

SUMMARY OF POWER SUPPLY ARRANGEMENTS OF LARGE INDUSTRIAL CUSTOMERS OF ELECTRICAL ENERGY IN MONTANA

Prepared by Jeff Martin
Legislative Research Analyst

At the August 23, 2001, meeting of Transition Advisory Committee, several large industrial companies reported on their power supply arrangements. The companies, operating in Montana, were asked to discuss the following:

- the approximate average load for electricity in megawatts;
- estimated short-term load (through July 1, 2002) at risk in megawatts;
- whether the company has entered into contracts for energy supply for all or a portion of its load and the length of the contracts;
- the portion of load not yet under contract and options for meeting that portion of the load;
- energy costs in the recent past relative to current costs;
- the company's ability to compete in its particular market because of energy costs; and
- cutbacks in employment, if any, caused by high energy costs and employment plans for the future.

Cenex, Conoco Refinery, ExxonMobil, Montana Refining, and Stimson responded by letter, by telephone conversation, or both. The rest of the large industrial customers provided testimony at the meeting. The table below summarizes each company's response to the information requested:

Summary of Industrial Energy Supply Arrangements			
Large Customers of MPC System	Approximate Average Demand	Power Supply Arrangements	Comments
Advanced Silicon Materials (ASiMi)	65.0 MW, but have the capacity to use 100 MW	18-month contract with PPL and 5-year contract with PPL beginning July 1, 2003.	Because electricity is single largest input cost, prefer long-term contracts. Although competitive position has been hurt by power prices, has not laid off employees. Expansion project 90% complete but not operational.
Ash Grove Cement	4.6 MW	3-month contract for 3rd quarter, 2001. 5-year contract beginning July 1, 2002, at "reasonable" price. Application for state power pool.	Although cement market good, will likely operate at loss through July 2002. Small reduction in employment due to attrition. No plans to fill positions.

Summary of Industrial Energy Supply Arrangements--Continued

Large Customers of MPC System	Approximate Average Demand	Power Supply Arrangements	Comments
Cenex Refinery	NA	Purchase power on market.	No change in employment.
Conoco Refinery	20.0 MW	Small portion of load under contract, remainder of load based on mid-Columbia price. Removed 19 MW of self-generation.	No change in employment.
ExxonMobil Refinery	27.0 MW	Operates three gas turbine generators (self-generation) for on-demand requirements.	Self-generation enhances facility's economic viability. No change in employment.
Golden Sunlight Mining	10.0 MW	State power pool contract for entire load at \$35/MW July 1-Sept. 30, 2001. PPL contract for entire load Oct. 1, 2001-June 30, 2002.	Without state power pool allocation, the mine was scheduled for closure July 1, 2001. Anticipating mine closure at end of PPL contract (June 30, 2002) unless low-grade wastes prove economic. If so, may operate 6 additional months.
Holnam Cement	7.0 MW	Beginning July 1, 2001, 3-year contract for 7 MW of firm power.	Workforce reduction of 3-4% due to attrition. Uncertain whether there will be any layoffs. Employs 94 workers.
Louisiana Pacific (Fiber board)	7.0 MW	Beginning July 1, 2001, 5-year contract for 1st, 2nd, and 4th quarters of the year. Signed separate contract for 3rd quarter 2001, and are without a power contract for 3rd quarter in succeeding years.	Employs 250 people in Missoula. Laid off 15 employees because of energy costs and low price of product.
Montana Refining	4.0 MW	5 years remaining on contract with PPL Montana for entire load.	Contract price is double historical electricity costs.
Montana Resources (Copper mining and smelting)	43.0 MW	Ceased operation.	Would have closed earlier without deregulation. Closure significantly related to price of copper. 338 employees laid off.

Summary of Industrial Energy Supply Arrangements--Continued			
Large Customers of MPC System	Approximate Average Demand	Power Supply Arrangements	Comments
Plum Creek Timber	35.0 MW	Customer of Flathead Electric Cooperative--has not yet negotiated power supply arrangement.	Employs 1,500 people plus 1,200 contractors. Invested in additional fiber board plant (scheduled for initial startup in Sept.) in Columbia Falls--will increase load by 14 MW.
Smurfit-Stone Container (Liner board)	52.0 MW	Self-generating 8 MW and 6 MW from state power pool (has reapplied to power pool for period after Sept. 30). Signed two 5-year contracts with Enron--25 MW and 10 MW.	Laid off 135 employees in April. Planning to operate additional machine beginning in September 2001. Will recall up to 60 employees. 80 additional employees will be recalled when weak market for liner board improves.
Stimson Lumber	8.0 MW Bonner 4.0 MW Libby	Will receive 8 MW from state electrical energy pool for Bonner facilities through June 30, 2002 (see discussion below). Electrical energy to Libby plant supplied by Flathead Electric Cooperative.	Employs about 800 workers in Montana.

Source: Average demand from figures reported to the Governor's Advisory Committee on Electricity Prices. Average demand for Stimson Lumber obtained by telephone conversation with company official.

Based on the information provided by the respondents, most large industrial customers have secured long-term energy contracts or are making purchases on the market for most or all of their power requirements. In general, employment levels of the respondents have been stable. Louisiana Pacific has laid off 15 workers because of higher energy costs and low product prices. Smurfit-Stone has laid-off 135 workers for similar reasons. Up to 60 workers are expected to be recalled in September when it reopens a second paper machine and up to 80 workers if a third paper machine is reopened at a later date. Montana Resources will not resume operations in Butte unless the price of copper improves significantly regardless of what happens to energy prices.

Since the August 23 meeting, Smurfit-Stone Container Corporation has withdrawn its application with the Public Service Commission for an allocation from the electrical energy pool. Smurfit-Stone recently signed a short-term contract with Enron for 15 megawatts at a price below the electrical energy pool price of \$35.

On September 18, 2001, the Public Service Commission allocated 9 megawatts from the electrical energy pool for the period from October 1 through December 31, 2001, as follows: Ash Grove Cement Company, 1 megawatt; and Stimson Lumber Company, 8 megawatts (previously

under contract for a price much higher than the energy pool price). A similar allocation was made for January 1 through June 30, 2002. If additional allocations are not made, 11 megawatts of power will be returned to PPL Montana.

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Legislative Services Division
PO Box 201706
Helena, MT 59620-1706
PHONE: (406) 444-3064
FAX: (406) 444-3036
<http://leg.mt.gov/>