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BPA Strikes "Timely Deal" with Columbia Falls Aluminum

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Bonneville Power Administration

FOR IMMEDIATE RELEASE: DAY, MONTH DATE, YEAR

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PORTLAND, Ore. – The Bonneville Power Administration and Columbia Falls Aluminum Company (CFAC) have agreed on a plan to re-market electricity purchased by the company and use the revenue to benefit plant employees and Northwest ratepayers as well. The deal will pay Northwest ratepayers \$60 million dollars and free up additional power next fall and early winter.

"Given the power situation up and down the West Coast, this deal could not be more timely" said BPA Acting Administrator Steve Wright. "BPA is pleased about CFAC's plans to take care of its employees. We intend to use this agreement as a model in further negotiations with Kaiser."

Terry Smith, president of the Steelworkers' Trade Council at the CFAC smelter, said that "Given the current energy situation, CFAC and BPA seem to be moving in the right direction in trying to preserve these good-paying jobs, with good benefits, into the future."

CFAC purchases electricity under contract from BPA to produce aluminum at a smelter in Columbia Falls, Montana. Their current contract expires on September 30, 2001. CFAC announced Monday that it was further curtailing production at the facility and reselling the power at current market rates.

This deal will benefit the region in two ways: First, the reduced load will alleviate some of the supply-demand stress that has driven up prices on the West Coast. Second, 30 to 35 percent of the benefits of this arrangement will go to regional ratepayers.

Proceeds from the sales can be used as follows:

- To fully compensate employees, based on employment levels prior to any curtailments (which began in October 2000) through December 31, 2001.
- To cover curtailment costs (cancellation penalties, fixed costs, etc.) that cannot be reduced during the curtailment period.
- To invest in conventional and renewable generation projects, invest in conservation and other plant improvements, and purchase power for future production needs.
- To pay BPA ratepayers \$60 million.

CFAC also agrees to waive its rights to 165 average megawatts of BPA power under its new Subscription Agreement with BPA for the period of October 1, 2001, through December 31, 2001. BPA

ratepayers benefit by not having to purchase power to meet that load.

Wright said that CFAC, like Kaiser and Golden Northwest, has re-marketing rights under a contract signed in 1995.

Because BPA had an interest in making sure that it had a reliable stream of revenues, the 1995 contract obligates the company to pay for power even if it reduced plant production. CFAC chose a re-marketing option that allows it 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.

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