To: Joel Rubin
cc:

Subject: small and medium industry bullets electronically

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Forwarded by Darrell Beschel/EE/DOE on 02/15/2001 04:39 PM

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Obtained and made public by the Natural Resources Defense Council, March/April 2002
Energy-Price-Related Effects on Industry and Small Businesses


Businesses largely absorbing natural gas hikes — for now

Barbara Pinckney

David Rosenthal's A-1 Wash & Clean Laundermat uses natural gas to heat its water and run its dryers. But because it is in one of Albany's less affluent neighborhoods, Rosenthal has resisted passing on the costs of higher gas prices to his customers—so far. A number of companies are singing the same tune. Because natural gas has historically been one of the cheapest forms of energy, requires no end-user storage and does not spill like oil, it has become the fuel of choice for small businesses such as Laundermats and restaurants, as well as larger establishments such as factories, hospitals and schools.

Nicholas Lyman, spokesman for Niagara Mohawk Power Corp., the Syracuse-based utility that serves most of the Capital Region, said last year at this time, the wholesale price of 1 million British thermal units of natural gas was $2.50. It is now $10.

LeGrande Serras, owner of the Real Seafood Co. Inc., fears that raising the cost of meals at the Colonie restaurant may drive customers away. He said the higher residential gas bills already have taken their toll on his business.

Thomas O'Connor Jr., executive vice president of Mohawk Valley Paper Mills Inc., said the Cohoes company has not yet decided whether it will raise prices. O'Connor said Mohawk Valley buys natural gas contracts on the futures market, so it was well aware that rate hikes were coming. Its prices have doubled. The company is equipped to switch back and forth between natural gas and oil for its manufacturing process, but cannot burn oil all the time because of air quality regulations.


Business passes on increased costs of natural gas

Shelling out more dough for pizza

Cathy Proctor Business Journal Staff Reporter

Higher heating bills are putting pressure on businesses to raise prices of other goods and services. Business owners say they are trying to absorb costs caused by higher natural gas prices but many are wondering how long they can hold out. For Antonio Sarlo, owner of Armando's pizzeria in Cherry Creek, the breaking point came last week, when he decided he had to raise his prices 5 percent to help pay a 38 percent increase in utility costs on top of a rent increase for his store. Sarlo said he held off as long as he could.

Natural gas prices have quadrupled in the last year. December 1999 prices nationally were $2.36 per million British thermal unit (Btu). By December 2000 they were in the range of $10.29 per million Btu.

Steven Toltz, president of Denver-based Dependable Cleaners, said he too is wondering how long he can hold the line on natural gas increases. He said his monthly bills typically run about $15,000 to $20,000 for natural gas.

"I haven't decided what we're going to do," Toltz said. "Our energy bills are 100 percent higher than we expected them to be, but it creates a lot of ill will with our customers when we raise prices. We're just trying to operate as efficiently as possible."

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The company has 29 stores around the metro area, with cleaning operations at 14 of them. The company uses natural gas to heat boilers to create steam, used to dry clothes, press and iron them.

"Our market niche is that we have same-day service. We have to have the boiler on, we don't have a choice," Tolz said.

The price hikes are hitting small businesses all around Colorado who are already coping with more than 20 percent rate increases for health insurance, said Tim Jackson, Colorado director of the National Federation of Independent Business.

"It's running small businesses out of cash," Jackson said. "Some of them are on a day-to-day basis as far as cash flow."

From the January 26, 2001 print edition of St. Louis Business Journal

Hospitals suffer as energy prices escalate, look for ways to conserve

Larry Holyoke
Area hospitals are scrambling to take the sting out of rising natural gas prices.

Mike Graue, executive vice president of St. Louis operations for SSM Health Care, said St. Joseph Health Center in St. Charles is switching from natural gas to gas oil for heating, at an estimated savings of $25,000 a year. Energy isn't a large chunk of overall costs for SSM -- roughly 2 percent of overall expenditures. But Graue said it is one of the fastest-growing costs the system faces, mostly because of natural gas prices.

"It's gotten on our radar screen pretty fast," he said.

Hospitals face a variety of special energy needs, said Tom Bice, a vice president at Hospital Building and Equipment, a locally based contractor. For starters, they are filled with electronic gadgets. Operating rooms and intensive care units require much more air flow -- and therefore more heating and cooling -- than average rooms.

"Hospitals are energy hogs," Bice said.

Some modern techniques for conserving energy also carry extra risks in a hospital, he said. For example, the use of variable air volume (VAV) equipment is controversial. A VAV system moves air into a building's different sectors at varying rates, based on sector temperatures. But that means air pressure varies from sector to sector. That raises special concerns in a hospital, because the resulting air flow can move airborne infections from place to place.

Larry Holyoke is a St. Louis free-lance writer.

