



August 3, 2009

Via U.S. Mail and Posted to: www.bpa.gov/comment

Mr. Allen Burns—D-7
Acting Deputy Administrator
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208-3621

Re: PNGC Power Comments on Proposed Contract Terms Sheets for FY 2010-16 DSI Service and “Summary of BPA’s Use of the Regional Economic Study to Contemplate the Service Concept”

Dear Mr. Burns:

On behalf of Pacific Northwest Generating Cooperative (PNGC Power) and its fifteen Members,¹ we write in response to your letter of July 17, 2009 to BPA customers, stakeholders and interested parties regarding revised proposed terms for long-term contracts providing service to BPA’s aluminum direct service industrial (DSI) customers and BPA’s revised “Summary” of its use of the “Regional Economic Study” to evaluate such service. We again appreciate the opportunity to provide input on BPA’s proposal to provide service to aluminum company DSIs.

PNGC adheres to its consistent position, now shared throughout public power, that the time has come for BPA to cease providing subsidized service to DSI customers. As we have commented previously, doing so is contrary to BPA’s statutory mandates. Such a decision is inconsistent with sound business principles and inequitable to the retail end-use customers of BPA’s

¹ PNGC Power’s Members are: Blachly-Lane County Cooperative Electric Association; Central Electric Cooperative, Inc.; Clearwater Power Company; Consumers Power, Inc.; Coos-Curry Electric Cooperative, Inc.; Douglas Electric Cooperative; Fall River Rural Electric Cooperative, Inc.; Lane Electric Cooperative; Lost River Electric Cooperative, Inc.; Northern Lights, Inc.; Okanogan County Electric Cooperative, Inc.; Raft River Rural Electric Cooperative, Inc.; Salmon River Electric Cooperative, Inc.; Umatilla Electric Cooperative Association; and, West Oregon Electric Cooperative, Inc. In these comments, references to “PNGC” include PNGC Power and its Members.

Mr. Allen L. Burns
August 3, 2009
Page 2

preference utility customers. You will recall that every representative of preference customers speaking at the June 8 meeting expressed strong opposition to BPA selling any power at all to DSI customers on terms and conditions that would cause BPA's rates to preference customers to be higher than they would be without such sales.

BPA's latest terms sheet and its most recent iteration of its "Summary of BPA's Use of the Regional Economic Study to Contemplate the Service Concept" propose service to Alcoa on terms that will cost preference customers up to \$432 million over the next seven years in order to produce a speculative net gain of 152 regional jobs and do not reflect any material change in BPA's position. On average, this proposal would cost up to \$406,000 per net job gained per year. It also represents a significant increase in the cost of service to Alcoa shifted to preference customers.

BPA's statutory mission requires it to price and sell power in a manner that promotes the most geographically widespread and most diversified use of that power at the lowest cost to consumers. To burden every other consumer of BPA-marketed power in the region with materially higher rates so that one or two customers in a single industry can purchase power below BPA's cost of providing it does not serve its mandate and is an inequitable and unsound business decision.

In this regard, we attach for your review and consideration the U.S. Bureau of Labor Statistics' news report on Metropolitan Area Employment and Unemployment: June 2009 (July 29, 2009). Table 1, attached to the report, shows the unemployment rates by state and by metropolitan statistical area. We also attach the Oregon Department of Employment's state, MSA and county by county monthly unemployment rates for June 2009 (<http://www.qualityinfo.org/olmisj/labforce?stat=unemprate&periodtype=03&year=2009&month=06&ysort=asc&msort=asc&key=Continue>). We again ask BPA to give consideration to the relative positions of the Bellingham MSA (where Alcoa's Ferndale plant is located; 8.4% unemployment rate) and other areas served by BPA power, many of which are struggling with extremely adverse economic conditions. The employment picture is already better in the area in which Alcoa's plant is located than in Washington as a whole (9.2%), Oregon as a whole (12.2%, seasonally adjusted) and nearly all Oregon counties. A number of counties in Oregon served by PNGC Members have seasonally adjusted unemployment rates of 14% or more, and one exceeds 22%.

