

Kaiser makes a bundle by reselling power

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Energy prices soared so high on the spot market over the chilly weekend that Kaiser Aluminum decided it was more profitable to shut down its Spokane-area plant and sell its power than use it to make aluminum.

Meanwhile, the Bonneville Power Administration and Seattle City Light, scrambling to meet their customers' winter power needs, began to draw down reservoirs of water they had counted on to help flush juvenile salmon to sea next spring.

As the region braced for a cold snap that is straining power supplies, Kaiser made a windfall.

Earlier, Kaiser had paid BPA \$22.40 per megawatt for power it was to receive this month. Yesterday, Kaiser announced it had sold those 190 megawatts back to BPA for more than \$500 a megawatt.

"It's a huge" difference, Peter Forsyth, Kaiser's vice president for Northwest regional affairs, said of the \$52 million transaction. "We are making significant revenue here."

The fluctuating power market makes it impossible to tell how residential consumers ultimately may be affected from such price spikes, although no immediate impact is expected from this transaction.

Forsyth said that if the energy supply crisis continues, Kaiser will continue to sell power it has under contract at firm prices from BPA each month until it signs its next contract with the federal power marketer for power to be delivered starting October 2001.

Kaiser curtailed production at midnight last night at its plant in Mead near Spokane and idled 400 workers for 10 months. The workers had returned to work at the beginning of October after a prolonged strike. Under terms of Kaiser's contracts with the BPA and with its own union, Kaiser is obliged to use the profits to improve the company plus pay laid-off workers up to 70 percent of their salaries, provide medical benefits and continue to credit their pension plans for service even though they're not working.

The plant closure is "a community thing. Everybody is affected by it," said Ed Steeber of Spokane, a potman at the plant for 22 years. Kaiser "has ads all over town saying what a nice place it is to work. Then they pull this stunt just before Christmas. I have five kids. We built our whole life around this place."

Steeber added that "I went back with a real good attitude. I didn't go back with a sour taste in my mouth" after the 2-year-long strike was settled.

He complained that California is the cause of the Northwest's power problems. "Our power is our natural resource. Theirs is sunshine and oranges. I don't see any of that coming up here."

"It's snowing right now," he added. "It's going to be real cold."

Kaiser sold BPA 190 megawatts for December, roughly 15 percent of what's needed to power Seattle, for \$52 million, according to the company and BPA.

"Obviously, that's a benefit to the power system because we are short," BPA spokesman Ed Mosey said.

"That 190 megawatts will save some fish. At this moment, we're drawing on those reservoirs," he added.

"But to the extent that they are going to realize additional revenues over what they paid for it, we expect there will be a benefit to their employees who are laid off. So we'll be watching that very

carefully," Mosey said.

Yesterday, offers of power available on the regional power grid for delivery today reached an all-time high of \$5,000, according to City Light spokesman Dan Williams. Last week City Light officials bought power they hope will see the utility through this week at about \$250 per megawatt, he said.

Williams said City Light is drawing down its reservoirs on the Skagit River. In the short run, he said, the additional water is good for salmon redds in the river because they need to be covered with water to survive.

But come spring, Williams acknowledged, the utility can only hope enough water has accumulated behind its dams to flush juvenile salmon to sea.

Over the Thanksgiving weekend, the Skagit was dramatically depleted of water, exposing chum salmon redds.

Mosey said BPA will use the 190 megawatts to meet existing contract obligations to customers. "We'd be buying it on the market if we could find it."

Mosey said BPA expects severely cold weather starting later today on the eastern slopes of the Cascades to further tax the regional power grid.

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