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## BPA (Bonneville Power Administration) Hearing on Aluminum Industry Option

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Senator \* or Department\*: **BAUCUS**

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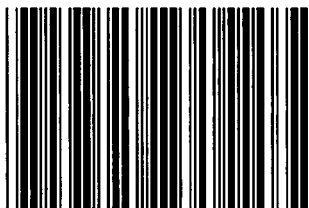
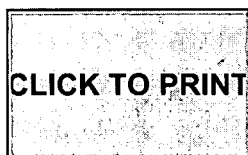
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(2) Subject\* **BPA Hearing on Aluminum Industry Option Study**

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BAUCUS

STATEMENT BY SENATOR MAX BAUCUS  
BPA HEARING ON ALUMINUM INDUSTRY OPTION STUDY  
COLUMBIA FALLS, MONTANA  
APRIL 22, 1985

Mr. Chairman, tonight's hearing is one of the most important public meetings ever held in Columbia Falls.

This hearing is about jobs. It's about a struggling industry. It's about the economic survival of the Flathead Valley.

LOCAL IMPACT

Montanans in this area are worried. In fact, many are downright scared. They're scared about what the future might bring.

Montanans know what it means to lose a major company and employer. We have Butte and Anaconda for an example. We don't want another Butte and Anaconda. We can't afford another Butte and Anaconda.

The ARCO Aluminum Company provides 1,006 jobs in the Flathead County. It's the largest taxpayer. Much of the funding

for our schools, hospitals, and other important services comes directly or indirectly from company revenue.

Put simply, 40 percent of the Flathead Valley's economy would be lost if the ARCO plant were to close.

Clearly, this region cannot afford such a loss. We need the ARCO Aluminum Company and I urge BPA to take whatever action is necessary to keep it open.

#### CRISIS AFFECTS NORTHWEST

We all know the problems facing the ARCO plant are part of a crisis facing the entire aluminum industry in the Northwest.

As the fate of the aluminum industry goes, so goes the region.

About one-third of the power generated in the region is purchased by the aluminum industry. If this industry fails, rates for everyone else could increase as much as 65 percent to make up for the lost revenue.

Ratepayers in the Northwest simply can't afford an increase of this magnitude.

LOWER RATES NEEDED

The aluminum industry was lured to the Northwest by cheap power.

But within the last few years, the situation changed. Over the last five years, rates shot up by 800 percent, largely to pay for unneeded nuclear power plants.

At the same time, worldwide costs for aluminum began to drop. Four years ago, aluminum was selling for over 80 cents a pound. Now it's selling for 48 cents a pound. And the average cost in the Northwest to produce the aluminum -- 60 cents -- has changed only slightly.

The U.S. aluminum industry also has had to face competition with industries in other countries that are paying far less in electrical costs.

Between 1965 and 1982, electrical rates for the ARCO plant and other direct service customers went from two-tenths of a cent to 2.45 cents per kilowatt hour. This year, the normal industrial rate is 2.58 cents per kilowatt hour.

Compare this figure with the current average worldwide rate of 1.5 to 1.7 cents per kilowatt hour.

Electrical rates in the Northwest must come down and be more competitive with world rates if the aluminum industry is going to survive.

#### FINDING A SOLUTION

So, the main question we face is: how do we achieve lower electricity rates?

BPA's option study contains several actions that could be taken to lower rates over the long-term. These options need to be studied carefully.

Until a consensus for a long-term solution is found, BPA should take two actions in the short-term.

First, BPA should continue the incentive pricing rate of 1.975 cents per kilowatt hour. This pricing rate is fair and competitive.

Second, when BPA sets the rate schedule in June, the direct service industry rate should be set at parity with rates charged

to other BPA customers.

CONCLUSION

In conclusion, I would like applaud BPA for holding this hearing to start a dialogue on this critical issue.

I am confident that if we all work together -- the co-ops, investor-owned utilities, the direct service industries, and other rate-payers -- we can reach a solution that is fair and equitable.

I am committed to finding a solution that will keep the ARCO plant open and strengthen the entire aluminum industry in the Northwest.

Thank you.