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June 27, 2006

MEMORANDUM

TO: Power Committee

FROM: Terry Morlan

SUBJECT: Report on Review of Aluminum Impact Studies

You will recall that Bonneville contracted with the Council to manage a contract with three independent reviewers to review and summarize a group of studies on the economic effects of aluminum plants in the region. The original schedule called for completion of a draft report by the end of June. However, due to some late inputs from Bonneville and delays in the regional dialogue process, the report may be slightly delayed as well.

The reviewers are in the process of drafting their report. Massoud Jourabchi and I will report on the status of the review and some of the issues encountered. If there are any draft results available we will discuss them briefly.

Bonneville requested the reviewers to assess the impacts four alternatives scenarios for providing benefits to the aluminum smelters.

Alternative	Description	Change in Priority Firm Power Rate	Change in Industrial Power Rate
Alt. #1	Base Case - \$0 DSI Benefits	\$0.00	NA
Alt. #2	Current Proposed Financial Benefits of \$59 million	\$1.00	NA
Alt. #3a	560MW Sale at IP Rate (7(b)(2) triggered)	\$0.40	\$15.00
Alt. #3b	560 MW Sale at IP Rate (7(b)(2) not triggered)	\$1.50	\$1.50
Alt. #4	560MW Federal Power System Sale at equivalent to lowest cost priority firm power rate	\$1.50	NA

The studies being reviewed are listed in the attached table. The earlier studies (2000) can be accessed on the Bonneville website at <http://www.bpa.gov/power/pl/aluminumstudy/aluminumstudy.shtml>. If you would like to see the 2006 studies let me know and I will send them to you. They have not been posted on Bonneville's web site yet. I think that I sent the link for the CRU study commissioned by Alcoa following the June Power committee meeting.

<u>Author and Study #</u>	<u>Title</u>
(1) Metal Strategies LLC (2000)	The Survivability of the Pacific Northwest Aluminum Smelters
(2) Policy Assessment Corporation (2000)	Impacts of Aluminum Industry Closings on the Pacific Northwest
(3) Dick Conway & Associates (2000)	The Washington State Aluminum Industry Economic Impact Study
(4) Dick Conway & Associates (2000)	The Oregon State Aluminum Industry Economic Impact Study
(5) Dick Conway & Associates (2000)	The Montana State Aluminum Industry Economic Impact Study
(6) Mid-Columbia Economic Development District (2000)	An Assessment of the Employment and Income Impacts of the Primary Metals Industry in Wasco and Klickitat Counties
(7) Hamilton Water Economics and Economic Modeling Specialists Inc. (2006)	Economic Impacts from Rate Increases to Non-DSI Federal Power Customers Resulting from Concessional Rates to the DSI's.
(8) Dick Conway & Associates (2006)	The Economic Impact of the Washington State Aluminum Industry
(9) CRU Strategies Ltd. (2006)	Northwest Smelter Operating Outlook