A proposal that will tax every Oregon, Washington, Idaho and Montana end user of BPA-marketed power in order to maintain or increase employment at a single Alcoa installation is plainly not a fair, rational and sound business decision. It is particularly oppressive for retail customers trying to cope with devastated local economies, and for the large numbers of unemployed, or underemployed, people trying to make ends meet.

Serving Alcoa will further no legitimate business interest of BPA. There are no operational advantages for BPA that rise above sheer speculation. Incurring markedly increased costs and risk to serve Alcoa, or CFAC, is a detriment to BPA, and an unacceptable burden on its preference customers.

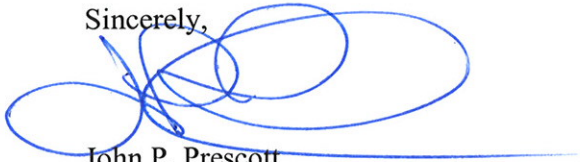
Mr. Allen L. Burns
August 3, 2009
Page 3

More specifically with respect to the July 17 terms sheet, we note that BPA now proposes to relieve Alcoa of obligations that BPA previously proposed to require. BPA appears to have dropped its requirement of a liquidated damages remedy against Alcoa. Alcoa would no longer have to protect BPA against supplier defaults and associated credit risks. And, there appears to be no adjustment mechanism to reliably cap costs over the life of the contract.

BPA's latest approach, if nominally less costly than prior proposals, requires BPA to take on materially greater risk, particularly market risk. Increasing BPA's exposure to market risk, together with the real, but unstated, increase in risk (and cost) that this will entail for preference customers over the seven year life of the proposed contract, reflects a willingness to expose the agency to potentially severe losses if markets become volatile as they did during 1999-2001. This suggests that BPA may be forgetting the hard lessons learned then and repeating its mistakes.

For these reasons, we again ask BPA to reconsider and abandon its intention to serve Alcoa and CFAC on terms and conditions that add to BPA's net costs and risk, and thus increase preference customer rates and risk. We also join in the comments of the Public Power Council.

Sincerely,



John P. Prescott
President and CEO

JPP/DRB/drb

Cc: PNGC Board of Directors
Northwest Congressional Delegation

News

United States
Department
of Labor



Bureau of Labor Statistics

Washington, D.C. 20212

Technical information:

Employment: (202) 691-6559

USDL 09-0873

<http://www.bls.gov/sac/>

Unemployment: (202) 691-6392

<http://www.bls.gov/lau/>

For release: 10:00 A.M. (EDT)

Media contact: (202) 691-5902

Wednesday, July 29, 2009

METROPOLITAN AREA EMPLOYMENT AND UNEMPLOYMENT: JUNE 2009

Unemployment rates were higher in June than a year earlier in all 372 metropolitan areas, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. Eighteen areas recorded jobless rates of at least 15.0 percent, while 9 areas registered rates below 5.0 percent. The national unemployment rate in June was 9.7 percent, not seasonally adjusted, up from 5.7 percent a year earlier. Among the 369 metropolitan areas for which nonfarm payroll data were available, 352 areas reported over-the-year declines in employment, 16 reported increases, and 1 had no change.

Metropolitan Area Unemployment (Not Seasonally Adjusted)

In June, 144 metropolitan areas reported jobless rates of at least 10.0 percent, up from 6 areas a year earlier, while 62 areas posted rates below 7.0 percent, down from 312 areas in June 2008. El Centro, Calif., recorded the highest unemployment rate, 27.5 percent, followed by Yuma, Ariz., 23.1 percent. Among the 18 areas with jobless rates of at least 15.0 percent, 8 were located in California and 5 were in Michigan. Bismarck, N.D., registered the lowest jobless rate in June, 3.8 percent, followed by Manhattan, Kan., and Rapid City, S.D., 4.6 percent each. Overall, 152 areas posted unemployment rates above the U.S. figure of 9.7 percent, 216 areas reported rates below it, and 4 areas had the same rate. (See table 1 and the map.)