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Energy managers concerned about rising prices

Eighty-five percent of New York state respondents to a survey of corporate energy managers said that rising energy prices will adversely affect the U.S. economy this year. Sixty percent expect those rising costs will adversely affect their businesses. The national survey was fielded in late January for PSEG Energy Technologies of Edison, N.J. The survey was directed at senior managers responsible for the purchase of energy at a sampling of 200 companies with revenues of between $1 million and $1 billion. Twenty companies in New York responded to the survey. Nationwide, 92 percent of survey respondents expressed concern about energy costs and 77 percent found it likely that they would be faced with rising prices and energy shortages. Fully 87 percent believed rising energy prices would adversely affect the national economy in 2001, and 63 percent said energy prices would affect their company's growth during the year. One-quarter of the survey sample worried that rising energy prices would lead to layoffs.

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Puget Sound Business Journal, January 26, 2001

Power crunch  Energy spike has firms scrambling

Steve Wilhelm  Staff Writer

The week’s cold snap may have passed, but local business executives say the fallout from tight energy supplies and high prices has just begun. Around the region, the impacts are ricocheting from one industry to another.

For instance, the spike in electricity prices means added costs for Praxair Distribution Inc. in Seattle, which bottles oxygen for local hospitals and others. So, said general sales manager Rick Long, he’s reduced supplies to some nonhospital customers and is asking buyers to pay a power surcharge. “If they have to have gas, then they have to pay.”

The industrial gas companies that make oxygen and nitrogen directly from the atmosphere are among the manufacturers confronted with improbably high spot energy prices. On Monday those prices had hit $3,000 per megawatt hour and higher on the mid-Columbia Index of regional electricity costs – orders of magnitude above the $20 to $30 per megawatt hour common in recent years.

At Air Products Manufacturing Corp. in Puyallup, site manager Andy Clancy has been forced to bounce production up and down for the last two weeks, searching for periods of relatively low-cost power when the plant can produce gas. His company has been shut down completely about half the time, and has been forced to run on weekends and at night, when costs are lower. Energy makes up nearly 70 percent of his operating costs, because the gases are produced by compressing and then distilling air. “At these power rates nobody is making any money, when your base power rate is $20, and suddenly it’s $2,300,” he said.

Washington’s only maker of glass containers, Seattle-based Saint Gobain Containers, this week was squeezed by both electricity and natural gas costs. Manager Doug Coburn said he couldn’t afford to run the plant at all if not for the fact that it produces its own oxygen.

This week a group of six companies, including The Boeing Co., petroleum refiners Equilon Enterprises LLC and Tesoro Northwest Co., and Bellingham pulp-and-paper mill Georgia-Pacific West Inc., filed an emergency energy complaint with the Washington Utilities and Transportation Commission. The companies are seeking relief from high electricity prices being charged by Puget Sound Energy.

At Boeing, spokesman Dean Tougas said electricity rates have at times been so high the company has spent in a day what it would usually budget for a month.

Energy hungry companies have been steering unique courses, as they try to stay afloat and profitable. In Tacoma, the Pioneer chemical plant has been importing “significant” amounts of chemicals from sister factories in Nevada and elsewhere for its customers, as it weathered power-related shutdowns and slowdowns. The plant, owned by Pioneer Chemical Inc. of Houston, has been producing chemicals such as chlorine and sodium hydroxide at about half of normal levels.

At Seattle Steam Co. in Seattle, president Jim Young this week switched his plant to burning oil instead of natural gas, as his interruptible-supply contract requires during times of tight supply. Seattle Steam heats many downtown buildings through a network of pipes. Much of the gas supply is now being used to generate electricity. "Gas supplies are seriously strained," Young said. "What's sucking the gas up now is these gas turbines."

This week Birmingham Steel in Seattle was able to cut electricity demand by shutting down its melt shop and shifting available gas supplies to its rolling mill. But general manager Ray Lepp said he was able to do this without damage only because he’d built up some steel inventory that needed rolling.

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"Everything had to line up just right," he said, adding that he thinks the future is going to be "pretty troublesome." While his company is redoubling its efforts to conserve, "beyond that, I don't know what to do but pray for rain, so the hydro systems fill up and there's a good reservoir of snow," he said.

Sacramento Business Journal, February 9, 2001

Borrowers, as their businesses are squeezed by rising energy costs, might encounter tight-fisted lenders

Anne Gonzales

As the threat of rolling blackouts and higher energy prices have loomed over California in the past weeks, area lenders and small businesses have preferred to think of the energy crunch as temporary. But even as the Legislature scrambles to solve the state's power troubles, some observers wonder whether the energy woes might have a more long-term effect on financing — especially for businesses that traditionally use plenty of expensive electricity or natural gas.

And at least one bank is considering placing conditions on loans made to companies that use plenty of energy or do business with utilities, such as Pacific Gas and Electric Co., that tether on financial ruin.

"We definitely are looking at adding covenants in agreements," said Heddy Chiang, vice president and branch manager at California Bank and Trust on Arden Way in Sacramento. She said covenants concerning utility contracts or energy use might start popping up in agreements within six to 12 months.

