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Study sees job cuts in power-rate plan

By Warren Cornwall

Seattle Times staff reporter

A White House proposal to raise power rates for the Bonneville Power Administration (BPA) could cost between 21,000 and 32,000 jobs in Washington by the end of the decade, according to a report released Saturday.

The findings come amid a storm of protests from Northwest politicians, businesses and utilities that was brought on by the Bush administration's recent proposal to increase BPA electricity rates from wholesale prices to levels charged on the open market.

The proposed price increase would, in some ways, mimic the effects of skyrocketing prices witnessed during the West Coast energy crisis of 2000 and 2001, warned Robert McCullough, a Portland-based energy consultant who prepared the report. McCullough works for a number of private companies and utilities that buy power from the BPA.

The crisis drove aluminum smelters to shut down and created havoc with the budgets of local utilities, driving up the bills of ratepayers. With many of the aluminum factories now gone, the brunt of the proposed price increases would be felt by other electricity-intensive industries such as chemical, steel and paper manufacturing, McCullough said. Oregon also would lose between 20,000 and 30,000 jobs, according to McCullough.

"The economy is not going to crash," he said. "It does tend to eliminate the employment base outside the I-5 corridor. This is not good news for the tax base of communities along the Columbia River." A Bush administration official cautioned it was too early to make detailed projections about what the proposal would do.

"I believe any firm number at this time is premature," said Joe Davis, a spokesman with the Department of Energy, which controls the BPA.

Davis said the impact of any rate increase would be softened because charges would be raised over several years, and the increases wouldn't affect prices set in long-term contracts held by major buyers of BPA power. The Bush proposal, spelled out in the president's budget released earlier this month, would raise BPA prices 20 percent a year over three years.

"We do see the proposal as being very minimal with respect to rate increases over a number of years," he said.

Several Northwest lawmakers, however, jumped on the report as another piece of ammunition in their fight to preserve cheaper power. The idea has drawn bipartisan criticism from Northwest politicians.

"The Bush administration wants to pull the rug out from underneath the foundation of the economy of the Pacific Northwest," said U.S. Rep. Jay Inslee, D-Bainbridge Island, as he stood yesterday outside the Nucor Steel plant near West Seattle.

The factory is the largest single customer of Seattle City Light, which buys roughly a third of its power from the BPA.

Higher power rates could dampen growth at the plant, said Doug Jellison, vice president and general manager at the Nucor plant, which recycles scrap metal into steel bars and employs 285 people.

Electricity prices also will influence where Nucor builds a new mill to produce sheets of steel, Jellison said. The company has said it plans to put the new mill in either the Northwest or Southeast.

"This type of an increase would definitely stop our investigation of the Northwest," he said.

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