

COMMENTS AND RESPONSES

Chapter 5

COMMENTS AND RESPONSES

The comment letters received or summaries of oral telephone comments are shown on the left-side pages and responses are on the right. The comments and their responses are coded in the margin for ease of identification. The number to the left of the hyphen is the number the letter was assigned when received; the numbers to the right identify separate comments within each letter.

<u>Comment Letter No.</u>	<u>Commentor</u>
1	Wilson Meyer, private citizen
2	Ray Matthew and Mr. Jim Comini, Wasco County Commissioners
3	Sue Heath, State of Montana Clearinghouse Manager
4	Jeffrey Booren, Executive Director, Mid-Columbia Child and Family Center
5	Sid Gould, private citizen
6	Dan Downend, The Dalles High School
7	Walter Hoffman, Hoffman and Son, Inc.
8	Dolores Streeter, State of Oregon Clearinghouse Coordinator
9	Otis Swisher, private citizen
10	Walter Hoffman, Electri-Planners, Inc.
11	Gary Brackett, Tacoma-Pierce County Chamber of Commerce
12	Max Miller, Jr., Counsel for Association of Public Agency Customers
13	E. Zahn, private citizen
14	E. E. Coates, City of Tacoma Department of Utilities
15	Mark Crisson, Direct Service Industries, Inc.
16	Robert Henny, US Corps of Engineers, North Pacific Division
17	John Woodworth, USDOJ, Bureau of Reclamation, Pacific Northwest Region
18	Paul Kaufman, Attorney for Public Power Council
19	Thomas Green, State of Idaho Historic Preservation Office
20	Robert Burd, US Environmental Protection Agency, Region 10

U.S. DEPARTMENT OF ENERGY - BONNEVILLE POWER ADMINISTRATION
 CONFERENCE AND TELEPHONE CALL REPORT

No. *SJ-DSI-DEIS-01* Date *1/23/86*

Date 1/23/86

TO: DSI Options Study follow-on comment

FROM: Lynn Baker, ALP

- cc. A. Morrell - SJ
 Official Record - 1
 (Variable Rate)
 Reference Room - A

Include all telephone calls and conferences of importance bearing upon policies, customer or public relations, but excluding those purely technical in nature

SIDE CALLER OR CONFeree

SUMMARY OF DISCUSSION

Mr. Wilson Meyer
 3755 Skyline Rd.
 The Dalles, OR 97158

Mr. Meyer opposes BPA assistance in any form to the aluminum plants at The Dalles and Goldendale, because he perceives negative environmental impacts from those plants.

DSC-9

PUBLIC INVOLVEMENT	
No. <i>DSI-31</i>	Date <i>JAN 29 1986</i>
Referred to: <i>K. Johnson</i>	
Action Taken: <input type="checkbox"/> Ans. <input type="checkbox"/> No Reply	

ow 1-1

He said cyanide is showing up in the water in The Dalles. Wells at The Dalles have been found to have cyanide in them from top to bottom. He also is concerned about cyanide in the piles of slag outside the plants. Mr. Meyer has notified the EPA of these concerns. His view is that the aluminum companies should clean up the mess they've made and not come back.

Other environmental issues of concern to Mr. Meyer include:

1-2 -- air pollution: An air inversion in 1984 trapped pollutants from the Goldendale plant, damaging local cherry crops. (Damaged the stems at a critical point in their development; reduced crop size.)

1-3 -- impact on fish runs. Fluoride contamination in the Columbia near John Day dam from the Goldendale plant and The Dalles plant makes fish lose their way to their spawning grounds. He notes that the fishing is improving now that The Dalles plant is closed.

1-4 Mr. Meyers notes that Comalco now owns the Goldendale plant, and is a new company in the U.S. aluminum market. He suggests the other Northwest aluminum companies would be glad to see the Goldendale and The Dalles plants permanently closed; reduces competition.

Comment
No.

Response

1-1

BPA was aware of the cyanide problem associated with the plant of The Dalles at the time the draft EIS was being prepared (see 4.4.7 of Appendix A). Since that time more information has been developed, and the U.S. Environmental Protection Agency, the Oregon Department of Environmental Quality, and the Martin-Marietta Corporation have been working toward a solution to the problem. The cyanide bearing wastes have been moved from their former locations to a new, double-lined storage pad to prevent further leaking of cyanide and other pollutants into ground and surface waters. Residual contamination of water and soil remains. Ditches containing contaminated surface water have been diverted so that water flows back onto the plant site. Groundwater monitoring wells are being used to define the extent of groundwater contamination. Thus far, cyanide has been found in groundwater off the plant site to the north, but not towards the main part of The Dalles. An agreement for clean-up of the site is expected to take another 12 to 24 months to resolve under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980. (Personal communication with Larry Patterson, Oregon Department of Environmental Quality, March 14, 1986.)

Issues concerning liability for these environmental problems and their clean-up may also be a substantial hurdle in efforts to reopen The Dalles smelter. (Brett Wilcox, Public Hearing Re: Proposed Variable Power Rate, The Dalles, Oregon, February 3, 1986.)

1-2

BPA has contacted persons knowledgeable about the smelters at The Dalles and Goldendale at both the Washington Department of Ecology (WDOE) and the Oregon Department of Environmental Quality. These agencies had no evidence of damage to cherry crops in the area in 1984 or in other recent years. WDOE had evidence of damage to a peach crop at an orchard in Washington located near the bridge that crosses from Biggs Junction about 7 miles west of the Goldendale plant. WDOE was notified of the problem in September 1984; the damage apparently occurred during July 1984. The crop had been diagnosed as having soft suture, an injury associated with fluoride. The orchard owner was subsequently compensated by the plant. WDOE was unaware of the atmospheric conditions at the time of the damage, but knew the plant was operating poorly from an environmental standpoint during this time. The plant had received off-specification coke which is used in the Soderberg electrodes. It caused trouble with the electrodes which caused excessive emissions and the problem took a long time to rectify. The plant exceeded its permitted levels of pollutant emissions at times during this period.

Comment
No.

Response

1-3

BPA is aware of the concern about fluoride discharged from the Goldendale plant delaying fish passage at John Day Dam, as evidenced in studies by Damkaer and Dey (see Appendix A, second paragraph on p. 4.45 and second and third references listed on p. 4.78). The latter of these studies indicated that the problem at John Day seemed to have been alleviated, at least temporarily, as a result of using a lined waste disposal pond beginning in January 1983. The WDOE has required monitoring wells to detect leaks from this pond, should they occur, and has also required a survey of other plant site groundwater that could find its way to the river. The plant must now measure pollutant levels in the river, and they have been below the 0.2 parts per million found by Damkaer and Dey to be at or below the fluoride threshold sensitivity for chinook (personal communication with Ted Mix, WDOE March 7, 1986). This problem currently seems to be under regulatory control.

A similar problem has not been documented at The Dalles. Research has shown undelayed fish passage at The Dalles Dam. The relative locations of the aluminum plant discharges and the fish passageways at The Dalles Dam are different than upstream at John Day Dam, and the effects may be different.

Behavior studies of chinook and coho salmon do demonstrate an adverse effect of fluoride on fish migration.

1-4

This assertion may or may not be true. Closure of one or more Northwest aluminum plants could also cause the power rate for the remaining plants to go up.

ENVIRONMENT	
No.	Date
55-DSI-DEIS-CL	2/3/86



WASCO COUNTY

Wasco County Court
5th & Washington
The Dalles, Oregon 97058

William L. Hulse, *County Judge*
Raymond P. Matthew, *County Commissioner*
Jim Comini, *County Commissioner*

January 29, 1986

Mr. Peter T. Johnson
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208

Dear Mr. Johnson:

After reviewing the proposal of Bonneville Power concerning the DSI Variable Rates, we, the Members of the Wasco County Court (Board of County Commissioners), have passed a Resolution.

We support the concept and hope you will act favorably on the proposal.

Yours very truly,

WASCO COUNTY COURT

Ray Matthew
COUNTY COMMISSIONER

Jim Comini
COUNTY COMMISSIONER

cc: Frank Fisher
Commonwealth Aluminum

Comment
No.

Response

2

This comment has been noted.



GEORGE TURMAN
LIEUTENANT GOVERNOR

State of Montana
Office of The Lieutenant Governor
Helena 59620
(406)444-3111

No.	Date
SJ-DSI-DEIS-03	2/3/86

January 29, 1986

Mr. Anthony R. Morrell
Environmental Manager
Bonneville Power Administration
P.O. Box 3621-SJ
Portland, OR 97208

RE: Draft Environmental Impact Statement - Direct Service Industry Options
Montana State IGR Clearinghouse SAI No. MT860127-380-X

Dear Mr. Morrell:

The above-captioned document has been received in the Clearinghouse. In order to provide notification to parties that may be interested in review and/or comment on the proposal, it will be listed in the next Intergovernmental Review Bulletin issued from this office.

Any inquiries or comments regarding the proposal will be directed to your office. Please provide copies of the enclosed suggested review form to potential reviewers - those you feel should be invited to comment, as well as to any who may request the opportunity to do so. We have asked that comments be returned to your office by February 21, 1986 as requested, and that copies be sent to the Clearinghouse for our files.

The Clearinghouse intends to take no further action on this proposal.

Sincerely,

A handwritten signature in cursive script that reads "Sue Heath".

SUE HEATH
Clearinghouse Manager

Enclosure

Comment
No.

Response

3

No response required.

ENVIRONMENT	
No.	Date
SJ-DSE-DEIS-04	2/3/86

Mid-Columbia Child & Family Center, Inc.
3221 W. 10TH ST.
P.O. Box 1050
The Dalles, OR 97058
PHONE (503) 298-5104

January 28, 1986

Peter Johnson
Bonneville Power Administration
1002 N.E. Holladay
Portland, OR 97208-3621

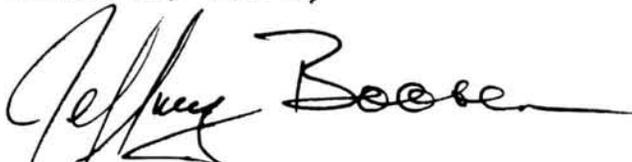
Dear Mr. Johnson:

I have written you on several previous occasions regarding my support for variable rates from BPA for the aluminum industry. As I stated in previous communications, the aluminum industry is vital to the interests of the Northwest both in terms of jobs and in terms of utilization of surplus power. Without the aluminum industry rates for other customers would be greatly increased, further adding to the economic hardships already experienced by our community.

As an Administrator in a mental health facility, we are now beginning to see the ramifications of high unemployment on the well being of our area families. Our agency has been operating at 115% of capacity for the past six months, due to the stresses placed upon our community. I might add that we are also seeing a major jump in the area of child abuse, often associated with the stress due to economic conditions.

I urge your strong consideration for the variable rates as one part of the economic picture for the Pacific Northwest.