"We will use a microscope to see what percentage of their business could be affected by utility problems," Chiang said.

Most lenders and analysts don't have specific concerns about how the energy problem will affect businesses' ability to secure new capital, but just about everyone agrees higher energy prices could reduce operating profits enough to make lenders think twice about investing in marginal businesses.

Dennis Graves, owner of Rocklin Florist, said the issue hasn't come up with his lender, Stockmans Bank, but he doesn't see why the concern wouldn't emerge sometime in the future. "Until this is resolved, banks certainly have to look at the impact of energy costs on businesses," Graves said. "Banks are always looking at a business's fiscal health, and as the economy gets tighter, lenders get tighter. Everyone's holding their collective breaths."

Albert Kuttermig, owner of Konditorei Austrian Pastry Cafe in Davis, said the energy crunch has greater threat to small businesses in the form of lost business. "If our costs go up, everybody's cost goes up," he said. "We have to build those costs into our sales prices. If more people are trying to pay higher electricity bills, they won't eat out as often."

Puget Sound Business Journal, January 26, 2001

Diesel power generators readied as energy crisis continues

Steve Ernst Staff Writer

With 32 massive diesel generators ready to be fired up, Tacoma Power can make electricity more cheaply than it can buy the stuff. In Bellingham, a Georgia-Pacific mill is already doing the same with 16 diesel generators.

The pressure of skyrocketing spot prices for electricity isn't the only consideration to be balanced against the pollution impact of diesel-produced power. With water behind the Pacific Northwest's hydroelectric

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The use of diesel may benefit the region's endangered salmon runs even as it thickens the air, officials said.

Tacoma Power plans to run the generators, which are expected to produce 40 to 45 megawatts an hour, through September. The utility needs to supply roughly 800 megawatts a day to meet its load demands.

"These diesel generators can produce power at $150 a megawatt an hour," Klein said. "Right now we are purchasing power on the open market for between $450 and $600 a megawatt hour."

Since mid-December, Georgia-Pacific in Bellingham has been powering its tissue mill with 16 diesel generators. Unless an alert is issued, Georgia-Pacific will only be able to run the generators for 90 days before needing to get a permit, according to the state Department of Ecology. The company expects to have total of 38 generators running by the middle of February, said Orman Darby, spokesman for Georgia-Pacific.

But Darby said the mill has no plans to turn off the generators, because even with the price cap it will cheaper for Georgia-Pacific to power its mill with the generators.

Businesses both large and small have been suffering through 10 months of colossally high electrical prices which have shut down many manufacturing business. The high prices have forced Tacoma Power to seek $100 million loan to remain solvent.

The city of Anacortes has been running a diesel generator since Jan. 2 to power its water treatment plant. In 1999, running the treatment plant cost $700,000. Last year the operating costs of the plant, which serves 250,000 people, jumped to $1.7 million, said Bob Hyde, director of public works for Anacortes.

One diesel generator running continuously for 24 hours emits fumes equivalent to a heavy diesel truck being driven 6,000 miles, said Dennis McLerran, executive director of the Puget Sound Clean Air Agency. According to the state Department of Ecology, one diesel generator running continuously for a year produces seven tons of diesel soot, 152 tons of carbon monoxide and 123 tons of nitrogen oxides.

In August, the governor declared a statewide energy alert that allowed Avista Corp. to exceed air emission rules by increasing the output of a natural gas-fired plant in Spokane. Electricity generated from the plant was fed directly to Bellingham Cold Storage, which at the time was on the brink of shutting down due to the high cost of electricity on the wholesale market.

The Daily News of Los Angeles
Jan 20, 2001
by Dana Bartholomew

STATE POWER WOES GROW

BUSINESSES LOSE $1.7 BILLION DUE TO WEEK'S BLACKOUTS

California's energy crisis deepened Friday, costing millions in lost wages, lost production and lost confidence in the state's sterling credit. Jack Kyser, chief economist for the Los Angeles Economic Development Corp., estimated the economic cost from lost wages, sales and productivity from this week's energy debacle at $1.7 billion.

In Fontana, the West's largest steel plant told 1,000 workers to stay home. In Santa Ana, an aerospace industry supplier shut its doors. In Visalia, food plants closed the fridges. And the Miller Brewing Co., a supplier of beer to five Western states, shut down the ovens at its Irwindale brewery.

"Everything is down. It's a ghost town," Victor Franco, Miller's spokesman, told The Associated Press. Workers at the brewery 20 miles east of Los Angeles could choose whether to go home without pay, take a

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U.S. West energy crisis seen threat to industry

By Leonard Anderson

SAN FRANCISCO, Dec 12 (Reuters) - A widening energy crisis in the western United States is disrupting industries from computer makers in California's Silicon Valley to pulp and paper producers and aluminum smelters in the Pacific Northwest.

