

Tom Karier  
Chair  
Washington

Frank L. Cassidy Jr.  
"Larry"  
Washington

Jim Kempton  
Idaho

Judi Danielson  
Idaho



Joan M. Dukes  
Vice-Chair  
Oregon

Melinda S. Eden  
Oregon

Bruce A. Measure  
Montana

Rhonda Whiting  
Montana

May 25<sup>th</sup>, 2006

## MEMORANDUM

**TO:** Power Committee

**FROM:** Massoud Jourabchi, Manager Economic Analysis

**SUBJECT:** Aluminum Study Status

As part of Regional Dialogue, on March 30<sup>th</sup> 2006 Paul Norman sent out a letter requesting interested parties to submit papers and studies supporting their views on the matter of BPA providing or not providing benefits to the Direct Service Industries, in the post-2011 period. The submitted works, in addition to several studies completed in 2001, were to be reviewed by an independently selected group of experts, who would assess positive or negative regional economic impact of providing or not providing various levels of benefits to the smelters.

BPA established an advisory group from public utilities, aluminum plants, and an investor-owned utility. The advisory group elected three experts from among 22 candidates. The three experts selected were:

1. Bill Beyers, Professor, Department of Geography, University of Washington,
2. Lloyd O'Carroll, Senior Vice President and Metals Equity Analyst, Davenport & Co.
3. Paul Sorensen, Partner, Belyea, Sorensen, Trottier & Associates (BST)

The Northwest Power and Conservation Council was contracted by BPA to facilitate the contractual work of this study. Council staff has developed a statement of work for the selected experts and has provided the experts with the existing Aluminum industry studies done in 2001.

The deadline to submit papers or studies is May 31, 2006. As of writing this status report, there have not been any new studies submitted to the BPA. By June 30<sup>th</sup>, the three experts are to submit their report to BPA.

I hope to be able to report their findings in the Council meeting in July. Meanwhile, for your review, I have attached an excerpt from the summary report that Terry Morlan wrote back in May 2001.

## Attachment to Aluminum Study Status Report

### Summary of past Aluminum studies

During the consideration of Bonneville Power Administration rates and subscriptions for the 2001-2006 contract period, a number of issues arose relating to the region's Direct Service aluminum smelters. The issues included: the value of the aluminum producers (and other industries) to the region both in terms of state and local economies and the stability of the Northwest power and transmission system; the risk of the region's aluminum plants to shutting down absent regional action; and if so, what (if anything) could be done about it by the Region or BPA. In order to examine these issues, a Northwest Aluminum Industry Study Team was formed in July 2000.

Two studies were commissioned to help inform the Northwest Aluminum Industry Study Team. One study addressed the survivability of Northwest aluminum smelters and one addressed the economic impact of aluminum smelters. In addition, four other economic impact studies were recently sponsored by others and incorporated in this study effort.

Authors	Title
Metal Strategies, LLC	<i>The Survivability of the Pacific Northwest Aluminum Smelters</i>
Policy Assessment Corp.	<i>Impacts of Aluminum Industry Closings on the Pacific Northwest</i>
Dick Conway & Associates	<i>The Washington State Aluminum Industry Economic Impact Study</i>
Dick Conway & Associates	<i>The Oregon State Aluminum Industry Economic Impact Study</i>
Dick Conway & Associates	<i>The Montana State Aluminum Industry Economic Impact Study</i>
Mid-Columbia Economic Development District	<i>An Assessment of the Employment and Income Impacts of the Primary Metals Industry in Wasco and Klickitat Counties</i>

### Key Finding:

The studies done to assess economic impacts have found that the economic impacts at the state and regional levels are very small relative to the size of the economy. The total direct and indirect economic impacts are substantially less than the net gains that might be expected based on a typical year's growth in the economy.