Sincerely Yours,



Jeffrey Booren, M.S.W.
Executive Director

JB/jw

cc: Congressman Bob Smith
Senator Bob Packwood
Senator Mark Hatfield
Governor Vic Atiyeh
Representative Wayne Fawbush
Senator Ken Jernstedt
Fl.

Comment
No.

Response

4

This comment has been noted.

U.S. DEPARTMENT OF ENERGY BONNEVILLE POWER ADMINISTRATION
 CONFERENCE AND TELEPHONE CALL REPORT

No. 55-DSI-DEIS-05 2/4/86

Date: 1/29/86

TO: Sid Gould
 ↑ Seattle, WA
 FROM:

cc: K. Johnson

 OS

PUBLIC INVOLVEMENT	
No. DSIV-42	Date JAN 31 1986
Referred to: K. Johnson	
Action Taken:	
<input type="checkbox"/> Ans	<input type="checkbox"/> Reply

Include all telephone calls and conferences of importance bearing upon policies, customer or public relations, but excluding those purely technical in nature.

OSIDE CALLER OR CONFERE

SUMMARY OF DISCUSSION

Stated that he saw our Ad. in the Seattle newspaper on 1/28 and felt that taking less money from the Aluminum plants really is a bad idea. He talked to 14 people in his neighborhood and they all felt the same way.

- 5-1 | 1. Aluminum plants shouldn't even be in service
- 5-2 | 2. Aluminum waste is bad
 : bad for environment
- 3. It kills animals : whales
- 4. "Get rid of Aluminum plants"

Comment
No.

Response

5-1

The aluminum plants in the Northwest were established between 1940 and 1970. Production of aluminum from some of the plants was an important part of the World War II effort and, today, is an important national commodity. In addition, service to the DSIs provides BPA with roughly one-third of its revenues and a substantial part of its operating reserves, which helps to keep rates to other customers lower. The aluminum smelters have valid power contracts with BPA until June 30, 2001. Unilateral discontinuation of service to the aluminum plants is not an option available to BPA and was not a topic of the EIS. However, the proposals and alternatives analyzed in the EIS can influence the viability of different plants to varying degrees. These impacts are discussed in the Chapter 4 of the EIS.

5-2

Waste from aluminum plants (or improper disposal of aluminum products for that matter) is harmful to the environment. The EIS describes adverse effects of the aluminum smelters served by BPA. Because of regulatory controls, these smelters, as a general rule, do not result in levels of environmental impact that are viewed as excessive by most people or by those who regulate the smelters. There are some residual adverse effects of past practices, such as solid waste disposal, which would remain whether the plants were closed now or not. There is no evidence that any of the smelters operating under current regulatory control and with current pollution control equipment and practices are killing animals or that they have any effects on whales.



The Dalles High School

2421 Wright St.
The Dalles, OR 97058
January 31, 1986

Peter Johnson
Bonneville Power
1002 N.E. Holladay
Portland, OR 97208-3621

Dear Mr. Johnson:

I support the variable rate the BPA has proposed for the Aluminum Industry. We urge you to give the Aluminum Industry every consideration because they are so important to the economy of the Northwest and The Dalles, both as an employer and a consumer of raw materials, supplies and electricity. I feel very strongly that the Aluminum Industry is vital to American interests, both in defense and economically.

Very sincerely yours,

Dan Downend

Comment
No.

Response

6

This comment has been noted.



ENGINEERING
CONSTRUCTION
MAINTENANCE

HOFFMAN & SON, INC. ELECTRIC
CALIFORNIA CONTRACTORS LICENSE NO. 191821
MAIN OFFICE: 1100 GAVIOTA AVENUE, LONG BEACH, CALIFORNIA 90801 · (213) 591-0571
P. O. BOX 300

No.	Date
SJ-DSI DEIS-07	2/12/86

January 30, 1986

Department of Energy
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208

Attention: Peter T. Johnson, Administrator

Re: SJ-L1

Dear Mr. Johnson,

Thank you for my copy of the Draft EIS on DSI options. I appreciate being included among those who are interested in and concerned for the future of the Pacific Northwest Aluminum Industry.

My concern involves more than just the PNW Aluminum Industry, and the Socioeconomic impact plant closings have on local communities, as serious as that is. I believe that it is incumbent upon those in authority to have an even broader vision of the environment impacted. What does it mean to the United States of America if we abdicate our position as a major producer of Aluminum?

We are all witnesses to the depressing erosion of this country's industrial base. Steel manufacturing declining; automobile manufacturing losing steadily; agriculture threatened; High tech. and information industries being challenged; and Japan is even moving to "join" in our aircraft manufacturing.

Some of these may have been unavoidable, not amenable to governmental aid, even a type of painful "progress". But this is not so with the PNW Aluminum Industry. This time this country, Our Government, the B.P.A. can do something constructive to save an Industry, to relieve a negative socioeconomic impact on local communities in the PNW, and I submit, on the entire U.S.A. The simple expedient of a favorable rate adjustment for the DSI can halt, in this case at least, our accelerating slide toward becoming a have not, debtor nation. (Consider 1985's record negative balance of payments).

I earnestly urge you to adopt a VARIABLE RATE, or combination Variable Rate and Con/Mod Program.

Yours truly,


Walter A. Hoffman, P.E.

150

Comment
No.

Response

7 This comment has been noted.



Executive Department

155 COTTAGE STREET NE., SALEM, OREGON 97310

No.	Date
SJ-DSI-DEIS-08	2/18/86

February 11, 1986

Anthony R. Morrell
Environmental Section
Department of Energy
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

SUBJECT: Direct Service Industry Proposals
PNRS # OR851231-127-4

Thank you for submitting your draft Environmental Impact Statement for State of Oregon review and comment.

Your draft was referred to the appropriate state agencies for review. The Governor's Office offered the enclosed comments, which should be addressed in preparation of the final Environmental Impact Statement.

We will expect to receive copies of the final statement as required by Council of Environmental Quality Guidelines.

Sincerely,

INTERGOVERNMENTAL RELATIONS DIVISION

Dolores Streeter

Dolores Streeter
Clearinghouse Coordinator

DS:bm
Enclosure



OREGON INTERGOVERNMENTAL PROJECT REVIEW

RECEIVED

State Clearinghouse
Intergovernmental Relations Division
155 Cottage Street N. E.
Salem, Oregon 97310

DEPARTMENT OF ENERGY

JAN 23 1986

Statewide

Phone (503)378-3732 or Toll Free in Oregon 1-800-422-3600

STATE AGENCY REVIEW

JAN 23 1986

Project Number: OR 85 1231-127-1 Return Date: FEB 07 1986

ENVIRONMENTAL IMPACT REVIEW PROCEDURES

If you cannot respond by the above return date, please call to arrange an extension at least one week prior to the return date.

ENVIRONMENTAL IMPACT REVIEW
DRAFT STATEMENT

- () This project has no significant environmental impact.
- () The environmental impact is adequately described.
- () We suggest that the following points be considered in the preparation of a Final Environmental Impact Statement.
- () No comment.

Remarks

We will be commenting through the PUC rate making process through the Dept. of Energy on a BPA working group. But conceptually we agree

Agency Governor's Office

By Pat Anderson

IPR #5

Comment
No.

Response

8

This comment has been noted.

February 14, 1986

No	Date
SJ-DSI-DEIS-09	2/18/86

Anthony K. Morrell, Environmental Manager
Bonneville Power Administration
P.O. Box 3621-SJ
Portland, Oregon 97208

re: Draft EIS on DSI options

9-1 I object to the shortening of the comment time to 22 days. You have been working on the proposals for months. Why the sudden hurry to resolve the issue in a less-than-prescribed or required time? It may not be your intent, but you are in effect saying "Public, all we need is an off-the-cuff response from you, not one based on a careful study of the proposals and their implications." I believe that the proposals will affect us for 20 years, and deserve a greater response period than 22 days.

9-2 None of the "Models" used has had a "Model for fisheries" (Pg. 48). In the "Environmental Consequences (Pg. 50) there is no mention of fisheries. In the "Unavoidable Adverse Environmental Effects" (Pgs. 81 and following) there is nothing about fisheries, or even the water requirements for fisheries. In "Mitigating Measures" 4.7.7 (Pg. 85) Fisheries are not mentioned.

I object to the omission of fisheries from this EIS.

It is my studied conclusion that this EIS feels that the present, and future, situation on Columbia River fisheries is taken care of satisfactorily by present Federal/State/Local requirements and their present applications by BPA and the smelters/dams/cities, etc.

I further conclude that you feel that these requirements and present applications do not need improving; or, WORSE, that they CANNOT be improved.

9-3 I strongly disagree! And, I feel that NOW is the time for input to make improvements in those regulations and their application on behalf of fisheries.

Potential improvements, necessary improvements, are almost legion: up-stream passage, down-stream passage, timing of water flows, nitrogen kills, just name a few.

A "set aside" of water for fisheries has been begun, but must be improved so that 20 years from now degradation of the fishery will have been halted and improved fisheries will have been realized.

To maintain "status quo" for 20 years is not acceptable. Undoubtedly the Oregon Department of Fish/Wildlife has improvements, changes, and implementations they would like to see on behalf of fisheries. They should be done NOW.

Comment
No.

Response

- 9-1 The shortened comment period on the draft EIS was approved by the U.S. Environmental Protection Agency in accordance with Section 1506.10(d) of the Council on Environmental Quality regulations for implementing the National Environmental Policy Act. This shortened review period was perceived at the time to be necessary to complete a separate rate hearing process and allow implementation of the Variable rate upon expiration of the current incentive rate on June 30, 1986.
- 9-2 This is correct; the Decision Analysis Model (model) does not contain a module for estimating possible impacts to fish. However, as discussed in the draft and final EIS, several features made the model the better tool for analysis. The most important was that the model provides an overall picture of the Northwest's aluminum smelter and utility economics and operations, and useful output such as regionwide employment figures (draft EIS, p. 46).
- A discussion on fish was provided in chapter 4, Environmental Consequences, of the draft EIS for the no action alternative (draft EIS, pp. 55 and 56). The proposed actions and their alternatives were then compared to the resource operations and development discussion of the no action alternative (draft EIS, pp. 63, 64, 72, 75, and 77).
- BPA would continue hydroelectric resource operation within the constraints established by the U.S. Corps of Engineers, the Bureau of Reclamation, and the Northwest Power Planning Council.
- 9-3 BPA agrees that improvements need to be made and takes seriously its responsibilities under the Northwest Power Act to mitigate and enhance Northwest fisheries. Improvements such as fish screens, fish ladders, trap and haul programs, research, etc., are being carried out through BPA's Fish and Wildlife Program. The no action alternative and the proposals and their alternatives addressed in this EIS are consistent with BPA's enhancement and mitigation efforts.

Anthony R. Morrell, Environmental Manager
BPA, Portland, Oregon

9-4 Cumulative Effects of the alternatives are pertinent to the decision which is being made. I found no reference to this aspect of the problem in any part of this EIS.