"An energy crisis of electricity shortages and high power and natural gas prices now is becoming an economic emergency," Tapan Munroe, a California economist and head of an energy and economic research firm in Montaga, Calif., told Reuters.

Tom Lieser, who compiles a widely watched survey of California's economy for the Anderson School at the University of California at Los Angeles, said chronic energy shortages would keep California consumer prices above the national average. "(Energy) might be... a factor for businesses considering whether to relocate to California," he said.

While power demand is rising at about 2 percent a year in California, it is surging at 5 percent in Silicon Valley. "Power blackouts could cost Silicon Valley-based companies an estimated $100 million a day," said Michelle Montague-Bruno, a spokeswoman for the Silicon Valley Manufacturing Group, a trade organization representing 150 technology firms. The bill for lost production in Silicon Valley blackouts during a heat wave last June cost some companies as much as $1 million a minute, she said.

Intel Corp. (NasdaqNM:INTC - news), the world's No. 1 semiconductor maker, said its chip making operation in Santa Clara would be seriously damaged by a major failure of the power grid, but has spread its risk by building new plants in other states and overseas.

In the Pacific Northwest, sharply higher power prices have already hurt aluminum producers, many of whom moved to the region decades ago due to its abundant supply of cheap hydropower. Mike Zunker, an analyst at Cambridge Energy Research Associates in Oakland, Calif., said aluminum cutbacks could be especially harmful because U.S. production, which accounts for 16 percent of worldwide output, is concentrated in the Northwest.

Last week, Columbia Falls Aluminum announced a second cutback this year in output from its smelter in Montana, while last month Kaiser Aluminum (NYSE:KLU - news) said it was cutting production at its Mead smelter in Washington state which was already operating well below capacity.

On Friday, Montreal-based Alcan Aluminium Ltd. (Toronto:AL.TO - news) said it will cut output by 50,000 metric tons a year at its Kitimat, British Columbia, smelter to save water needed to generate power.

Northwest forest products companies also are hurting. Georgia-Pacific Corp. (NYSE:GP - news) is closing down a paper mill in Bellingham, Wash., and laying off nearly 800 workers until the power shortage eases. With monthly power costs soaring past $10 million from an average of about $1.2 million, the mill can no longer turn a profit, company spokesman Greg Guest said.

Power crunch hits smaller businesses doubly hard

Tech suppliers squeezed between high bills, lost productivity

BY JON FORIT
Richard Wills figures he lost about $100,000 when the rolling blackout hit his Fremont manufacturing plant at noon Wednesday. The owner of D&H Manufacturing Co. said his precision parts company, whose customer list includes tech heavyweights Applied Materials and Novellus Systems, had been warned all week that there might be outages anytime, but no one knew when. Then, just like that, everything shut down for 90 minutes.

Wills lost money like thousands of business owners across Northern and Central California as the state felt the practical effects of a concept that has until now been little more than mumbo-jumbo: the rolling blackout. The blackouts darkened enterprises from the corner deli and dry cleaner to major corporations. Many of the area's biggest tech plants have backup systems for emergency power. But smaller businesses are forced to rely on the power grid for their lifeblood of electricity.

"We cleaned machines, wiped things down, we had a shop meeting, did basically nothing, killing time," Wills said. "Probably 30 or 40 percent of my crew went home."

Wills employs 120 people making a variety of parts for high-tech machinery. The monthly power bill at his energy-dependent business is about $20,000. Wednesday's outage cost him nearly $100,000 in lost productivity, he said.

Small manufacturers are squeezed in a financial vice: On one side, the inevitability of higher power bills. On the other, rolling blackouts cost them not only from lost productivity but from damaged goods.

David Goodreau, chairman of the 1,000-member Small Manufacturers Association of California, said if the power crisis is not resolved soon, small businesses could feel the effects long after the lights come back on.

"I think the biggest impact is going to be on how the business community views California. The question is, will California companies lose business because of a perception that this may not be a good place to manufacture components?" Goodreau said. "When you're talking about short lead times to make products, when you have to worry about being down for a day, it can be a big deal. And like with anything else, I can guarantee you that the small companies take it a little bit harder than some of the larger companies do."

The corporate titans of Silicon Valley -- companies like Intel Corp. and Cisco Systems Inc. -- operate like cities unto themselves; they have generators to supply power when disaster strikes. For small manufacturing operations though, businesses employing fewer than 500 people, blackouts can stop everything. While they are not name-brand companies, they are a significant part of the reason California has a manufacturing economy bigger than any other state's. Several California manufacturers said if the power crisis renders them unable to supply the parts their customers demand, they expect to lose contracts to competitors in other states.

For many small manufacturers, the electricity plan is simple. If the power goes off, the day is over. That means California employees start feeling the power crunch in their bank accounts, too.

"Ninety people go home without pay" if the power goes out, said Thomas Coss, owner of Santa Clara Plating Co. "Our business is electroplating and it's absolutely dependent on having electricity."

