

From: Jim Stromberg [stromberg_cfac@worldnet.att.net]
Sent: Thursday, December 22, 2005 11:51 AM
To: BPA Public Involvement
Cc: Wilson,Scott K - PT; Clark,Harry W - PTS
Subject: 2006 Service to DSIs

Attachments: 2006 DSI Contract Comment Letter.pdf

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Jim Stromberg
425/450-4010
425/785-9200 (cell)
425/450-5569 (fax)

GLENCORE Ltd.

December 21, 2005

Stephen J. Wright
Administrator
Bonneville Power Administration
P.O. Box 144428
Portland, OR 97292-4428

Dear Mr. Wright:

RE: Proposed DSI Contract for 2007-11

On behalf of Columbia Falls Aluminum Company, LLC ("CFAC"), the following comments are offered on the proposed contract for DSIs for the October 2006 through September 2011 period.

We appreciate the difficulties BPA has wrestled with in working towards a proposed contract with DSIs for the subject period. This has been a long process, yet throughout BPA has recognized the DSI's important historic role as a source of family wage jobs that are very important to many communities in the region. As early as the Regional Dialogue paper BPA published in July 2004, BPA stated that the DSI plants had been an important part of the Pacific Northwest economy for decades and that BPA's goal was to provide service benefits to DSIs if such actions actually enable aluminum production and maintain Pacific Northwest jobs.

In our March 11, 2005 comment letter to BPA, and throughout BPA's process, we have consistently informed BPA that the best solution for CFAC would be a physical power supply at cost. While the contract proposed by BPA falls short of supplying physical power and securing CFAC's future, we have continued to work within the BPA process in order to maximize the usefulness of a proposed contract. At this point we must once again inform BPA that in order for a financial payment approach to be successful it must be flexible. BPA's proposed contract, as currently written, is quite rigid and we believe it will be counterproductive to BPA's stated goal of enabling aluminum production and maintaining jobs in the Pacific Northwest.

It is encouraging that BPA has extended an additional opportunity for public comment on the possibility of allowing additional flexibility in the contract. Under the present set of circumstances it is possible that a financial payment approach could succeed if it were modified to provide workable flexibility. There are two modifications, which if adopted, would greatly enhance the likelihood of the proposed contract succeeding:

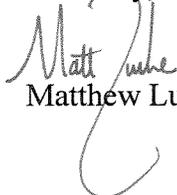
- BPA should allow a DSI to shift dollars among contract years and not be restricted to the proposed \$24/MWH limit.

- BPA should eliminate the use-it-or-lose-it provisions in the proposed contract. Eliminating these provisions will allow a DSI the flexibility to operate below the maximum amount in the contract for a temporary period without incurring the added penalty of losing access to future benefits. DSIs should not be penalized in future contract years for actions which result in savings for BPA rate payers in early contract years.

It is very clear that absent the flexibility we have proposed the BPA financial payment approach, by itself, is not likely to be adequate. The comments we have presented herein are consistent with finding a compromise that will have a known and relatively small impact on the rates paid by preference customers, while still making available to the DSIs a level of service benefits large enough to facilitate smelter operations in times when such operations would otherwise be economically infeasible. While we have never endorsed the current budgeted amounts as adequate for DSIs, we are not arguing for BPA to increase the total number of dollars it has budgeted for payments to DSIs over the entire five-year contract period. We are merely arguing that a DSI have the flexibility to borrow dollars from later years to earlier years within the contract period.

Thank you for the additional opportunity to comment on this very important issue and we look forward to a swift resolution to all outstanding matters.

Sincerely,



Matthew Lucke

CC: Senator Baucus
Senator Burns
Representative Rehberg
Governor Schweitzer