

## **PPC on Blue Wolf Seeking Scarce BPA Power to Serve DSI**

The Public Power Council (PPC)—representing non-profit, consumer-owned electric utilities (COUs) that purchase power from the Bonneville Power Administration—welcomes economic development efforts that provide good jobs and recognize the value of domestic production of clean, renewable energy. However, we cannot support the request from Blue Wolf, a private equity firm, to restart Alcoa’s Intalco aluminum smelter in Ferndale, WA with BPA’s lowest-cost power – and with the region’s COUs taking all the risk. Blue Wolf’s proposal is not only in violation of the law, but also relies on unsupported assertions. Here are the facts:

### **Alcoa, not BPA, walked away from the past relationship**

Blue Wolf investors claim that BPA is walking away from a long-term relationship. In fact, Alcoa shuttered the Intalco smelter, conducted layoffs and in August of 2018, issued a notice of termination to BPA that became effective on August 31, 2019, and then purchased all power from the market. The law is clear: BPA’s obligations to Intalco ended with Alcoa’s deliberate notice of termination. Alcoa is no longer an “existing direct service industrial customer” of BPA, and there is no “existing” contract between BPA and Alcoa that could be somehow transferred to the Blue Wolf private equity firm.

### **BPA cannot legally serve the Ferndale plant as a DSI**

The law is also clear that BPA shall not sell power to new direct service industrial customers (DSIs) in the same manner and at the same rate it served the DSIs that existed at the passage of the Northwest Power Act in 1980. Specifically, Congress added this statutory prohibition to ensure that BPA could not use low-cost hydropower to lure industry away from other regions.

### **BPA’s prior efforts to subsidize DSIs were unlawful**

BPA has no other obligation to contract with Blue Wolf and it cannot provide it with any subsidies that lead to higher rates for the consumer-owned utilities. BPA has a long history of efforts to subsidize the DSIs in response to political pressure and policy arguments similar to those now being advanced by Blue Wolf. The court has repeatedly made it clear that while many of those policy goals – including protecting jobs within the region – are laudable, they are not among the purposes that Congress has authorized BPA to pursue.

### **The power supply Intalco wants does not exist; if it did, COUs have first rights**

All of BPA’s firm power is currently and fully allocated to non-profit, consumer-owned utilities in the Northwest under contracts that run through 2028. BPA does make “surplus” sales, but those are sales of short duration – not the firm, long-term power that Intalco seeks.

And any surplus power must be offered to public utilities first. COUs have consistently made BPA aware that they might be interested in any surplus power BPA might have. Before that power can be offered to Blue Wolf, BPA must make it available to the COUs as the statutory preference customers of BPA.

If BPA were to somehow serve Intalco, it would need to acquire that power on the wholesale market or enter into a long-term power purchase agreement. The new plant owners can access the very same power supply options, just as Alcoa did in 2018, using the transmission contract that Alcoa retained, and Blue Wolf can access. Put simply, without a sweetheart deal, there is no advantage to BPA providing power to the plant. Also, because BPA would need to supply Intalco from the market, it would include significant amounts of power generated by fossil fuels, undermining Blue Wolf's statements about producing "green" aluminum. The only way the plant could meet its green objectives is to either sign a power purchase agreement with a renewable generator that includes firm delivery or usurp the clean hydropower that BPA's public power customers are using to meet their own climate goals and requirements.

### **Intalco seeks to shift risks and costs to other Northwest power customers**

Since BPA does not have power to serve the plant, what is Intalco seeking? The only way that BPA service can be advantageous compared to Intalco securing power supply on its own is if the contract subsidizes the cost of power or shifts the risks to other BPA customers. There is a long history in the Northwest of aluminum plants closing and reopening due to the volatile nature of aluminum as a global commodity. Over the years BPA's public power customers have been left paying the bill for illegal subsidies to the tune of hundreds of millions of dollars. Most recently, those efforts have been found illegal and voided by the Courts.

Northwest public power utilities serve predominantly the lowest income counties in Washington State and the rest of the region. Why should families and businesses already struggling to pay their bills be asked to underwrite a venture capital firm seeking a sweetheart deal?