For the sixth consecutive month, all 372 metropolitan areas had over-the-year unemployment rate increases. Two areas in Indiana that experienced layoffs in transportation equipment manufacturing recorded the largest jobless rate increases from June 2008: Kokomo (+11.8 percentage points) and

Publication of Payroll Employment Series for Small Metropolitan Areas Resumed

Effective with the release of June 2009 data on July 17, BLS resumed publication of payroll employment series for 65 small metropolitan areas. See page 4 for additional information.

Elkhart-Goshen (+10.0 points). The Michigan areas of Monroe (+8.6 percentage points), Muskegon-Norton Shores (+8.2 points), and Detroit-Warren-Livonia (+8.1 points) had the next largest over-the-year rate increases. Hickory-Lenoir-Morganton, N.C., also had a rate increase of 8.1 percentage points, and Bend, Ore., and Janesville, Wis., had increases of 8.0 points each. An additional 22 areas registered unemployment rate increases of 6.0 percentage points or more, and another 56 areas had rate increases of 5.0 to 5.9 points.

Of the 49 metropolitan areas with a Census 2000 population of 1 million or more, Detroit-Warren-Livonia, Mich., reported the highest unemployment rate in June, 17.1 percent. The large areas with the next highest rates were Riverside-San Bernardino-Ontario, Calif., 13.7 percent; Charlotte-Gastonia-Concord, N.C.-S.C., 12.4 percent; Las Vegas-Paradise, Nev., 12.3 percent; and Providence-Fall River-Warwick, R.I., 12.1 percent. Eighteen additional large areas posted rates of 10.0 percent or more. The large areas with the lowest jobless rates in June were Oklahoma City, Okla., 6.0 percent; Washington-Arlington-Alexandria, D.C.-Va.-Md.-W.Va., 6.6 percent; and San Antonio, Texas, 6.9 percent. All 49 large areas registered over-the-year unemployment rate increases of at least 2.0 percentage points. Detroit-Warren-Livonia, Mich., had the largest jobless rate increase from a year earlier (+8.1 percentage points). The areas with the next largest rate increases were Portland-Vancouver-Beaverton, Ore.-Wash. (+6.3 percentage points), Charlotte-Gastonia-Concord, N.C.-S.C. (+6.1 points), and Las Vegas-Paradise, Nev. (+6.0 points). Four additional large areas recorded rate increases of 5.0 percentage points or more.

Metropolitan Division Unemployment (Not Seasonally Adjusted)

Eleven of the most populous metropolitan areas are composed of 34 metropolitan divisions, which are essentially separately identifiable employment centers. In June, the two divisions that comprise the Detroit-Warren-Livonia, Mich., metropolitan area registered the highest jobless rates: Detroit-Livonia-Dearborn, 18.5 percent, and Warren-Troy-Farmington Hills, 16.2 percent. The division with the next highest rate was Lawrence-Methuen-Salem, Mass.-N.H., 13.1 percent. Bethesda-Frederick-Rockville, Md., reported the lowest unemployment rate among the divisions, 5.9 percent. Washington-Arlington-Alexandria, D.C.-Va.-Md.-W.Va., posted the next lowest rate, 6.8 percent. (See table 2.)

In June, all 34 metropolitan divisions recorded over-the-year jobless rate increases of at least 2.5 percentage points. Detroit-Livonia-Dearborn, Mich., and Warren-Troy-Farmington Hills, Mich., experienced the largest rate increases (+8.3 and +8.1 percentage points, respectively). Three additional divisions reported over-the-year rate increases of 5.0 percentage points or more.