Lastly, this document clearly hints at the unwise, unwanted, and unnecessary decision to stay with a NO ACTION ALTERNATIVE.

9-5 At the same time, this document has chosen arbitrarily, and before-hand, a NO ACTION ALTERNATIVE AS FAR AS FISHERIES ARE CONCERNED.

This decision, NO ACTION ALTERNATIVE AS FAR AS FISHERIES ARE CONCERNED, is unwise, unwanted, and unnecessary; and it should not be allowed to stand!!

Sincerely yours,



Otis D. Swisher
PO Box 1582
Medford, Oregon 97501-0120

copies to:
CDFW
Senators Hatfield/Packwood
Representatives Smith, Weaver, AuCoin, Wyden

Comment
No.

Response

9-4

The cumulative effects of the no action alternative and the proposals and their alternatives were addressed and compared in the draft EIS in section 2.5, Environmental Consequences Summary and in section 4.6. Specifically, Table 3 in Chapter 2 compares the proposals and their alternatives to the no action alternative, as well as combinations of the proposals/alternatives. The final analysis of cumulative effects of the proposals and alternatives is contained in the same parts of the final EIS.

9-5

BPA has indicated both in the draft EIS and the Variable rate and Con/Mod public involvement processes that the Variable rate and the Con/Mod program are its proposed actions -- not the no action alternative. CEQ regulations (1502.14) require that Federal agencies explore and objectively evaluate any proposed action(s) and any reasonable alternatives which includes a no action alternative.

BPA's purposes for preparing this EIS were to maintain the DSI load in order to facilitate resource operational planning and to stabilize BPA's revenues. Discussion in Chapter 4, Environmental Consequences, address the impacts of selecting the no action alternative.



ELECTRI-PLANNERS, INC.

211 EAST COLUMBINE AVENUE / SANTA ANA / CALIFORNIA 92707 / TEL. (714) 540-4944

ENVIRONMENT	
No.	Date
SI-DSI-DEFS-10	2/26/86

Department of Energy
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 92708

Re: SJ-L1

Attn: Peter T. Johnson, Administrator

Dear Mr. Johnson,

Thank you for my copy of the Draft EIS on DSI options. I appreciate being included among those who are interested in and concerned for the future of the Pacific Northwest Aluminum Industry.

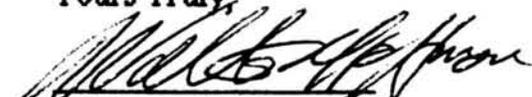
My concern involves more than just the PNW Aluminum Industry, and the Socioeconomic impact plant closings have on local communities, as serious as that is. I believe that it is incumbent upon those in authority to have an even broader vision of the environment impacted. What does it mean to The United States of America if we abdicate our position as a major producer of aluminum?

We are all witnesses to the depressing erosion of this country's industrial base. Steel manufacturing declining; automobile manufacturing losing steadily; agriculture threatened; High tech. and information industries being challenged; and Japan is even moving to "join" in our aircraft manufacturing.

Some of these may have been unavoidable, not amenable to governmental aid, even a type of painful "progress". But this is not so with the PNW Aluminum Industry. This time this country, Our Government, the B.P.A. can do something constructive to save an Industry, to relieve a negative socioeconomic impact on local communities in the PNW, and I submit, on the entire U.S.A. The simple expedient of a favorable rate adjustment for the DSI can halt, in this case at least, our accelerating slide toward becoming a have not, debtor nation. (Consider 1985's record negative balance of payments).

I earnestly urge you to adopt a **Variable Rate**, or combination Variable Rate and Con/Mod Program.

Yours Truly,



Walter A. Hoffman, P. E.

Comment
No.

Response

10

This comment has been noted.



TACOMA-PIERCE COUNTY CHAMBER OF COMMERCE

ENVIRONMENT	
No.	Date
SJ-DSL-DEIS-11	2/20/86

February 13, 1986

Anthony R. Morrell
Environmental Manager
Bonneville Power Administration
P.O. Box 3621-SJ
Portland, OR 97208

RE: Draft EIS Direct Service Industry Options

Dear Mr. Morrell:

Thank you for the opportunity to comment on this draft EIS. Tacomans recognize the importance of the direct service industries, especially aluminum, to the Northwest economy. And, we appreciate the contributions of Kaiser to our local economy.

11-1

The Tacoma community has suffered a higher unemployment rate for more than a decade. Our burdens pre-dated the woes of the timber industry. Therefore, we are sensitive to any job loss, even from a plant that represents only a fraction of our total employment base. The draft EIS notes how additional unemployment here might overburden the mitigating resources. This observation is taken too lightly in view of federal trends to reducing the monies to local governments for these very types of mitigating resources.

11-2

The purpose of the options, assuring BPA of a financially secure resource, should also consider employment displacements and economic losses of other industries if the electric rate must be raised to maintain BPA's revenue base after a loss of direct service industries. These inputs on the local community, coupled with national trends and international pressures, can cause structural changes in local economies.

735 ST. HELENS, POST OFFICE BOX 1933 TACOMA, WA 98401
PHONE: 206-627-2175



Comment
No.

Response

11-1

Appendix A of the draft EIS discusses the impact to public services and social organization (pp. 4.53 and 4.54). As noted in the appendix, Tacoma and Pierce County have demonstrated intent and ability to assist displaced workers and their families. It is also noted that the availability of these adequate resources is heavily dependent upon the broader economic and social climate of the area at the time. This statement reflects, indirectly, the trend mentioned. However, the fact that the Kaiser smelter accounts for less than 1 percent of all wage and salary jobs in Pierce County and because of large tax bases and diversity of service recipients in both Tacoma and Pierce counties, significant structural or service-level effects still are not anticipated.

11-2

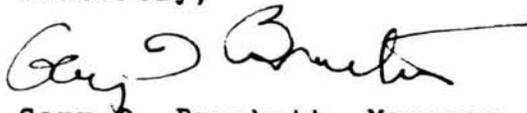
Section 3.2.3 describes other Pacific Northwest industries with emphasis on the importance of electric power rates on their economic health. For most non-DSI Pacific Northwest industries, electric power rates are a less significant factor in their operations than for the DSIS. Other factors, principally relating to the strength of the markets for their respective products, are typically much more important than electricity prices to operations of non-DSI industries. Changes in wholesale electric power rates as a result of any of the options, alternatives, or combinations analyzed in the final EIS are projected to be small. Therefore significant changes in employment or other economic effects outside the aluminum industry or directly related to the aluminum industry are not expected. This is shown by the small employment impacts projected on a regional basis by the model. (See sections 4.2.3, 4.2.4.3, 4.3.3, 4.3.4, 4.4.4, 4.4.5, 4.6.3, and 4.6.4 of the final EIS. Section 4.7 discusses effects on other aluminum producing areas in the United States.)

11-3

A reference on the problems of generally rising rates, potentially caused by the quitting of direct service industries from the BPA system is: "Impact of Electric Rates on Tacoma's Economic Development Phase I Final Report." A copy is enclosed for your convenience.

After all, we all understand the unemployment rate is only a (small)%, unless you are unemployed; then it become 100%.

Sincerely,



Gary D. Brackett, Manager
Business/Industry Council

GDB/dr

Comment
No.

Response

11-3

The report provided has been reviewed by BPA staff and was considered in preparation of the final EIS. See section 3.2.3, Non-DSI Consumer Sectors.

No. ST-DSI-DEIS-14 2/20/86

LAW OFFICES
GARVEY, SCHUBERT, ADAMS & BARER

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

SUITE 2650
1211 S.W. FIFTH AVENUE
PORTLAND, OREGON 97204
(503) 228-3939

TELEX 32-1037 (LEX SEA)

CABLE LEX-SEATTLE

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(503) 226-0259

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February 20, 1986

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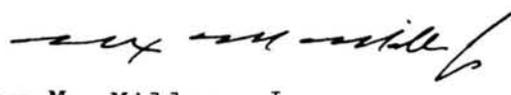
Re: Comments Regarding The Draft EIS On
The Direct Service Industry Options

Dear Mr. Morrell:

Please find enclosed the comments of the Association of Public
Agency Customers (APAC) regarding the Draft EIS on the Direct
Service Industry Options.

Sincerely,

GARVEY, SCHUBERT, ADAMS & BARER
A Partnership of Professional Corporations

By 

Max M. Miller, Jr.
Counsel for the Association
of Public Agency Customers

MMM:tr
Enclosure

COMMENTS OF THE ASSOCIATION OF
PUBLIC AGENCY CUSTOMERS REGARDING THE
DRAFT EIS ON THE DIRECT SERVICE INDUSTRY OPTIONS

I. Introduction

The Association of Public Agency Customers (APAC) is a consortium of large industrial consumers of electric power purchased from the preference customers of the Bonneville Power Administration (BPA). APAC's primary concern regarding the Draft Environmental Impact Statement on the Direct Service Industry Options is that it is wholly inadequate for use by the Administrator as a tool for evaluating (1) whether or not to adopt a variable industrial power rate, or (2) what form a variable rate should take. Therefore, these comments focus on the variable rate portion of the EIS.

APAC's recommendations for changing BPA's initially proposed variable rate are contained in its testimony submitted in the variable rate case, BPA No. VI-86. We will not repeat our proposal here. The purpose of our modifications, however, is to create a variable rate schedule that: (1) will perform the function BPA wants it to perform if actual loads, resources, opportunity costs of power, and aluminum prices are within the ranges assumed by BPA in preparation of its initial proposal; but (2) will protect BPA's other regional customers from significant adverse impact, if actual experience is different from BPA's forecasts. In other words, APAC proposes the incorporation of risk mitigation factors, including a revenue accounting mechanism like that referenced in the Draft EIS at 17.

II. Discussion

12-1 The Draft EIS is inadequate to evaluate the value of such risk mitigation factors because it is not designed to evaluate the actual risk of adopting a ten-year variable rate. The Draft simply assumes that actual experience will fall within the narrow range of BPA's forecasts. APAC does not have an overwhelming concern that if BPA's forecasts of its own loads and resources, aluminum prices, and the opportunity cost of power delivered to the DSIs are accurate, the variable rate will result in acute harm to its members. APAC has strong concern, however, that if these notoriously unpredictable variables do not track BPA's forecasts, APAC's members and the region may be greatly harmed. In order to evaluate this risk of substantial harm, the Draft EIS must incorporate at least the following three major changes.

12-2 First, APAC proposes that in order for the EIS to be useful, it must analyze the impact on the affected environment that would occur if, for example, the variable rate resulted in a \$250 million shortfall in the first 3 years and \$450 million shortfall in the first 5 years, when compared to what BPA would have received if the same load had been served at the IP Standard rate. This result is within the range of possible outcomes and should be studied. It would have significant impact on BPA's other customers and their consumers because BPA proposes to allocate any revenue underrecovery resulting from the variable rate to other customers.