Meanwhile business owners like Michael Brugge of T-M Manufacturing Co. in Sunnyvale are left wondering when and if the lights will go out, and grind their businesses to a halt. He said it wouldn't be so bad if he had some warning so he could plan -- for both financial and safety reasons.

Brugge said he is concerned that if his factory's power shuts off without warning, equipment could fall. T-M, a machine and welding shop, uses powerful electromagnets to lift equipment that weighs between 100 and 1,000 pounds. "I'll shut us down and mess up our deliveries," he said. "We'll send everybody home, that's the only choice. We can't have everybody sweeping the floor for two hours."

Mercury News, Jan. 18, 2001
Tech industry coalition presses for power solutions

BY JON FORTT

A powerful Silicon Valley industry coalition pressed lawmakers Thursday as damages from the continuing power crisis climbed in the tens of millions of dollars for its member companies.

The Silicon Valley Manufacturing Group, whose members include Cisco Systems Inc., Hewlett-Packard Co. and Intel Corp., met for two hours with lawmakers Thursday in an effort to bring some level of reliability to the power supply. The companies asked lawmakers to approve power plants faster, and pledged to cut energy use by 10 percent.

"They want to stay, but if power isn't reliable they'll be forced to go elsewhere," Guardino said. "You have to plan for all contingencies."

There is no indication that businesses will leave soon. But Guardino said he has talked to CEOs who are drawing up plans that would shift operations and future growth out of California, just in case the power crisis is not resolved quickly enough.

Exodus Communications CEO Ellen Hancock, whose company hosted Thursday's meeting, said she wants Exodus to continue to grow here. She plans to build power generation facilities on a company campus, pending approval from the state. "There are two things a Web site needs," Hancock said. "It needs bandwidth, and it needs power."

Other companies, most notably Intel, have said they would look elsewhere to grow.

As the financial toll from outages mounted Thursday, some companies expressed frustration that their power was cut with two minutes notice or no notice at all, sometimes damaging expensive machinery and ruining parts worth thousands of dollars each.

The mounting damages and atmosphere are already prompting valley companies to do business outside the state.

Richard Wills, former chairman of the National Tooling and Machining Association, said that over the past few months he has noticed some of the bigger valley companies taking business away from California manufacturers and instead using suppliers in Colorado and Minnesota. Wills predicts the trend will only accelerate in the wake of the blackouts. Wills, who has owned local manufacturing facilities for 25 years, said he's expecting a call soon from his customer Applied Materials seeking assurance that he can fulfill orders if the power fails again. "If we have these continually and we can't keep schedule for customers, first of all we lose business," Wills said. "They're not going to fool around with us, they're just going to take this business outside of California."

After the blackout hit Wills's D & H Manufacturing Co. facility in Fremont on Wednesday, he thought he had gotten away relatively unscathed, with productivity losses totaling $100,000 or less. Upon further inspection Thursday though, the company's voice mail went down, and a $3,000 main power board failed that will idle a valuable machine until next week.

In Salinas, manufacturer Integrated Device Technology had problems, too. About 1,000 workers found themselves with nothing to do when a blackout hit with just two minutes notice, Guardino said. Worse, production halted in the middle of jobs, causing more losses.

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Layoffs rise because of high electricity costs

SPokane (AP) -- From the copper mines of Butte, Mont., to aluminum plants near Portland, Ore., companies across the West are laying off workers because of skyrocketing electricity costs.

Rising gasoline prices are tame compared to electricity rates, which have climbed to more than 40 times normal levels in the past two weeks. Usually between $20 and $30 per megawatt hour, wholesale prices spiked to more than $1,000 per megawatt hour in late June before settling down a bit so far this month.

So far, layoffs in the West are concentrated in old-fashioned heavy industries that use a lot of power. For instance:

- Kaiser Aluminum Corp. in mid-June announced it would lay off 400 workers at plants in Tacoma and Spokane. "Market prices for power are at levels never before experienced in this region," company President Raymond Mileovich said.

- Montana Resources Inc., shut down its copper concentrator in Butte on July 1 because it cannot afford the current electricity price, and planned to close its copper mine soon, said Ron MacDonald, a lawyer for the company. Montana Resources employs 350 workers. It faced an increase from about $35 per megawatt to $625. "It's impossible for us to run a business with those kind of losses on a monthly basis," MacDonald said.

- Vanalco Inc. announced it was shutting down most of its aluminum smelter in Vancouver, Wash., and laying off 450 workers.

- Georgia-Pacific West Inc. of Bellingham, Wash. recently shut down its operations for two days, idling 600 workers, because of power costs. Bellingham Cold Storage, a seafood processor, sharply cut operations and laid off 270 workers. U.S. Sen. Slade Gorton, R-Wash., has blamed the California Power Exchange, which buys about 75 percent of the power delivered to that state, for some of the rising prices.

- Rising electricity prices were one of several factors cited by Alcoa Inc. in closing its Troutdale Reduction Plant in Oregon, which will cost 525 workers their jobs by Oct. 1.

