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Submitted online at: www.bpa.gov/comment

BPA has asked for comments on its proposal to enter into a power sales agreement that would provide power service to Columbia Falls Aluminum Company in Columbia Falls, Montana, beginning April 1, 2012. Under the proposal, BPA would provide CFAC 140 average megawatts for four and a half years. This much power could allow two of the smelter's five potlines to operate. The smelter has been shut down because of economic factors.

NRU's members, 50 load following customers of BPA, will bear a portion of any unrecovered risks and costs from the operation and/or closure of Columbia Falls Aluminum and they therefore take a keen interest in the details of this contract and the operation of the Equivalent Benefits Test (EBT). The EBT was performed to show that the terms of the sale are consistent with sound business principles and that the sale to CFAC shows "tangible net benefits" to BPA and its customers. The staff of NRU has reviewed both the contract and the Equivalent Benefits Test and has the following comments.

First, in Section 17.8 of the draft contract a provision is included stating, "*Notwithstanding anything in this Agreement to the contrary, CFAC shall provide BPA with a corporate guarantee issued by Glencore Inc on behalf of CFAC. The corporate guarantee shall be absolute and shall guarantee all obligations of CFAC to BPA arising during the term of the Agreement and shall be in a form substantially similar to the form of guarantee attached hereto as Exhibit A. Such corporate guarantee must take effect no later than March 26, 2012.*" It was disconcerting to find that the corporate guarantee that is to be provided as Exhibit A is a blank sheet of paper stating, "example to be inserted". The relationship between CFAC and Glencore AG is critical to a showing that Glencore will guarantee the recovery of CFAC's costs and not BPA's customers. We should not be expected to voice our opinion one way or another until the actual document is provided.

Second, Glencore should be a signatory to this contract in addition to CFAC. Glencore is a leading world trader of aluminum and major supplier of smelter grade alumina ore. Glencore has the financial wherewithal to fulfill the terms of this agreement if CFAC should close. If CFAC discontinues operation due to economic factors, we want to ensure that the cost of any power purchases or equipment upgrades made by BPA be borne by CFAC/Glencore not BPA's customers. Glencore should sign this contract.

Third, Section 17.9 of the Draft Contract requires "CFAC" to obtain a letter of credit "in the amount of \$13,000,000, or such other lesser amount as shall cover CFAC's remaining obligations to BPA

under this Agreement during the then-remaining term of this Agreement.” \$13 million covers less than four months of CFACs forecast power bill. This amount is insufficient. CFAC should provide a letter of credit covering a minimum of six months of power supply revenues.

Fourth, the Equivalent Benefits Test (EBT) continues to have questionable elements. A good example is the assertion that demand shift calculation provides a showing of a tangible net benefit of providing power to the DSIs. As the EBT states, *“When BPA serves the DSI loads and they operate – as opposed to not operating if BPA does not sell to them – the mean value of prices for electricity in Western power markets are higher than they would otherwise be had the DSI loads, including CFAC, not consumed electricity from Western power markets. However, given that BPA forecasts annual energy surpluses ranging from 1,300 aMW to 1,600 aMW under average water conditions, the increase in surplus energy revenues is expected to be greater than the increase in balancing power purchase costs, resulting in higher net revenues.* In including this as a Benefit we have to ask, whom exactly do these marginally higher forecast market prices benefit, should they ever show up? In addition to potentially increasing the revenues from the sale of surplus power, higher market prices will increase the load shaping charge, augmentation, balancing purchases and the cost of providing above HWM power. In addition, it is highly speculative to state that there will be a 0.2 mill overall increase in the market price of power over the next four and a half years simply as a result of having the CFAC load up and running. Demand shift should be removed as a part of the EBT.

Finally, the BPA analysis that shows it is better over time to sell to CFAC than into the market is also questionable. In this analysis BPA holds the IP Rate constant after FY 2013 and increases the price for forecast revenues from the market. There does seem to be a significant conceptual mismatch when the IP rate is held constant over time and the market price of power is allowed to rise in the analysis. At the very least, the effect of higher market prices should be iterated back through IP pricing analysis to make the comparison consistent.

Before any contract is offered to CFAC these contract and EBT deficiencies should be addressed. In closing, these are meant to be technical comments only regarding the draft contract and the EBT, rather than as argument as to the overall merit of offering the contract to CFAC, which NRU continues to oppose.

Respectfully,

A handwritten signature in black ink that reads "John D. Saven". The signature is written in a cursive, flowing style.

John D. Saven, CEO

CC: NRU Members