Comment
No.

Response

12-1

For the final EIS, an additional aluminum price scenario has been analyzed to assess the impacts of the proposals and alternatives if future aluminum prices are low.

12-2

The actual over- or underrecovery in any given year is a function of a number of factors, none of which can be viewed in isolation from the others, i.e., cost and load. It is the combination of these factors that result in over- or underrecoveries. In some cases a deviation in one may offset the deviation in another and thus BPA's revenues are sufficient to meet its financial obligation.

The precise scenario suggested has not been analyzed for the final EIS. Many factors determine BPA's revenues and costs. BPA establishes its rates on a prospective basis, i.e., it forecasts loads, including DSI loads, and costs for a future period and establishes its rates to recover the correct share of its costs from each rate class, in accordance with the Pacific Northwest Power Act. With a Variable rate for the aluminum smelter DSIs, the rate form becomes just one more factor to account for in the rate-setting process. Over- or underrecovery occurs when loads and/or costs deviate from those used to determine the rates. These deviations may relate to the forecasts of preference customer loads, BPA's efforts in secondary markets (both surplus firm and nonfirm), or many other factors besides those relating to the aluminum smelters.

The Decision Analysis Model deals with over- or underrecovery in a similar way. For a given year in a given game, it sets rates at the start of that year for various customer classes based on internally forecasted data. At the end of the year, due to the randomness in the model, it is likely that there would be higher or lower costs or loads than when the rates were fixed, leading to an "over- or underrecovery." These amounts are held in an account in the model, and totalled. When the value of this account exceeds a certain value (500 million), the surplus revenues collected are allocated to different rate pools and a downward rate adjustment is made for the following year. If the value in this account ever becomes negative, rates are increased for the next 1 to 2 years by an amount that would bring the account back to zero if there were no other over- or underrecoveries.

12-3

Second, in order to evaluate the environmental impact of such an occurrence, the EIS should include an industry-by-industry impact analysis for every energy-intensive industry served by public (as well as private) utility customers of BPA. The Draft EIS' "analysis" of other industries is both inadequate and inaccurate. The analysis that runs from the bottom of page 65 through page 66 of the Draft is based exclusively on one page of the Final 1983 Wholesale Power Rate EIS. Even if one were to assume that the 1983 EIS was accurate at the time it was produced, the effect of electricity prices on these industries has changed since 1983. The Draft does not rely heavily upon the 1983 Wholesale Power Rate EIS for its analysis of the DSIs. BPA should not rely upon that document for other industries either.

12-4

A specific example of the inaccuracy which results from such reliance is the statement that "[t]he costs of power purchased from BPA for these consumers account for a relatively small portion of total electricity costs." Draft at 65. BPA need only look at its 1985 rate case Industrial Margin Study to see that it is common for public utilities to charge the BPA priority firm rate plus a markup to their retail industrial customers. In these instances, BPA's rate is the primary variable in determining the retail rate charged to industrial consumers.

12-5

Another statement in the EIS is particularly disturbing: "[o]ther measures [that may be taken by large energy-intensive industries in response to major rate increases] could include installation of fuel switching capabilities or installing onsite generation." Draft at 66. In other words, in an EIS

Comment
No.

Response

- 12-3 Further consideration of impacts on other industries has been given. See section 3 of the final EIS.
- 12-4 Further discussion of major consumer sectors has been given. See section 3.2.3 of the final EIS. A reference to the Industrial Margin Study has been included in section 3.2.3, along with a statement that BPA power costs accounted for most of the electricity costs paid by industries included in that study. Section 4.2.3 of the final EIS states that BPA power costs account for only a portion of the rates paid by non-DSI consumers. The characterization in the draft EIS of BPA power costs as "a relatively small portion of total electricity costs" does not appear in the final EIS. The final EIS does emphasize that for most non-DSI industries, as well as most commercial and agricultural consumers, electricity costs account for a small portion of total operating costs and that other factors (e.g., product markets) are more influential determinants of economic health. See sections 3.2.3 and 4.2.3, of final EIS.
- 12-5 See section 3.2.3 of the final EIS for further discussion. The discussion of measures which industries can take in response to electricity price increases appears in the draft EIS and the final EIS to provide information on how industries in general and particularly those industries that are sensitive to electricity prices, may respond during periods of increasing rates. The discussion does not, and was not intended to, foretell massive rate increases to non-DSI consumers as a result of actions which BPA is considering in this EIS. In fact, a paramount consideration with respect to the Variable rate, Con/Mod or the IP-PF rate link will be to assure that the region's non-DSI customers will be made better off or, at worst, held harmless by any action taken by the Administrator. Far from being a tacit admission of "potential loss of priority firm load and associated revenue resulting from an effort to preserve DSI load and associated revenue," the analyses presented in both the draft and final EIS identify no significant adverse rate impacts to BPA's non-DSI customer utilities or their consumers. See sections 4.2.3, 4.3.3, 4.4.4 and 4.6.3 of final EIS. The final EIS does address the general adverse rate impacts associated with loss of DSI plants, particularly under the no action alternative. See section 4.2.3 of final EIS. In addition, section 3.2.3 of the final EIS cites potential adverse impacts from DSI aluminum plant shutdowns on non-DSI industries who supply materials to aluminum smelters. Such non-DSI industries could be adversely affected by loss of a major product market.

12-5

to evaluate the impact of a rate measure designed to retain DSI load in order to generate BPA revenue, BPA suggests as mitigation to a potential harmful impact of this measure that other consumers of BPA's energy should remove their load from BPA-served utilities. BPA tacitly admits, but fails to quantify, the potential loss of priority firm load and associated revenue resulting from an effort to preserve DSI load and associated revenue.

12-6

Third, after BPA performs a meaningful analysis of the impacts of a potential large-scale revenue deficiency resulting from implementation of a variable rate, BPA should model a variable rate with a revenue accounting mechanism like that referenced in the Draft at 17. Once BPA recognizes that implementation of the proposed variable rate has the potential of having much greater environmental impact than that considered in the Draft, and specifically that it has the potential to result in severe impact on other BPA customers and their consumers, a variable rate with a revenue accounting mechanism becomes an alternative that has a high likelihood of minimizing the risk of those impacts. As such, it should be modeled.

III. Conclusion

12-7

In summary, the Draft EIS is an inadequate tool for the Administrator or anyone else to use to evaluate the variable rate proposal. First, the Draft EIS ignores the only real risk of the proposed rate -- the risk that due to some combination of lower than expected aluminum prices, higher than expected resource costs, and higher than proposed opportunity costs, BPA

Comment
No.

Response

12-6

The DSI Decision Analysis Model is already fairly complex. Adding another level in order to model a "revenue accounting mechanism" has been determined to not be feasible. The final EIS now more thoroughly addresses the impact of a revenue accounting mechanism as an alternative within the Variable rate option (see sections 2.2.4 and 4.2.3.4 of the final EIS).

12-7

The EIS is only one of the tools the Administrator uses in making his decisions. Information from the Variable rate hearings, Con/Mod program meetings, public review of both proposals, and any studies undertaken by BPA and others also serve as decision tools.

Based upon comments BPA has received on the draft EIS, the Variable rate proposal, and the Con/Mod program, modifications and additions have been made to the Decision Analysis Model. Impacts to other energy-intensive industries served by BPA's public utility and investor-owned utility customers also have been analyzed (see answers to comments 12-1 through 12-6 and 11-2). These modifications, additions, and analyses have made the final EIS a better decision tool for the Administrator.

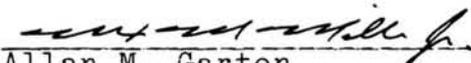
12-8

will significantly underrecover the revenue that it could receive if it retained the IP Standard rate. Second, the Draft EIS ignores the real impact that this revenue underrecovery could have on BPA's other customers and particularly other high load factor industrial consumers. Third, partially as a result of the Draft EIS' failure to identify and evaluate the real risk of the proposed variable rate, BPA decided not to model the alternative it identifies as a revenue accounting mechanism alternative. Nor does it evaluate any other alternatives with meaningful risk mitigation measures included such as take-or-pay provisions, a shorter term for the variable rate, or a variable rate with a steeper upper slope than that proposed. Unless the Draft EIS is rewritten to overcome these deficiencies, it should not be relied upon by the Administrator for any decision making with regard to the proposed variable rate.

Dated February 20, 1986.

Respectfully submitted,

GARVEY, SCHUBERT, ADAMS & BARER
A Partnership of Professional
Corporations

By 
Allan M. Garten
Max M. Miller, Jr.

Counsel for the Association of
Public Agency Customers

Comment
No.

Response

12-8

The alternative of a "take-or-pay" provision and a shorter term have been discussed in the final EIS (see sections 2.2.4 and 4.3.3). The revenue protection Variable rate alternative analyzed contains a steeper upper slope. Merely changing the proposed Variable rate by making the upper slope greater would not result in environmental impacts substantively different from those of the proposal unless the slope were made so steep that it acted as a disincentive to operate more at higher aluminum prices.

SS-DSI-DEIS-13

2/20/86

OS

PUBLIC INVOLVEMENT	
No. DSIV-139	Date FEB 19 1986
Referred to: K. Johnson	
Action Taken: <input type="checkbox"/> Ans. <input type="checkbox"/> No Reply	

The Director of the Bonneville Power Administration
Portland, Oregon

The need for wisdom is most evident in this puzzling presentation of notions in regard to stable rates for domestic customers, a primary purpose, as in conflict with aiding the Pacific Northwest aluminum industry, which is not an appropriate function.

And added to these notions is the unwitting development of surplus power which development is not repaid.

13-1

It seems too much like glorified welfare to consider a need for jobs-as the communities with surplus labor have only themselves to blame. If there is no incentive for Planned Parenthood--then welfare for excess job seekers is a better alternative than for the BPA to believe that it has an obligation to aid one industry unless it aids all industry which is in trouble because of foreign competition or environmental pollution which necessitates plant modernization. There is objection to the notion that surplus power will be needed for growth. Growth is too one-sided. Man is the worst predator, and the ecosystems suffer. The public lands are already mainly degraded or destroyed as wildlife habitat-as the logging, mineral development, and grazing for instance make public lands not for multiple use as man is the sole user in the long run. Growth is not the goal. The need for dams has been exaggerated. The need for nuclear plants is a problem not only if there is surplus power as there is also the problem of nuclear waste disposal. So why not restore the land to natural state; close the surplus aluminum plants, and tell these communities that if there is surplus population, then there is a need for responsible social planning including responsible parenting instead of the baby crop being used as the factor of influence.

13-2

13-3

There is a problem in the variability of surplus power which may mean that fisheries could be impacted if hydropower is the source of power. It seems wrong that there are still projects under construction tho. The power marketing obligations have been extended beyond acceptability - environmentally and economically-with the idea that reimbursement is due if energy saved through efficiency improvements.