Northwest Energy Crisis

By Elizabeth Cowan, king5.com
February 9, 2001

Electricity rates are skyrocketing across the Northwest, forcing utilities to boost residential rates by as much as 43 percent, and commercial rates by as much as 75 percent. Residents are being urged to cut back or face the consequences of an all-out energy crisis, which could bring rolling blackouts or mandatory rationing.

As energy prices have shot up, a number of Western Washington businesses have been forced to lay off workers. Plants like Georgia-Pacific in Bellingham and Simpson Kraft in Tacoma shut down temporarily in December, leaving hundreds of people out of work. Kaiser Aluminum idled its Mead plant, finding it could make more money selling electricity back to the Bonneville Power Administration than it could by making aluminum. Kaiser workers were receiving up to 70 percent of wages for a period of time, depending on their length of service.

CNC Containers Company in Tumwater is operating on nine diesel generators as an alternative energy source. But the air pollution agency has ordered the company to shut those down by May, so CNC may be forced to close down.

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Northwest charities feel effects of energy crunch

SEATTLE—Some charities are looking at changes in the way they operate, while others are struggling to help people while paying higher electric bills. It’s a concern for large and small charities alike.

The Union Gospel Mission’s 11 facilities in the Seattle area face the constant struggle of feeding and housing the poor. The program never expected to have to fight skyrocketing electric bills, too.

Mission managers estimate they’ll have to pay an additional $64,000 in electricity bills in the coming year—enough money for about 40,000 meals, nearly a month’s worth.

The pastor says seven freezers full of food take a lot of power to run. The church owes the electric company about $1,200 since the bills have doubled in the last two months. He worries the food bank may have to close down.

Lights on in California means lights out for Lake Roosevelt ferry

INCHELUM (AP) — Tom Berg lives in a home above Lake Roosevelt in a remote part of northeastern Washington. But thanks to the California electricity crisis, the pharmacist is about to get a dose of life Los Angeles style.

Berg’s 10-minute commute to work by ferry is going to turn into a 60-mile one-way trip because pressure to run the hydroelectric turbines at Grand Coulee Dam day and night to provide power to California is draining the manmade lake.

It is the same story for many people in and around Incheлим, a town of 1,100 people who are used to traveling to Spokane for banking, shopping and medical care. As early as Friday, the water level will be too low for the Columbian Princess to make its short journey across the lake, which is the portion of the Columbia River behind Grand Coulee.

“When you weigh 1,100 people versus some town in Northern California with a million people, we probably aren’t being considered too much,” said Chris Shaffer, who works for the school district.

The reservoir is being drained at the rate of about 1 foot per day to keep the turbines turning, said Wayne Kensch, who oversees ferry operations for the Colville tribe. Lake Roosevelt is considered full when the water level is at elevation 1,290. It was down to about 1,240 feet in early February, and is considered too shallow for ferry operations at about 1,225.

More ominous is the effect on ambulance service, with emergency cases having to ride longer to a hospital, said Becki Shaffer, a paramedic. Also, many people get their water from wells that could run dry if lake levels remain low.

> From the November 17, 2000 print edition of the Dallas Business Journal

22786

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Higher natural gas prices jolt D-FW industrial firms

Margaret Allen  Staff Writer

NORTH DALLAS -- When United States Lime & Minerals Inc. released its third-quarter results for 2000 on Oct. 31, the Dallas company showed a drop in net income of about 75% over the same period last year. The dramatic decrease was due largely to the skyrocketing price of natural gas — the single largest cost in the manufacturer's operations.

Of all natural gas consumed nationwide, 63% is purchased by industrial users, including power companies that burn the fuel to generate electricity they turn around and sell, according to Ray Granado, a spokesman for Dallas-based TXU Electric & Gas, which sells gas to commercial, residential and industrial customers in North Texas.

A study released this year by the American Gas Association reported that natural gas is the primary source of energy used in the industrial sector, accounting for nearly 40% of all energy the sector consumes.

Fallout from the record-breaking prices, which have been escalating sharply since last winter, is beginning to surface. The nation's manufacturing sector in August and September lost 200,000 net jobs — mostly because energy costs have forced plant layoffs or closings, according to Mark Whitenton, a vice president at the National Association of Manufacturing in Washington, D.C. The NAM represents 14,000 member companies and associations. The hardest hit of its members have been the chemical, metal, refining and coal mining industries.

"Industry really does have a problem," said Whitenton. "We're very, very concerned. And there's huge resistance on the part of customers to absorb the cost, so it's coming straight out of the profit margin."

At U.S. Lime, where natural gas represents nearly 40% of manufacturing costs, the fuel fires kilns in which lime is made at two plants — a modern one in Cleburne and an older one in the small rural community of Batesville, Ark. Trying to cut costs, U.S. Lime has had to pass on some of the increase to its customers. But it's also looking at alternative fuels, taking out of production any older equipment that is less fuel-efficient and spending $500,000 to expand capacity at plants that are more fuel-efficient.