In 5 of the 11 metropolitan areas that contain divisions, the ranges between the highest and lowest division jobless rates were 2.0 percentage points or more in June. Boston-Cambridge-Quincy, Mass.-N.H., posted the largest rate difference among its divisions, 6.0 percentage points (Lawrence-Methuen-Salem, Mass.-N.H., 13.1 percent, compared with Framingham, Mass., and Nashua, N.H.-Mass., 7.1 percent each).

Metropolitan Area Nonfarm Employment (Not Seasonally Adjusted)

In June, 352 metropolitan areas reported over-the-year decreases in nonfarm payroll employment, 16 reported increases, and 1 had no change. The largest over-the-year decrease in employment occurred in Los Angeles-Long Beach-Santa Ana, Calif. (-259,100), followed by New York-Northern New Jersey-Long Island, N.Y.-N.J.-Pa. (-226,900), Chicago-Naperville-Joliet, Ill.-Ind.-Wis. (-207,600), Detroit-Warren-Livonia, Mich. (-175,400), Phoenix-Mesa-Scottsdale, Ariz. (-141,100), and Atlanta-Sandy Springs-Marietta, Ga. (-133,500). The largest over-the-year percentage decreases in employment were

reported in Kokomo, Ind. (-14.5 percent), Elkhart-Goshen, Ind. (-12.3 percent), Lake Havasu City-Kingman, Ariz. (-10.1 percent), Prescott, Ariz. (-10.0 percent), and Palm Coast, Fla. (-9.8 percent). (See table 3.)

The largest over-the-year employment increase was recorded in Champaign-Urbana, Ill. (+1,400), followed by Fargo, N.D.-Minn. (+1,100), Lewiston, Idaho-Wash. (+1,000), and Kennewick-Pasco-Richland, Wash. (+900). The largest over-the-year percentage gain in employment was recorded in Lewiston, Idaho-Wash. (+4.4 percent), followed by Sandusky, Ohio (+1.7 percent), Grand Forks, N.D.-Minn. (+1.5 percent), and Champaign-Urbana, Ill., and Odessa, Texas (+1.3 percent each).

Over the year, nonfarm employment fell in all of the 38 metropolitan areas with annual average employment levels above 750,000 in 2008. The largest over-the-year percentage decreases in employment in these large metropolitan areas were posted in Detroit-Warren-Livonia, Mich. (-9.0 percent), Phoenix-Mesa-Scottsdale, Ariz. (-7.6 percent), Las Vegas-Paradise, Nev. (-6.5 percent), and Charlotte-Gastonia-Concord, N.C.-S.C., and Riverside-San Bernardino-Ontario, Calif. (-6.2 percent each).

Metropolitan Division Nonfarm Employment (Not Seasonally Adjusted)

Nonfarm payroll employment data were available in June for 32 metropolitan divisions, which are essentially separately identifiable employment centers within a metropolitan area. All 32 metropolitan divisions reported over-the-year employment declines. The largest over-the-year employment decrease in the metropolitan divisions occurred in Los Angeles-Long Beach-Glendale, Calif. (-188,300), followed by Chicago-Naperville-Joliet, Ill. (-184,300), New York-White Plains-Wayne, N.Y.-N.J. (-130,300), Warren-Troy-Farmington Hills, Mich. (-112,300), and Santa Ana-Anaheim-Irvine, Calif. (-70,800). (See table 4.)

The largest over-the-year percentage decrease in employment among the metropolitan divisions was reported in Warren-Troy-Farmington Hills, Mich. (-9.6 percent), followed by Detroit-Livonia-Dearborn, Mich. (-8.1 percent), San Francisco-San Mateo-Redwood City, Calif. (-5.0 percent), Wilmington, Del.-Md.-N.J. (-4.9 percent), and Chicago-Naperville-Joliet, Ill., and Santa Ana-Anaheim-Irvine, Calif. (-4.7 percent each).

The Regional and State Employment and Unemployment release for July is scheduled to be issued on Friday, August 21. The Metropolitan Area Employment and Unemployment release for July is scheduled to be issued on Tuesday, September 1.