13-4

Thank you for wiser and less activity, E. Zahn,
295 Fleet Drive, Port Ludlow, WA 98365 2-15-86

Comment
No.

Response

- 13-1 As stated in the draft EIS, the purpose and need for BPA's proposed actions is to facilitate BPA's resource operational planning and BPA's revenues (p. 1). Additionally, the implementation of a Variable rate or a Con/Mod program is not intended to forestall closure of plants that are not economic over the medium to long-term (p. 11).
- BPA is currently studying how a Con/Mod program for other industries in the region might be developed, since it recognizes that most energy-intensive industries, as well as BPA, could benefit from conservation/modernization.
- 13-2 Part of BPA's mission is to market and transmit energy in an environmentally-sound fashion; it is not to educate the population on "responsible social planning." The purpose of the EIS was to evaluate BPA's proposed actions (see answer to comment 9-5). To analyze closure of all the smelters and restoration of those plant sites to a natural state was not in the scope of the EIS nor would it be an action that this Federal agency could undertake unilaterally. However, the impacts associated with closure of the smelters have been addressed in Appendix A of the EIS.
- 13-3 In the draft EIS, section 2.5, Environmental Consequences Summary, and Table 3 showed the potential impacts on operation of the Federal Columbia River Power System. Variations in amount of spill or sales of surplus power can be expected depending upon which actions or combinations of actions BPA implements. However, those variations are relatively small and would be within established operational constraints.
- In addition, section 4.2.2 of the draft EIS, Resource Operations and Development, discusses how BPA could use freed up power for nonfirm or firm sales, dependent upon certain conditions, and how spill could be affected, thereby impacting fish, either beneficially or adversely (pp. 54-56). Generally, the loss of aluminum smelter load would be beneficial to fish. If loads are maintained or possibly increased through implementation of the Variable rate or Con/Mod program, impacts to fish would not be substantially less or greater than currently occurring.
- 13-4 BPA is attempting to solve several problems: the unstable aluminum DSI load; uncertainty with regard to BPA's resource planning and operation; increasing regional rates; continuing scheduled U.S. Treasury payments; and establishing a rate relationship between the rate charged the DSIs and the rate charged BPA's public agency and cooperative customers. In addition to the Variable rate, the Con/Mod program and its incentives would help solve BPA's resource operation and planning and unsteady load problems, and would enable BPA to

Comment
No.

Response

continue scheduled U.S. Treasury payments. Conservation incentives are being offered because it has not been demonstrated that DSIs would voluntarily conserve or modernize on their own, particularly in light of their current economic condition. See also the response to comment 18-10.

DIVISIONS
Light
Water
Belt Line



City of Tacoma
WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES

ENVIRONMENT	
NO S-T-OSI-DEIS-14	Date 2/21/86
Please address reply to: City of Tacoma Department of Public Utilities P.O. Box 11007 Tacoma, Washington 98411 (206) 383-2471	

February 19, 1986

Mr. Anthony R. Morrell
Environmental Manager
Bonneville Power Administration
P.O. Box 3621-SJ
Portland, Oregon 97208

Dear Mr. Morrell:

RE: BPA File No: SJ-L1

Enclosed are the City of Tacoma, Department of Public Utilities' comments on the Draft Environmental Impact Statement for Direct Service Industry Options. We appreciate the opportunity to review and comment, and commend BPA's effort at customer involvement on an issue which has a broad regional impact. We hope that these comments provide some insight into what is obviously a multidimensional issue.

Yours very truly,

E. E. Coates
Acting Director of Utilities

Enc.

CITY OF TACOMA

DEPARTMENT OF PUBLIC UTILITIES

Comments On

Draft Environmental Impact Statement

DIRECT SERVICE INDUSTRY OPTIONS

The City of Tacoma, Department of Public Utilities, Light Division has reviewed the Draft Environmental Impact Statement for the Direct Service Industry Options and appreciates the opportunity to comment. We have participated in the development of comments provided by the Public Power Council on various aspects of this entire issue and we strongly support those positions. We felt however, that there were several areas of specific concern which we wanted to emphasize under separate cover.

Variable Rate:

The Tacoma Light Division is sensitive to the need to balance the various and often times conflicting goals vis-a-vis the regional DSI aluminum smelting companies. We are particularly sensitive to the local socio-economic impacts because of the presence of one of those smelters in the Greater Tacoma Metropolitan Area. Nonetheless, we feel strongly that first and foremost, the Bonneville Power Administration (BPA) must act within its charter as mandated by the Pacific Northwest Electric Power Planning and Conservation Act of 1980. It would seem that several of the alternatives offered in the EIS are more consistent with that goal than others. Another issue, not addressed directly in your draft discussion, are the negative socioeconomic impacts on other non-DSI industrial customers in the Pacific Northwest, especially those industries served by Public Utilities who purchase some or all of their power from BPA at the PF rate.

14-1

14-2

Specifically, we support your recognition of the fact that any potential variable rate design must have as a clearly recognized goal, ultimate collection of the IP standard rate on average over the designated time frame. We strongly feel that the EIS understates the potential rate impact of the proposed variable rate. To the extent that undercollection of IP revenues under this proposal would have to be offset by additional revenue, which could only be derived from BPA's other customers through higher rates, you have neglected to calculate or even mention the negative socioeconomic impacts on these other customer groups.

14-3

We believe that if those impacts are indeed quantified, that some form of truing up or balancing account is a necessity. There is a major degree of difference in revenue shortfalls which occur as a result of imperfect knowledge as opposed to those which occur through intentional rate design, in the hopes that revenue will increase

14-4

Comment
No.

Response

- 14-1 The Pacific Northwest Power Act mandates several activities for BPA. One is establishing, reviewing, and revising rates for the sale of energy in accordance with sound business principles and costs associated with the acquisition, conservation, and transmission of electric power (section 7(a)(1)). Another is to acquire resources through conservation and implement conservation measures consistent with the Regional Planning Council's Energy Plan; this includes technical and financial assistance to customers to encourage maximum cost-effective voluntary conservation (section 6(a)(1) and 6(a)(1)(B)). The proposed actions and their alternatives are consistent with BPA's mandates as well as potential solutions to the problems faced by BPA (draft and final EISs, pp. 1 and 2). Furthermore, the Council on Environmental Quality regulations for implementing the National Environmental Policy Act directs agencies to consider in an EIS "reasonable alternatives not within jurisdiction of the lead agency" (section 1502.14(c)).
- 14-2 This issue is considered further in the final EIS (see section 3.2.3).
- 14-3 Socioeconomic impacts as a result of rate impacts on non-DSI customers are more fully addressed in the final EIS (see section 3.2.3).
- 14-4 The effects of a "truing-up" mechanism and other potential means of mitigating potential revenue shortfalls are discussed in Chapter 4 of the final EIS.

14-4

somewhere down the line. To that end, we would strongly endorse the establishment of some sort of balancing account for those companies which choose to take advantage of the variable rate, if and when it is finally implemented. This would allow BPA to pursue the various goals established for this rate, that is, revenue maximization, stable loads, and compliance with the rate directives contained in Section 7 of the Pacific Northwest Power Act. In the event, that aluminum prices strengthened considerably, excess revenues would be refunded to the companies in some manner. In the event that the price of aluminum did not reach levels where all of the DSI aluminum smelters were able to operate profitably, a certain deficit would be incurred by the company or class. If for whatever reason, those companies were unable to repay that debt, the region's other customers would still be repaid by the delay of resource acquisitions. It should be noted, that resource acquisition delay should be quantified in order to establish some maximum that a balancing account might not exceed. We strongly agree with BPA's contention that any DSI Option finally agreed upon, should not provide long term subsidy to a class or group of customers.

Conservation/Modernization

14-5

We would support the BPA goal of funding levels of DSI conservation/modernization to cost-effective levels but we would also urge or insist that this program be available to all direct and indirect customers of BPA. The keys here are cost effectiveness and equity. To the degree any program is not cost effective, all classes of customers sustain the negative socioeconomic impacts of higher rates. Equity considerations must be taken into account, when only certain customer groups are offered financial incentives, cost effective or not. All major customers should be offered the opportunity to implement conservation measures or modernize with the tradeoff of guaranteed conservation benefits available to BPA when needed.

IP-PF Rate Link

14-6

We must raise some question concerning the asserted benefits of predictability of rates for DSI's with the establishment of a rate link. Recent rate instability has been more a function of intraregional causes rather than any interclass matter. There are however benefits real and imagined in a linked rate proposal including the not insubstantial benefit of removal of a major source of controversy during future rate proceedings. We would propose that any formula proposed or adopted be subject to revisions. We would suggest that this occur after a reasonable number of years to be determined, but in no event longer than 7 years. It is unlikely that the value of margin (M) and value of reserves (V) would retain a constant relationship to each other for longer than 7 years, yet the 7 years would provide the DSI customers predictability vis-a-vis the PF rate over a reasonable planning horizon.

Comment
No.

Response

14-5

The incentive and funding levels proposed for DSI conservation/modernization are cost-effective according to BPA's economic analyses completed to date, using the Decision Analysis Model. The analysis shows no significant economic impacts on other customer classes.

The DSI Con/Mod program proposal is the result of a lengthy DSI Options Study completed by BPA in June 1985. The purpose of the study was to identify initiatives that BPA could pursue to ameliorate the economic downturns facing the region's aluminum industry. BPA is particularly interested in encouraging the aluminum companies to make additional capital investments to upgrade the plants through energy efficiency improvements. Because of the large share (25 to 30 percent) of BPA's total power sales revenues provided by the region's aluminum industry, BPA wishes to see plant operations stabilized.

BPA is currently studying how criteria might be developed to expand a conservation/modernization initiative to other industries in the region.

14-6

In the draft EIS, as well as the final (see sections 2.4 and 4.5), an IP-PF rate link alternative of 5-year duration was discussed and analyzed. A 7-year alternative is not very different from the 5-year alternative and potential impacts, both adverse and beneficial, are encompassed in range of impact for the alternatives discussed in the EIS.

ENVIRONMENT	
No.	Date
SI-DSI-DEIS-15	2/24/86

Direct Service Industries, Inc.

910 LLOYD CENTER TOWER □ 825 N.E. MULTNOMAH STREET □ PORTLAND, OREGON 97232-2150 □ (503) 233-4445

February 21, 1986

HAND DELIVERED

Anthony R. Morrell
 Environmental Manager
 Bonneville Power Administration
 P. O. Box 3621 - SJ
 Portland, Oregon 97218

RE: Comments of the Direct Service Industries on the
 Draft Environmental Impact Statement,
 Direct Service Industry Options.

Dear Mr. Morrell:

We appreciate the opportunity to comment on the Draft Environmental Impact Statement (EIS). Generally, the Draft EIS does a fine job, but we do have a few comments on its assessment of the environmental impacts of Staff's proposed Variable Rate in the VI-86 proceeding.

