtailing operations at the plants;
- To make other investments that improve the long-term competitiveness of the plants.

"This transaction will mean economic security for workers, better long-term prospects for the smelters and, we expect, more energy for the region," said Bill Richardson, U.S. Energy Secretary. "If other Northwest aluminum producers curtail production in the next few months, they should look to this agreement as a model."

Stephen Wright, BPA administrator, said the agreement is a positive outcome for Northwest ratepayers given the fact that Golden Northwest has a right to remarket the power under existing contracts.

"The revenues will help offset BPA's increasing costs due to skyrocketing market prices," he said. "The proceeds will also help Golden Northwest Aluminum to deal with higher electricity prices in the next few years. In the longer term, the revenue should help the company to secure its own sources of power

so that it no longer has to rely on direct purchases from BPA to operate economically."

Brett Wilcox, CEO of Golden Northwest, said the agreement was necessary because of the unprecedented high level of price volatility in the West Coast markets. The company had reduced production by about 40 percent in September due to the cost of non-BPA power purchases needed to run the plants at full capacity. In this current round of curtailments, production is being cut back to about 10 percent of capacity.

Wright said two other aluminum producers in the region, Kaiser and Columbia Falls Aluminum, have similar re-marketing rights under contracts signed in 1995. The contracts allow them to re-market the power in order to mitigate the risk of having to purchase BPA power when aluminum markets are poor and production is curtailed. In 1995, when BPA executed these agreements, no one contemplated that power markets would be as high and as volatile as they have been in recent months.

Under the agreement, Golden Northwest will invest in new generating facilities but may purchase power if such purchases appear to better serve the long-term economic prospects of the plants. Golden Northwest would use the power from such investments and purchases to supplement the subscription power the plants will buy from BPA under new contracts after September 30, 2001.

In the contract, Golden Northwest agrees that it has no right under current law to receive direct service from BPA after Sept. 30, 2006, and the contract requires that the company refrain from making any political or legal case that it does have such a right.

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