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BPA inks an innovative aluminum agreement with McCook Metals

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Bonneville Power Administration

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PORTLAND, Ore. – BPA and McCook Metals Group (McCook) have signed an agreement intended to ensure the long-term viability of the Longview aluminum smelter, benefit Northwest ratepayers served by the Bonneville Power Administration (BPA), and help save much needed water for fish.

"The incredibly high market prices we are currently experiencing creates the opportunity for this transaction," said BPA Acting Administrator Steve Wright. "This agreement will lower costs for Northwest ratepayers, preserve water for fish, provide compensation for Longview employees while the plant is shutdown, create financing for new resources the region needs and lead to the Longview plant being off the BPA system after 2006."

The agreement calls for removing 420 average megawatts (one third the power needed to run a city the size of Seattle) of demand from the BPA system at a time when BPA's resources are stretched to the limit due to a near-record low water year and soaring energy prices. BPA will purchase McCook's 420 average megawatts at less than half the market price.

McCook will purchase and renovate the Longview smelter, previously owned by Reynolds Metals and Alcoa, creating a state-of-the-art, energy efficient smelter operation. The company will use revenues from the power sale to BPA to secure financing and, at the same time, provide full wages and benefits to its employees for the duration of the curtailment.

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Michael Lynch, Chairman of McCook Metals said, "By demonstrating our commitment to the region's power needs, the long-term future of the plant, and the security of our employees, we have secured a prosperous future for Longview Aluminum. The arrangements will serve as a model for the future of the industry."

McCook will voluntarily curtail some portion of the output at the Longview plant for a 16-month period, reducing demand on BPA. Between March and September 30th of this year, BPA will purchase power from McCook at less than half the current market price. BPA is able to get such an attractive price

because unlike Golden Northwest and Columbia Falls, Reynolds Metals did not have remarketing rights in their contract with BPA. Between October 2001 and April 2002, BPA will get the power back from McCook at virtually no cost. Beginning in April of 2002, BPA will supply McCook 100 average megawatts for plant operation.

"Not having to serve this load next winter is a tremendous benefit to Northwest ratepayers because we will not have to go out and buy power on the open market" said Wright.

McCook also will work with Enron to develop a 500-megawatt combustion turbine plant that will provide power for smelter operations at the Longview plant. McCook is confident that the new station will meet all its power needs. With this new resource, McCook has agreed to make no claims on BPA power after 2006 and support new legislation that would assure that they would be off the system after 2006.

McCook metals is the second largest aluminum plate company in North America, producing specialty products for aircraft, aerospace and defense industries, such as aluminum-lithium alloy plate for NASA's Space Shuttle Program and for military aircraft.

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