15-1 First, in their testimony, the DSIs have demonstrated that the five year rolling pivot point adjustment in Staff's proposed Variable Rate makes this Variable Rate unacceptable. VI-86-E-DS-02, pp. 7-12. Basically, the five year rolling pivot point adjustment creates a risk that power rates will be so substantially higher in five years that smelters, which would otherwise operate at the IP Standard/Incentive rate, would be forced to close. Unless this risk is eliminated from Staff's proposed Variable Rate, any benefits to BPA and the region from this alternative are illusory -- just as any benefits from the Revenue Protection Alternative are illusory. The Revenue Protection Alternative will not be accepted by regional smelters because average electricity prices under this alternative exceed average prices under either the IP Standard rate or the IP Standard/Incentive rate combination. Draft EIS, p. 61.

15-3 The Draft EIS does not make this point because the rolling five year pivot point adjustment was not modeled in the DAM (Tr. 328) and, even if it were, the single aluminum price forecast used in the DAM, because it is an optimistic forecast, would not cause this adjustment to be made in a manner that would test this risk.

15-4 Second, in its Variable Rate Design Study, Staff made certain smelter closure assumptions for its proposed Variable Rate. These same closure assumptions were used in the Draft EIS.

Comment
No.

Response

- 15-1 For the analysis in the final EIS, the 5-year rolling pivot point adjustment was modeled. Long-term decisionmaking by the aluminum companies is now also modeled. For analysis purposes in the EIS, BPA generally supposes all the smelters operate under the proposed Variable rate, and draws its conclusions regarding that scenario from the model. If the variable rate being modeled were not acceptable to a smelter, the long-term decisionmaking portion of the model should indicate so by reporting a low probability of operating for the smelter.
- 15-2 BPA does not contend that the DSIs would accept the revenue protection alternative in either the draft or final EIS.
- 15-3 See the response to comment 15-1 above. Analyses have also been done for the final EIS based on a low aluminum price forecast (see sections 4.2.4, 4.3.4, 4.4.5, and 4.6.4).
- 15-4 The final EIS relies on exogenous plant closures only in terms of deciding which plants to close within the model to analyze impacts if two plants closed in the no action alternative (see sections 4.2.5 and 4.3.6). Since the model used for the final EIS incorporated long-term decisionmaking, more reliance was placed on the model to determine the relative impacts among alternatives or their combinations, and exogenous information was not used. See also the responses to comments 15-1 and 18-9.

Anthony R. Morrell
February 21, 1986
Page 2

15-4 | Based upon the detailed analysis in our testimony (using more precise models than the DAM used in the Draft EIS, Draft EIS, p. 48), we conclude that Staff's closure assumptions are overly optimistic. Thus, the benefits from reduced closures, i.e., greater BPA revenues and greater regional employment, that Staff's proposed Variable Rate seems to offer may be overstated. Our analysis establishes that these benefits cannot be captured unless the Variable Rate design more closely resembles the Load Maintenance Alternative.

15-5 | Third, the discussion of Resource Operations and Development fails to recognize that the out of region sale of all the power not consumed by the aluminum smelters would be ~~determined~~ ^{detrimental} to the region even if sold at an equivalent rate. The DSI load provides operating reserves for BPA by granting load curtailment rights that would otherwise be provided by the construction and operation of additional resources.

15-6 | Finally, the conclusion that retail rates would possibly increase if the No Action alternative were adopted understates the rate impacts that will occur with the closure of a significant number of the Northwest smelters. The socioeconomic impact of higher retail rates to the region should be addressed in this EIS.

15-7 |

I hope these few comments are helpful and, again, applaud your fine job.

Very truly yours,



Mark Crisson
Executive Director

6:7:187

Comment
No.

Response

15-5 The value of DSI reserves is discussed further in the final EIS in section 4.2.2.

15-6 This comment apparently refers to the summary table, Table 3, in Chapter 2.5 of the draft EIS where a "possible increase" in retail rates was indicated for the no action alternative. The effect of the no action alternative on rates was described more fully on p. 56 of the draft EIS and in sections 4.2.3 and 4.2.4 of the final EIS. The term "possible" was used in the table because the existence and amount of any increase depends on the amount of energy resulting from plant closures that BPA could market elsewhere and the price BPA would receive; both are uncertain.

15-7 Socioeconomic effects of retail rate changes resulting from wholesale rate changes have been addressed in section 3.2.3 of the final EIS. The impacts of the proposal and alternatives on wholesale rates have been further addressed in sections 4.2.3, 4.3.3, 4.4.4, and 4.6.3 of the final EIS.



DEPARTMENT OF THE ARMY
NORTH PACIFIC DIVISION, CORPS OF ENGINEERS
P.O. BOX 2870
PORTLAND, OREGON 97208

ENC
No.
SJ-DEI-DEIS-16 2/20/86

REPLY TO
ATTENTION OF:

February 20, 1986

Planning Division

Mr. Anthony R. Morrell
Environmental Manager
Bonneville Power Administration
P.O. Box 3621-SJ
Portland, Oregon 97208

Dear Mr. Morrell:

16-1 Your draft environmental impact statement, "Direct Service Industry Options," January 1986, has been reviewed. Our only comment on this document is on the discussion on page 3, paragraph 7, concerning the availability of "advanced energy" by provisional drafting of reservoirs. At this time the Corps of Engineers is reviewing the policy of provisional drafting of our reservoirs for serving advance energy. Therefore, we suggest that the referenced paragraph be revised to reflect that this operational procedure is being reviewed and a change may have an impact on the availability of providing non-firm energy for the first quartile.

We appreciate the opportunity to review and comment on the environmental impact statement.

Sincerely,

Robert I. Henry
Asst. Chief, Planning Division

Comment
No.

Response

16-1

The referenced paragraph has been revised.

ENVIRONMENTAL	
No.	Date
SJ-DSI-DEIS-17 2/24/86	



United States Department of the Interior

BUREAU OF RECLAMATION
PACIFIC NORTHWEST REGION
FEDERAL BUILDING & U.S. COURTHOUSE
BOX 043 - 550 WEST FORT STREET
BOISE, IDAHO 83724

IN REPLY
REFER TO: PN 150
120.1

FEB 20 1986

Anthony R. Morrell
Environmental Manager
Bonneville Power Administration
P.O. Box 3621-SJ
Portland, Oregon 97208

Dear Mr. Morrell:

The draft environmental impact statement on Bonneville Power Administration's Direct Service Industry Options has been reviewed by appropriate personnel within the Bureau, and we have no objections to the content. Please let us know if we can be of further assistance in the review process.

Sincerely yours,

Regional Environmental Officer

cc: Commissioner, Bureau of Reclamation, Washington, D.C.
Attention: 150 (for information)

Comment
No.

Response

17 No response required.



February 21, 1986

Mr. Anthony R. Morrell
Environmental Manager
Bonneville Power Administration
Post Office Box 3621-SJ
Portland, Oregon 97208

RE: Direct Service Industry Options Draft DEIS

Dear Mr. Morrell:

The Public Power Council (PPC) submits the following comments on the Draft DSI Options Study Environmental Impact Statement (DEIS). PPC comments on the DEIS on areas that affect the DEIS in general. PPC also comments on specific portions of the analysis as they pertain to two of the options studied in the DEIS--the Variable rate option and the ConMod option.

18-1

PPC reserves the right to comment further on the Variable rate option portions of the DEIS at appropriate stages of the VI-86 rate process. All such comments should be incorporated as part of the DEIS public involvement process. Further, the DSI Options Study DEIS should analyze any issues raised, and any changes to the options adopted or proposed, during the VI-86 and ConMod program development process.

Congress enacted NEPA to aid agencies in their decisionmaking. NEPA requires the preparation of an EIS to enable agencies to make informed decisions and to provide for full public disclosure of all information necessary to make an informed decision. Trout Unlimited v. Morton, 509 F.2d 1276, 1283 (9th Cir. 1974); Columbia Basin Land Protection Ass'n. v. Schlesinger, 643 F.2d 585 (9th Cir. 1981).

A. General Comments

1. BPA's Goal In The DSI Options Study DEIS Must Be To Improve BPA's Revenue Stability And Financial Viability In A Lawful Manner.

Comment
No.

Response

18-1

Additional alternatives suggested for the Variable rate and Con/Mod program or issues raised during their respective public involvement processes are believed to be encompassed in the options and alternatives addressed in this final EIS.

In Chapter 1, the "Purpose of and Need for Action" the DEIS states that:

BPA desires to stabilize the DSI load in order to facilitate resource operational planning and to stabilize BPA's revenue. Stable revenues would enhance BPA's ability to make the necessary payments to the U.S. Treasury and would stabilize rates to BPA's customers.

18-2 PPC agrees that the purpose and need for the DSI Options study should be the improvement of BPA's revenue stability and financial viability consistent with attainment of § 7(c) rate directives. The driving force of the DSI Options can not merely be the improved financial viability of either an individual DSI or the DSIs as a customer group.

a. Failure To Consider The Criteria Required By The Regional Act.

BPA's goal however can only be to improve BPA's revenue stability in a lawful manner. Both the Variable rate option and the ConMod option must be implemented according to the requirements of the Regional Act.

18-3 In the discussions of the goals of the Variable rate (DEIS, p. 11) the goals of the ConMod program (DEIS, p. 18) the DEIS failed to consider the legality of either of these two options even though the Regional Act limits, to a large extent, the environment in which BPA operates. PPC questions whether the Regional Act authorizes BPA to either fund modernization or to design a Variable rate which does not comport with the requirements of § 7 of the Regional Act. PPC also raised this issue in the VI-86 hearing and in the ConMod program development process.

b. Level Of Specificity Required

18-4 The problems identified by BPA as requiring the DSI Options study directly and indirectly affect all of BPA's customer groups and the region as a whole. Similarly, the options identified by BPA as potential solutions to those problems will affect all of BPA's customer groups and the region as a whole.

To make an informed decision on which option(s) will best attain the broader goal of improving BPA's revenue stability and financial viability, the Administrator must have information on the impacts of each of the DSI options

Comment
No.

Response

- 18-2 This comment has been noted.
- 18-3 BPA legal analyses have concluded that, properly designed and implemented, a variable rate for aluminum smelters, a conservation and modernization program for aluminum smelters, and an IP-PF rate link would be legal. Furthermore, this point is moot from the standpoint of the EIS since section 1502.14(c) of the Council on Environmental Quality Regulations for Implementing the Procedural Provisions of the National Environmental Policy Act directs agencies to "include reasonable alternatives not within the jurisdiction of the lead agency" in an EIS.
- 18-4 A description of electricity rate affects on non-DSI consumer groups has been added for the final EIS (see section 3.2.3, Non-DSI Consumer Sector).

on BPA and the region's DSI and non-DSI "sectors". Moreover, the DSI Options DEIS should provide any information on the impacts of each option on the DSI and non-DSI "sectors" in the same level of detail and specificity.