The high price is hitting industry's pocketbook in other ways, too.

Executives at Intercontinental Manufacturing Co. in Garland are closely watching natural gas prices, according to George Samuel. Inco, which logged $52 million in revenue in 1999, is now spending close to $1 million a year on natural gas to fuel heat-treatment of metals, and to use in its furnace and boiler operations for chemical processing.

And Inco just received notice that TXU, as a result of rising gas prices, will raise Inco's electricity rate by 20% effective Jan. 1. "So that's another $1 million now for electricity," said Samuel.

The past five years, natural gas consistently represented no more than 14% of Acme Brick's manufacturing costs, according to John Koch, vice president of production for the Fort Worth-based brick maker. So far this year, though, gas has run 17% of costs.

Trying to keep the figure in the 12% range, the company will make capital investments through the fourth quarter of 2001 at Acme's 22 U.S. plants to use the gas more efficiently, said Koch. Meanwhile, he added, the company is absorbing the additional costs.

One of the nation's largest makers of ceramic tile, Dal-Tile International Inc. (NYSE: DTL), has nine plants in the United States and Mexico with kilns that are fired predominantly with natural gas, according to Chris Wellborn, chief financial officer. "It has impacted our profit margin by a percentage point, which is significant," said Wellborn. "In the past it hadn't been a huge factor in our business — and then it became one."

22787

DOE024-0193

Obtained and made public by the Natural Resources Defense Council, March/April 2002
The effect on industry has been so significant, Wall Street analysts in August lowered their earnings' projections for Texas Industries Inc., which logged $1.3 billion in 2000 sales, noting that the Dallas-based steel and cement manufacturer would feel the pinch of higher fuel prices. Energy represents 10% of the cash cost for one ton of TXI's steel and nearly 40% of the cost for cement, according to Ken Allen, vice president and treasurer for the company (NYSE: TXI). In an October press release, TXI said natural gas prices were definitely impacting its bottom line.

Prices have significantly increased costs in the steel industry, which is already facing stiff competition from imports, according to Jim Schultz, a vice president with the American Iron and Steel Institute in Washington, D.C. "The steel business is not a very healthy industry anyway," said Schultz. "We've got five companies in bankruptcy and one just announced Chapter 7. The increased costs of natural gas just go right to the bottom line."

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The Dismal Scientist, Jan. 26, 2001
California is Down, But Hardly Out

By Steve Cochrane

California will avoid a recession this year, but it won't be pretty. The state's energy crisis compounds other problems that, taken alone, would generate a moderate slowdown of only limited concern. Rapidly rising power costs and the uncertain quality of power supply, however, are creating a drag on corporate profits, an unwillingness among technology manufacturers to expand, raising production costs for agriculture, and reducing disposable income for households. The energy crisis effectively eliminates much of the upside potential that one could formerly point to in this dynamic economy.

Combined with rapidly deteriorating demand growth for technology products, expanding global production capacity for semiconductors and other tech products, a weak outlook for capital gains and business investment, a looming strike by the screenwriters' guild, and a potential downturn in tourism and vacation spending, the energy crisis will generate the slowest job growth this year since 1994. California's growth in state product (the state equivalent of GDP) this year will be just one-third of last year's booming pace. This is not a recession—the state's economy will still expand this year—but it may feel like one to some.
From: Michael_R._LeBlanc@cea.eop.gov
To: Anderson, Margot
Subject: Fwd: energy use in rural areas

--- Forwarded by Michael R. LeBlanc/CEA/EOP on 03/27/2001 03:46 PM ---

(Embedded image moved "James R. Blaylock" <jblayloc@ers.usda.gov> to file: 03/27/2001 02:10:14 PM PIC16368.PCX)

Record Type: Record

To: Michael R. LeBlanc/CEA/EOP
cc:
Subject: Fwd: energy use in rural areas

Date: Mon, 26 Mar 2001 18:34:13 -0500
From: "Constance Newman" <newman@ers.usda.gov>
To: JBLAYLOC@ers.usda.gov
Cc: PCANNING@ers.usda.gov
Subject: energy use in rural areas

Hi Jim,

Let me know if you want me to cut/rework—
Constance

1

22789

DOE024-0195

Obtained and made public by the Natural Resources Defense Council, March/April 2002
From: Kelliher, Joseph
Sent: Tuesday, March 27, 2001 6:16 PM
To: Anderson, Margot
Subject: national energy policy

Importance: High

Here it is. Please circulate to program offices.

dopeolicyrecs1.doc  energyadd1.doc
Per the request of Guido DeHoratiis, attached file provides captions for the figures provided (also attached). The captions are probably longer than desired but the information may be useful for other purposes.

Guido and Elena will review these in the morning and let you know if they would like to shorten them and/or revise, depending on your comments and needs.

Thanks,

Feridun Albayrak
6-7441

captions.wpd  chapter 8 graphics March 24 pp...
Margot:
good stuff - we're actually gonna get this thing done.

