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Alcoa, BPA ink agreement to benefit ratepayers and workers

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Bonneville Power Administration

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PORTLAND, Ore. – The Bonneville Power Administration today announced an agreement with Alcoa that will curtail operations at the Alcoa Ferndale (Intalco) plant for up to two years and compensate workers in the interim.

"This agreement will enable Alcoa to keep its plant poised to operate when the price of electricity declines and makes that economically feasible," said Steve Wright, acting BPA administrator. "Meanwhile, affected workers will get full pay and benefits. At Alcoa's request, plant communities will also receive compensation for decreased tax revenues."

The agreement is key to shrinking an upcoming region-wide wholesale electric rate increase scheduled for Oct. 1. BPA's overall energy obligation will drop by over 400 average megawatts, thereby avoiding power purchases of \$600 million next year at today's prices, BPA officials said.

That's money that will stay in the Northwest economy, Wright said. He also pointed out that planned load reduction will help keep the lights on as the Northwest continues to deal with a severe energy shortage.

The agreement will apply to operations at Alcoa's Intalco plant near Bellingham, Wash. Terms state that 25 megawatts will continue to be delivered to the magnesium alloys plant at Addy, Wash., as long as Alcoa determines that the plant can be operated economically.

Wright said BPA is working with other Northwest aluminum companies as well as with public and investor-owned utilities to reduce purchases from BPA. He said the Alcoa agreement is a big slice of the 2,000 megawatts or more of load reduction still needed by the region to avoid severe rate increases.

"Northwest consumers can actually do something to keep their power rates down," Wright said. "Through conservation and other means of cutting back on electricity use, they and their utilities and businesses can limit the region's exposure to the skyrocketing wholesale power market."

Wright said the goal is to reduce load sufficiently to hold the October wholesale rate increase below 100 percent, still high but considerably less than an increase of 250 percent or more if BPA is forced into the market to buy power. A wholesale rate increase of 250

percent could double retail rates for many Northwest consumers, BPA officials said.

A strong region-wide effort to conserve energy and hold electricity costs down will boost the Northwest economy and reduce long-term stress on the environment from actions taken to avoid severe energy shortages, the BPA chief executive said.

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