Publication of Payroll Employment Series for Small Metropolitan Areas Resumed

Effective with the release of June 2009 data on July 17, BLS resumed publication of payroll employment series for 65 small metropolitan areas that were discontinued from the establishment survey in March 2008 due to a reduction in funding that resulted from the 2008 Consolidated Appropriations Act enacted on December 26, 2007. The funds to produce these series were restored with the 2009 Omnibus Appropriations Act enacted on March 11, 2009. Publication of metropolitan area hours and earnings series will resume on August 21, 2009, with the release of July 2009 data. The 65 metropolitan areas for which BLS resumed publication of nonfarm employment data are listed on the BLS Web site at <http://www.bls.gov/sac/msarestoration.htm>.

Technical Note

This release presents labor force and unemployment data from the Local Area Unemployment Statistics (LAUS) program (tables 1 and 2) for 372 metropolitan statistical areas and metropolitan New England City and Town Areas (NECTAs), plus 8 areas in Puerto Rico. Estimates for 34 metropolitan and NECTA divisions also are presented. Nonfarm payroll employment estimates from the Current Employment Statistics (CES) program (tables 3 and 4) are provided for most of the same areas. State estimates were previously published in the news release, *Regional and State Employment and Unemployment*, and are republished in this release for ease of reference. The LAUS and CES programs are both federal-state cooperative endeavors.

Labor force and unemployment—from the LAUS program

Definitions. The labor force and unemployment data are based on the same concepts and definitions as those used for the official national estimates obtained from the Current Population Survey (CPS), a sample survey of households that is conducted for the Bureau of Labor Statistics (BLS) by the U.S. Census Bureau. The LAUS program measures employment and unemployment on a place-of-residence basis. The universe for each is the civilian noninstitutional population 16 years of age and over. *Employed* persons are those who did any work at all for pay or profit in the reference week (the week including the 12th of the month) or worked 15 hours or more without pay in a family business or farm, plus those not working who had a job from which they were temporarily absent, whether or not paid, for such reasons as labor-management dispute, illness, or vacation. *Unemployed* persons are those who were not employed during the reference week (based on the definition above), had actively looked for a job sometime in the 4-week period ending with the reference week, and were currently available for work; persons on layoff expecting recall need not be looking for work to be counted as unemployed. The *labor force* is the sum of employed and unemployed persons. The *unemployment rate* is the number of unemployed as a percent of the labor force.

Method of estimation. Estimates for states, the District of Columbia, the Los Angeles-Long Beach-Glendale metropolitan division, and New York City are produced using time-series models with real-time benchmarking to national CPS totals. Model-based estimation was extended to the following areas and their respective balances of state in 2005: the Chicago-Naperville-Joliet, IL Metropolitan Division; Cleveland-Elyria-Mentor, OH Metropolitan Statistical Area; Detroit-Warren-Livonia, MI Metropolitan Statistical Area; Miami-Miami Beach-Kendall, FL Metropolitan Division; New Orleans-Metairie-Kenner, LA Metropolitan Statistical Area; and Seattle-Bellevue-Everett, WA Metropolitan Division. (Model-based estimation of the New Orleans-Metairie-Kenner metropolitan area was suspended following

Hurricane Katrina; the indirect estimation methods described below will be used for this area until further notice.) Modeling improves the statistical basis of the estimation for these areas and provides important tools for analysis, such as measures of errors and seasonally adjusted series. For all other substate areas in this release, estimates are prepared through indirect estimation procedures using a building-block approach. Employment estimates, which are based largely on “place of work” estimates from the CES program, are adjusted to refer to place of residence as used in the CPS. Unemployment estimates are aggregates of persons previously employed in industries covered by state unemployment insurance (UI) laws and entrants to the labor force data from the CPS. The substate estimates of employment and unemployment, which geographically exhaust the entire state, are adjusted proportionally to ensure that they add to the independently estimated state or balance-of-state totals. A detailed description of the estimation procedures is available from BLS upon request.