18-4

PPC believes that the analysis of impacts of the options studied in the DEIS is inadequate because, although the DEIS specifically analyzes DSI communities it does not provide for similarly detailed analysis of non-DSI communities. By failing to analyze non-DSI communities and instead treating the non-DSI sector as an undifferentiated whole, the DEIS only tells half the story of the regional impact of the options.

c. The Proposed Actions Need Not Be Designed To Ensure The Viability Of All Smelters.

18-5

The proposed actions analyzed in the DEIS appear to be designed to ensure the survival of all DSI aluminum smelters. PPC believes that it may not be possible to ensure survival of all smelters and design a lawful Variable rate or ConMod program.

2. The DEIS Should Discuss The Impacts Of The Options On The Worldwide Aluminum Market.

18-6

PPC supports BPA's analysis of the options considered in the DEIS on a smelter specific basis and discussion of the results of that analysis on a smelter specific basis. Failure to analyze such impacts ignores significant differences among the DSIs which could affect the Administrator's choice of options. Aggregating the results of an impact analysis would violate the intent of NEPA and diffuse the public involvement necessary for a regional consensus.

18-7

The DEIS's failure to consider the impacts of the options on the worldwide aluminum market raises this same concern. For example, closure of Pacific Northwest smelter could improve the market for the remaining smelters and provide the needed market incentive to modernize. This possibility can not be easily dismissed.

18-8

Each option will have a different impact on each DSI, and on the worldwide aluminum market. The DEIS must disclose these impacts to the public and inform the Administrator of these impacts. Aggregating the results of any impact analysis diffuses public involvement. It is important for the public to have knowledge of how the impacts of each option are distributed among the DSIs.

<u>Comment No.</u>	<u>Response</u>
18-5	This comment has been noted.
18-6	This comment has been noted.
18-7	Further consideration of impacts on the aluminum industry as a whole has been given. See section 4.7 of the final EIS.
18-8	This comment has been noted.

3. The DEIS Inadequately Considers The Impacts Of Exogenous Variables On Smelter Operations.

The DEIS inadequately analyzes the role of exogenous variables on smelter operations in two ways.

a. The DEIS Relies On Inadequate Support Documentation When Considering Exogenous Variables.

18-9 First, where exogenous variables are analyzed the sources used are not entirely appropriate. For example, the DEIS uses newspaper articles to substantiate conclusions regarding smelter financing options. See DEIS, p. 51.

In this example, the exogenous variables include the financing market, the financial condition of the corporate owner of the smelter, and the world market for aluminum (see discussion above). Newspaper articles are at best secondary sources for this information.

Primary sources should be used such as finance studies--to determine whether or not outside financing is available to refurbish the corporation's plants both in the Pacific Northwest and the rest of the country, and examination of the corporation's accounts and books. BPA must be able to assure the professional integrity of both the discussion in the DEIS and the information used to support those discussions. See 40 C.F.R. § 1502.24.

b. The DEIS Inadequately Discusses Some Exogenous Variables.

18-10 Second, the DEIS does not adequately discuss the impact of the adoption of an individual option on the smelter's corporate owner's operation decisions. For example, the DEIS inadequately discusses whether BPA adoption of a Variable rate will lead to a corporate owner's decision to modernize without a ConMod program.

BPA's Variable rate, should it be adopted, will accomplish indirectly some modernization goals. With the Variable rate, the risk of smelting is shifted away from the corporate owners to the region, making investments in regional smelters more attractive. Thus, the corporate owners may elect to modernize in the absence of a BPA ConMod program.

18-11 The DEIS apparently assumes that some combination of the Variable rate and the ConMod program is necessary to stimulate full operation of all Pacific Northwest smelters. This assumption must be tested in the DEIS on a smelter by smelter basis.

Comment
No.

Response

- 18-9 The model as used in the final EIS incorporates new logic to better account for long-term closure decisions by the smelters. Therefore, increased reliance on the model output is made for the final EIS, and less reliance is placed on exogenous information. Nevertheless, the probabilistic nature of the model produces a result in which no smelter ever closes completely since it subsumes all games for a year including those in which the random elements of the model combine favorably to make even the least economic smelter operate, and reports an average for each year. To better isolate the potential effects if plants actually did close in the no action case, sensitivity analyses were performed with the model in which two plants were held closed. Exogenous information was used to decide which two plants to close (see section 4.2.5), but, in terms of impacts or rates and regional employment, the particular choice of plant closures is secondary - only the size of the load that disappears is pertinent. The discussions of these sensitivity analyses are contained in sections 4.2.5 and 4.3.6.
- 18-10 The results of the model indicate that no additional smelters invest in modernization under the Variable rate alternative relative to the no action alternative. In both cases, three lower cost smelters--Alcoa, Wenatchee; Kaiser, Tacoma; and Reynolds, Longview--invest in modernization. When Con/Mod credits are added to the Variable rate (5 mills/kWh saved with BPA's proposed Variable rate), five additional smelters invest in modernization. Therefore, it can be concluded that the Variable rate alone does not accomplish the goal of modernization. However, the combination of Variable rate and Con/Mod is quite effective in inducing modernization and keeping smelters operating at a relatively high operating rate.
- 18-11 This assumption was not and is not made in the EIS.

4. The DSI Options DEIS Should Project A Range Of Baselines For Discussing Options And Impacts.

18-12 | The DSI Options DEIS uses a No Action alternative that assumes a single long term aluminum price for the term of the DSI Options Study. This analysis is inadequate. BPA should analyze a No Action alternative with the baseline currently used in the DEIS, and, baselines with ranges of aluminum prices.

18-13 | These No Action alternative baselines should then be compared with each of the options analyzed in the DEIS to provide the Administrator with a worst case analysis. Where information necessary for an informed decision is unavailable, the CEQ regulations contemplate a worst case analysis. Although forecasts are available to BPA, and are used in the DEIS, forecasts can be wrong. Only with these additional baselines can BPA accomplish a reasonable assessment of risk.

5. The DEIS Analysis Of The Variable Rate Option Doesn't Reflect The Ten Year Term Of The Proposed Variable Rate.

18-14 | The DEIS analyzes both the ConMod option and the Variable rate option over the thirty year term of the DSI Options Study. The Variable rate proposed by BPA in the VI-86 process is for a ten year term. The longer term used in the DEIS analysis could skew any conclusions drawn from the DEIS and is therefore inappropriate.

B. Specific Comments

1. Variable Rate Option

a. In The DEIS BPA Must Use Reliable Data.

18-15 | All data used in the DEIS should be generally available to the public without limitation. The data used in the
18-16 | DEIS however, must be reliable and verifiable.

18-17 | Smelter operation cost data must, for example, be accurate and verifiable. If these data, which form the basis of the conclusions regarding option viability, are less than accurate, any decisions reached in a Record of Decision following completion of the EIS process will be subject to challenge.

Comment No.	Response
18-12	The final EIS includes an analysis based on a low aluminum price scenario (see sections 4.2.4, 4.3.4, 4.4.5, and 4.6.4).
18-13	The inclusion of an analysis based on a low aluminum price scenario in the final EIS provides additional information to the Administrator. BPA believes sufficient information is available in the final EIS for informed decisionmaking, and that a "worst case" analysis is unnecessary, even if one could be defined.
18-14	The draft EIS analyzes impacts over a period of FY 1987 - 2000. Model runs were carried out over a longer period of time, but only the results for this period were used. While the proposed Variable rate lasts only 10 years, it would have residual effects for some time thereafter in terms of the state of the Northwest aluminum industry and in terms of BPA's electric rates. The Con/Mod program could, of course, effect long-term gains in aluminum plant efficiency over current levels, and therefore could well have effects beyond 10 years. The termination date of the analysis was based on the expiration date of the DSI contracts. BPA believes the term over which the analyses for the EIS was limited was appropriate.
18-15	All data used for preparing the draft EIS and the final EIS is available to the public for review. See the responses to comments 18-16 and 18-17.
18-16	BPA uses the best smelter operation cost data available to it. Cost data used for the EIS were derived from two reports, <u>Primary Aluminum Production Costs in the Pacific Northwest, July 1984</u> by John Moberly Associates, and <u>Alumina Costs and Supply Arrangements in the Pacific Northwest, May 1985</u> by Resource Strategies, Inc., both prepared for BPA, as well as BPA's own estimates and analyses. The smelter costs have been the subject of much review, comment, and public input during the 1983 and 1985 rate cases and the DSI Options Study. The Public Power Council actively participated in these processes. Antitrust laws preclude the aluminum companies from publicly revealing their costs, and, even if they were provided to BPA, antitrust would preclude BPA from using them in a public forum. In addition, a consultant has reviewed BPA's smelter cost data and it has been found that any inaccuracies are insufficient to alter the conclusions in this EIS (see section 4.1).
18-17	BPA uses the best smelter operation cost data available to it. However, it does not have access to records of the aluminum companies and, therefore, must use estimates rather than actual figures. See also response to comment 18-16.

b. BPA Inadequately Analyzed The "Truing Up" Device.

18-18 | The DEIS limits discussion of the "truing up" device required by § 7(c) to a single paragraph. DEIS, p. 17. This discussion is entirely inadequate. See discussion above.

c. The Discussion Of The No Action Alternative Is Inadequate.

18-19 | The DEIS inadequately models the Incentive rate portion of the No Action alternative. The model used for the DEIS reduces the DSI's power rate 0.5 mills/kWh for every 1¢/lb. reduction in aluminum. By adopting this straight line method, the model fails to accurately represent BPA's obligations under the Incentive rate by ignoring alternate designs which, for example, lower the DSI rate by various amounts for each month of the incentive offer to maximize revenues.

18-20 | The DEIS inadequately models the Surplus Firm power and Nonfirm energy markets in the Southwest. For example, the DEIS does not consider BPA's Firm Displacement rate concept or the recently proposed Surplus Firm power sale/capacity-energy exchange with Southern California Edison.

d. The Discussion Of The Impacts Of The Variable Rate Inadequately Considers The Impacts Of Increased Operation.

18-21 | The DEIS inadequately discusses the environmental and resource construction impacts of operation levels above those forecasted up to contract demand. Although the DEIS considers the impacts of projected operation levels it does not adequately address the worst case. The DEIS assumes that plant closure will occur even with the Variable rate. This assumption fails to take into account the range of exogenous variables operating in the smelter's corporate owner's decisionmaking process.

18-22 |

18-23 |

2. The ConMod Option

18-24 | The DEIS analyzes a range of ConMod option alternatives ranging from 3 - 5 mills/kWh. The DEIS fails to analyze the reasonable alternative of BPA sponsoring a ConMod pilot program or a program targeted to a few smelters. In the ConMod program development process PPC urged BPA to offer the program initially as a pilot program with eligibility

Comment
No.

Response

18-18

This issue has been considered further in the final EIS. (See sections 2.2.4 and 4.3.3.3.)