Charlie
To: Phillip Tseng/EE/DOE@DOE
cc: MaryBeth Zimmerman/EE/DOE@DOE, Michael York/EE/DOE@DOE, William Parks/EE/DOE@DOE, Tina Kaarsberg/EE/DOE@DOE, John Millhone/EE/DOE@DOE, Robert Dixon/EE/DOE@DOE

Subject: OPT's Review of NEP's Renewable/Alternative Energy and Environment chapters

To: Robert Dixon/EE/DOE@DOE
cc: Lawrence Mansueti/EE/DOE@DOE, William Parks/EE/DOE@DOE, Tina Kaarsberg/EE/DOE@DOE, John Millhone/EE/DOE@DOE, Phillip Tseng/EE/DOE@DOE, Michael York/EE/DOE@DOE

Subject:

Phil will coordinate with Mike York to supply PO with EERE final comments later today (or, if necessary, first thing tomorrow. Thanks, Mary Beth

---------- Forwarded by MaryBeth Zimmerman/EE/DOE on 05/01/2001 10:33 AM ----------

Margot Anderson@HQMAIL on 05/01/2001 09:03:31 AM

To: MaryBeth Zimmerman/EE/DOE@HQMAIL, ANDY KYDES@HQMAIL
cc: Darrell Beschen/EE/DOE@HQMAIL, Michael York/EE/DOE@HQMAIL

Subject:

EIA and EE,

It's going to get faster and more furious on the NEP over the next few days and I need your help. (If I could control the rapid pace, I would but I can't).
Please call me if you have questions. The priority is chapter 3 (today) the others.
To: MaryBeth Zimmerman/EE/DOE@DOE
cc: Robert Dixon/EE/DOE@DOE, Phillip Tseng/EE/DOE@DOE, Tina Kaarsberg/EE/DOE@DOE

Subject: Re: NEP review

For OPT, myself and Tina Kaarsberg will review in the next few hours the NEP chapters per your request and fwd our comments to Phil.
To: Lawrence Mansueti/EE/DOE@DOE
cc: Michael York/EE/DOE@DOE, MaryBeth Zimmerman/EE/DOE@DOE, William Parks/EE/DOE@DOE, Patricia Hoffman/EE/DOE@DOE

Subject: Re: addit Comments (DG) on NEP Ch. 3 re "alternative energy"

Yes. These comments will be incorporated.
To: Margot Anderson@HQMAIL @ HQDOE
cc: MaryBeth Zimmerman/EE/DOE@DOE, Robert Dixon/EE/DOE@DOE, William Parks/EE/DOE@DOE, Lawrence Mansueti/EE/DOE@DOE, Tina Kaarsberg/EE/DOE@DOE, Peggy Podolak/EE/DOE@DOE, Michael York/EE/DOE@DOE

Subject: EERE Comments on Renewable and Alternative Energy Chapter of NEP

Margot,

The attached file "chapter 6-may2.doc" includes all EERE comments on chapter 6 (renewable and alternative energy). All the recommended changes are in red. Please let me know if you have any questions.

Phillip

CHAPTER 6-May2.
To: MaryBeth Zimmerman/EE/DOE@DOE
cc: 

Subject: 50% in Building America

Nicholls, Andrew K <ak.nicholls@pnl.gov> on 05/07/2001 04:04:13 PM

To: Darrell Besch/EE/DOE@DOE
cc: Jerry Dilor/EE/DOE@DOE, "Ren Anderson (E-mail)" <anderson@tcplink.nrel.gov>

Subject: 50% in Building America:

Darrell,

Andrew Nicholls
Pacific Northwest National Laboratory
901 D St., SW Suite 900
Washington, DC 20024-2115
202.646.5238, FAX 646-5233
To: MaryBeth Zimmerman/EE/DOE@DOE, Darrell Beschen/EE/DOE@DOE, Michael York/EE/DOE@DOE, Amul Ronen/EE/DOE@DOE
cc:

Subject: tripling renewables

From today's Washington Post re: NEP:

"The recommendations' greater long-term impact will be presented in two weeks by the administration's energy task for
, a Cabinet-level group headed by the vice president.

A senior White House official said yesterday that the report will have five components.

The most important, increasing supply, will leaven its emphasis on fossil fuels and nuclear power
by including a goal of tripling renewable fuels by 2020.

There will be tax incentives for research and development for technologies related to solar,
biomass, methane gas and other energy sources.

Other components will be a "modernizing conservation" section arguing for increasing energy efficiency
through technology; modernizing infrastructure; enhancing the environment;
and increasing energy security — a combination of reducing reliance on foreign supply
and keeping energy prices low and stable for low-income consumers.

The task force is considering a number of conservation efforts.

including tax incentives for the purchase of energy-efficient hybrid cars that run on gasoline and electricity
and voluntary national targets for conserving energy, according to an administration source."