Annual revisions. Labor force and unemployment data shown for the prior year reflect adjustments made at the end of each year, usually implemented with January estimates. The adjusted model-based estimates reflect updated population data from the U.S. Census Bureau, any revisions in the other data sources, and model reestimation. All substate estimates are reestimated and adjusted to add to the revised model-based estimates.

Employment—from the CES program

Definitions. Employment data refer to persons on establishment payrolls who receive pay for any part of the pay period that includes the 12th of the month. Persons are counted at their place of work rather than at their place of residence; those appearing on more than one payroll are counted on each payroll. Industries are classified on the basis of their principal activity in accordance with the 2007 version of the North American Industry Classification System.

Method of estimation. The employment data are estimated using a “link relative” technique in which a ratio (link relative) of current-month employment to that of the previous month is computed from a sample of establishments reporting for both months. The estimates of employment for the current month are obtained by multiplying the estimates for the previous month by these ratios. Small-domain models are used as the official estimators for the approximately 44 percent of CES published series which have insufficient sample for direct sample-based estimates.

Annual revisions. Employment estimates are adjusted annually to a complete count of jobs, called benchmarks, derived principally from tax reports that are submitted by employers who are covered under state unemployment insurance (UI) laws. The benchmark information is used to

adjust the monthly estimates between the new benchmark and the preceding one and also to establish the level of employment for the new benchmark month. Thus, the benchmarking process establishes the level of employment, and the sample is used to measure the month-to-month changes in the level for the subsequent months.

Reliability of the estimates

The estimates presented in this release are based on sample surveys, administrative data, and modeling and, thus, are subject to sampling and other types of errors. Sampling error is a measure of sampling variability—that is, variation that occurs by chance because a sample rather than the entire population is surveyed. Survey data also are subject to nonsampling errors, such as those which can be introduced into the data collection and processing operations. Estimates not directly derived from sample surveys are subject to additional errors resulting from the particular estimation processes used. The sums of individual items may not always equal the totals shown in the same tables because of rounding. Unemployment rates are computed from unrounded data and thus may differ slightly from rates computed using the rounded data displayed in the tables.

Labor force and unemployment estimates. Model-based error measures are available for states on the BLS Web site at <http://www.bls.gov/lau/lastderr.htm>. Measures of nonsampling error are not available, but additional information on the subject is provided in *Employment and Earnings Online* at <http://www.bls.gov/pub/ee/home.htm>.

Employment estimates. Measures of sampling error for state CES data at the supersector level and for metro-

politan area CES data at the total nonfarm level are available online at <http://www.bls.gov/sae/790stderr.htm>. Information on recent benchmark revisions for states is available on the BLS Web site at <http://www.bls.gov/sae/>.

Area definitions

The substate area data published in this release reflect the standards and definitions established by the U.S. Office of Management and Budget on November 20, 2008. Data reflect New England City and Town Area (NECTA) definitions, rather than county-based definitions, in the six New England States. A detailed list of the geographic definitions is available at <http://www.bls.gov/lau/lausmsa.htm>.

Additional information

More complete information on the technical procedures used to develop these estimates and additional data appear in *Employment and Earnings Online*.

Estimates of unadjusted and seasonally adjusted labor force and unemployment data for states, census regions and divisions, and seven substate areas are available in the news release, *Regional and State Employment and Unemployment*. Estimates of labor force and unemployment for all states, metropolitan areas, labor market areas, counties, cities with a population of 25,000 or more, and other areas used in the administration of various federal economic assistance programs are available on the Internet at <http://www.bls.gov/lau/>. Employment data from the CES program are available on the BLS Web site at <http://www.bls.gov/sae/>.

Information in this release will be made available to sensory impaired individuals upon request. Voice phone: (202) 691-5200; TDD message referral phone: 1-800-877-8339.