18-19

The PPC is correct that the model used for the draft EIS, the DSI Decision Analysis Model, does not conduct the test BPA uses in determining whether to implement an Incentive rate. The procedures for implementing an Incentive rate are currently set forth in the General Rate Schedule Provisions (GRSPs) of the 1985 Wholesale Rate Schedules. To implement an Incentive rate, BPA must demonstrate that its total revenues increase due to granting the DSIs a rate reduction. (1985 GRSPs, pages 45-46) The PPC misrepresents the revenue demonstration by its reference to an Incentive rate that maximizes revenues. The major factors that influence the offering of an Incentive rate are the price of aluminum (and correspondingly the load responsiveness of the DSIs to lower rates given these aluminum prices) and the price BPA can obtain for that same energy in alternative markets (i.e., the PSW markets). The price BPA can obtain in alternative markets is influenced by 1) water conditions, 2) the capacity of the PNW-PSW Intertie, and 3) PSW decremental costs. BPA had not attempted to model, for the draft EIS, the alternative market considerations in offering an Incentive rate. Nor had BPA tested in the model whether the level of the Incentive rate increases BPA's revenues.

BPA has noted in the draft EIS and the final EIS that the model simplifies the operations of the "real world", and therefore only approximations are possible (final EIS, section 4.1) The conclusions and results of the model are useful for comparison among the options, "but the absolute values should be viewed with caution." It is true that the Incentive rate is modeled similarly to the lower portion of the Variable rate. That is, when aluminum prices fall below 61¢/lb. the rate declines 0.5 mills/kWh. However, the model does not use a "straight line method" suggested by the PPC. Instead, the model assigns a probability that the Incentive rate will be implemented when aluminum prices fall below the 61¢/lb. threshold. BPA believes that assigning this probability, although not as precise as the revenue test, captures the "uncertainty" that the Incentive rate will trigger. In effect, it simulates the likelihood that low aluminum prices alone will not result in the Incentive rate being implemented.

Conducting an Incentive rate test is a very time consuming process. Currently, it takes BPA at least 6 weeks to conduct this test. The DSI Decision Analysis Model is already fairly complex, and adding another level to this complexity (the Incentive rate test) has been determined to not be feasible.

18-24

for the funds based upon a bidding process of competing sponsor-designed projects. Other notions raised in the ConMod process included targeting the conservation program to the most inefficient smelters.

A pilot program could keep expenditures at a minimum while testing state and local participation ability, contract demand and proprietary information issues, and the ability of companies to generate capital funding. The pilot program would also allow BPA to test smelter's corporate owner's response to the Variable rate. See discussion above re: exogenous variables.

Sincerely,



Paul J. Kaufman
Staff Attorney

PP:2:13

Comment
No.

Response

Nor is it certain that adding an Incentive rate test would appreciably change the outcome of the model. That is, although it may change the absolute levels generated by the model, it most likely would not change the relative changes between options.

- 18-20 The commenter is correct that the draft EIS does not explicitly consider BPA's Firm Displacement rate concept or the recently proposed Southern California Edison sale. The appropriate question is whether or not consideration of these and other more detailed specifications of the Southwest market would significantly change the results of the model. The FD rate is still under consideration in a 7(i) process. The FD rate is another tool to enhance BPA's ability to market its surplus power. It is not clear that FD considerations in the model would increase the market for surplus power. BPA feels these results would not change significantly.
- 18-21 To address operating impacts at levels above forecasted demand and up to contract demand would be purely speculative for this EIS and not relevant to the issues at hand. The existing DSI Power Sales Contracts define contract demand for each DSI. Those DSIs with contract demand in excess of their needs at capacity have a right to increase their loads (e.g., by a plant expansion) independent of any of the actions addressed in this EIS. The Con/Mod program is designed to reduce energy consumption by the smelters rather than increase it. The Variable rate in itself is not likely to induce smelter expansions. There is already a world-wide surplus of aluminum smelter capacity.
- 18-22 Section 1502.22(b) of the Council on Environmental Quality regulations for implementing the National Environmental Policy Act describes the conditions when a "worst case analysis" is to be used in an EIS. These conditions include: (1) if ". . . the information is essential to a reasoned choice among alternatives and is not known and the overall costs of obtaining it are exorbitant or (2) if the information relevant to adverse impacts is important to the decision and the means to obtain it are not known . . . the agency shall weigh the need for the action against the risk and severity of possible adverse impacts were the action to proceed in the face of uncertainty. If the agency proceeds, it shall include a worst case analysis" BPA does not believe these conditions are met for the DSI Options EIS.
- 18-23 See the response to comment 18-19.
- 18-24 Further discussion and analysis of reasonable conservation and modernization alternatives have been given. See section 2.3 of the final EIS.

IDAHO STATE HISTORICAL SOCIETY
610 NORTH JULIA DAVIS DRIVE BOISE, 83702



ENVIRONMENT	
No.	Date
SJ-DSI-DEIS-19	2/2

February 20, 1986

Mr. Anthony R. Morrell
Environmental Manager
Bonneville Power Administration
P.O. Box 3621-SJ
Portland, Oregon 97208

Dear Mr. Morrell:

We have received a copy of the draft environmental impact statement on BPA's Direct Service Industry Options.

Our office has determined that this issue will have no impact on cultural resources.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Thomas J. Green".

Thomas J. Green
State Archaeologist
State Historic Preservation Office

TJG/bnd

Comment
No.

Response

19-1

This comment has been noted.



U.S. ENVIRONMENTAL PROTECTION AGENCY
REGION 10

1200 SIXTH AVENUE
SEATTLE, WASHINGTON 98101

FEB 21 1986

ENVIRONMENT	
No.	Date
SJ-DSI-DEIS-20	2/26/86

REPLY TO
ATTN OF M/S 443

Anthony Morrell
Environmental Manager
Bonneville Power Administration
P.O. Box 3621-SJ
Portland, Oregon 97208

Dear Mr. Morrell:

In accordance with our responsibilities under Section 309 of the Clean Air Act and the National Environmental Policy Act, we have reviewed the Direct Service Industry Options (DSI) Draft Environmental Impact Statement (DEIS). The DEIS evaluates the effects of four options/alternatives for reducing load fluctuations and revenue uncertainty from electric service to 10 aluminum smelters and other direct service industrial customers. The following comments are offered:

Air and Water Impacts

20-1 | Air quality impacts of the proposal would result from aluminum smelter closures or continuance/expansion depending on the option selected. The Final EIS should discuss whether changes to increment consumption under the Clean Air Act would increase or decrease other industrial opportunities in airsheds where the smelters are located.

20-2 | The Final EIS should concisely describe all the environmental tradeoffs among the options and the implementation steps which would lead to a selected option.

20-3 | In the Conservation/Modification (Con/Mod) option the DEIS identified forces which would tend to increase production and improve efficiency of aluminum smelters (Page 58). Would changes in air and water pollution from increased production be offset by improvements in efficiency?

Socioeconomic Impacts

20-4 | It is not clear in the environmental consequences chapter who would benefit and not benefit economically from the proposed rate revisions. For example, the employment impacts from the rate proposals are local, however total employment in the region will not be affected (Table 3). Would averting concentrated unemployment in smelter towns cause unemployment elsewhere in the region due to employment constraining electric rate increases for non-DSI customers? General consumers, agriculture, forest industries and energy intensive fabricating industries served by public utility districts could be marginally worse off if aluminum smelters were to gain.

Comment
No.

Response

- 20-1 Effects on other industrial development through interaction of smelter closures, continued operations, and expansions with Prevention of Significant Deterioration Rules are described in section 4.2.1 of the final EIS.
- 20-2 The final EIS discusses BPA's decisionmaking process for each of the options analyzed. See section 1.4 of the final EIS.
- 20-3 The EIS considers the Con/Mod in a programmatic sense. BPA is aware of some conservation or modernization measures some smelters are likely to undertake (see pp. 19 and 68 of the draft EIS and sections 2.3 and 4.4.1 of the final EIS), but the full range of measures the smelters might do under the program cannot be defined at this time. Changes in air or water pollution from increased production induced by a Con/Mod program would not necessarily be offset by improvements in efficiency since there is no direct correlation between plant efficiency and discharges of air or water pollutants. The Con/Mod program could result in several scenarios which are described in section 4.4.1 of the final EIS.
- 20-4 Employment and rate effects are considered further in the final EIS (see section 3.2.3, Non-DSI Consumer Sectors, and sections 4.2.3, 4.3.3.2, 4.4.4.2, and 4.6.3.2).
- Results from the Decision Analysis Model suggest that effects on regional employment of any option or combination of options would be small. Total employment levels projected for the no action and the various Variable rate and Con/Mod alternatives vary by less than one-tenth of one percent, well within acceptable forecasting error. To the extent that the Variable rate and/or Con/Mod program prevents smelter closures, electric rates to other regional customers should be reduced from what they would be without such programs, at least during the period of regional power surplus. These lower power rates will tend to have a beneficial, although probably small, impact on employment elsewhere in the region.

20-5 | Since the scope of the DEIS was limited to the Pacific Northwest, economic impacts outside of the region were not addressed. For example, assuming that the demand for aluminum stays the same, the provision of economic advantages to this region could close aluminum smelters outside the region. The Final EIS should provide an extra-regional perspective.

20-6 | Most of the economic incentives for conservation currently in place increase electric rates as consumption increases. The economic incentive proposal in the Con/Mod program would offset conservation with a decrease in power rates. The Final EIS should explain why other economic incentives were not examined to encourage conservation.

20-7 | The loss of aluminum smelter loads would tend to produce power surpluses in the region. The Final EIS should discuss any secondary impact disincentives for energy conservation especially with the current period of oil price declines.

20-8 | Based on our review we have rated DEIS and proposal EC-2 (Environmental Concerns-Insufficient Information). We are primarily concerned that all beneficial and adverse economic impacts of the proposed rate revisions be fully evaluated in the EIS.

Thank you for the opportunity to review this DEIS. If you have any questions concerning our review, please contact Wayne Elson of our EIS and Energy Review Section at (FTS) 399-1463.

Sincerely,


Robert S. Burd
Director, Water Division

Comment No.	Response
20-5	Impacts outside the region are addressed in the final EIS (see section 4.7).
20-6	The purposes of the Con/Mod program have been elaborated, and the Variable rate has been clarified as to how it will provide DSIs with more certainty (see sections 2.2 and 2.3 in the final EIS). However, the EIS does not look at other types of incentives since the Con/Mod program is similar to our other conservation programs. That is, the Con/Mod program is payment for the acquisition of load reduction on a planning basis secured through a contract, not a decrease in rates.
20-7	Secondary impact disincentives to conserve as a result of increased surplus would not occur due to smelter closures have been addressed (see section 4.2.5 of the final EIS.)
20-8	Further consideration of this issue has been given. See section 3.2.3 and Chapter 4 of the final EIS.

