MOSES GIVING ALCOA 48-YEAR POWER PACT
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Statements by The Post

1. "Robert Moses, Chairman of the New York State Power Authority, has negotiated a 48-year contract with the Aluminum Corp. of America, The Post learned today.

2. "Power experts fear the possibility that the Moses-Alcoa agreement would set a precedent which would divert the cheap power to private industry rather than residential consumers in New York and other northeastern states."

Olds noted that the New York Power Act "directs the Authority to give first consideration to the electric needs of domestic and rural consumers. The act says that "sale to and use by industry shall be a secondary purpose."

Olds raised the possibility that Alcoa might be required to shut down some or a portion of its operation during the winter months, December and January, when consumer needs are at their peak.

Comments

1. The Post actually learned about the Alcoa Contract on April 3 from a press release delivered to them by messenger. In addition the Authority advertised the power contracts in 15 papers scattered over New York State. (The law requires advertisement in six papers). Six advertisements were run in the New York Post, beginning April 10.

2. The Authority is directed by the Power Authority Act to erect "such transmission lines as may be necessary to conduct electricity to industrial users located at or near the site and to study the desirability and means of attracting industry to the state in order to effectuate the policy of the Act."

While the Power Authority Act provides that the sale of power to industry shall be secondary, the Act says that the sale of power to industry shall be utilized "in order to secure a sufficiently high load factor and revenue returns to permit domestic and rural use at lowest possible rates." The manufacture of aluminum produces a higher load factor than practically any other industrial process.

Olds' suggestion that the Aluminum Company be required to shut down and lay off all of its employees for two months each year at Christmas time is, of course, worse than absurd. Alcoa obviously couldn't get substitute power anywhere else and quite obviously would not stay in Massena under any such arrangement.
3. He (Olds) urged that Moses develop a comprehensive "marketing plan" so the public can get some notion of how the Authority plans to distribute the St. Lawrence hydro-electric power and opposed approval on contracts "on a piecemeal basis".

Back in 1938, when Herbert Lehman was Governor, the Authority drew up an overall marketing plan to protect consumer interests. Moses appears to have abandoned it.

3. The Alcoa contract has to be made now if it is to stay in business in Massena. It went there originally because it was able to produce cheap power - power which it has been producing for upwards of 50 years and now costs it about a mil and a half. On the other hand, the Authority must charge upwards of 4 mils for the same type of power. Many matters have to be settled between the Authority and the Company, several of them on one basis if the Company remains and on another if it leaves. The construction schedule requires that both spend many millions of dollars on related construction work. In order to use the Authority’s power, which is alternating current - while the power needed by Alcoa and now produced by it is direct current - the Company must spend about $25,000,000.00, including about $8,000,000.00 for equipment to convert AC to DC current. Obviously, Alcoa would not undertake to spend such sums or to waive claimed water rights, as it is doing in a separate contract, unless it first obtained a contract for the purchase of power from the Authority. Hence, the relations between the Authority and the Company must be settled right away. It cannot wait upon the sale of the balance of the Authority’s power.

The 1938 "over-all marketing plan" to which you refer is apparently that contained in the 1938 report of the Power Authority. That so-called plan was based upon the assumption that the Authority would concurrently develop both the Niagara and the St. Lawrence, while its actual situation today is that it has a license only for the St. Lawrence. Whether or not the plan was practical in 1938, conditions are so different that it certainly would not be practical now. For example, the plan was based upon the assumption that both Niagara and St. Lawrence could be developed and a considerable amount of transmission lines, including an inter-connection between the two projects, be built for $287,000,000.00, while the cost of the St. Lawrence project alone will be in the neighborhood of $300,000,000.00.

Also, the demand for power in the Niagara area, the St. Lawrence area and in the rest of the State has multiplied so much since 1938 that the situation prevailing then and prevailing now are not even comparable.
4. "There was a possibility that a group of Pennsylvania Rural Electrification Cooperative would protest the Moses-Alcoa deal directly to Harriman."

"Representatives of the group have said privately that Power Authority representatives won't allow them to be heard at Tuesday's session. Whether this is Moses' final decision was uncertain."

5. "Alcoa now operates its own generating plant which produces about 55,000 kws. and purchases the remainder of its electricity from Canada, an estimated 100,000 K.W."

6. "The company would agree to pay for 174,000 kws. of firm power, regardless of its needs, but would be permitted to resell any surplus, presumably to the Niagara-Mohawk Power Corp."

7. "The base rate for the firm power would be $1 per kilowatt and 2.67 mills per kilowatt for secondary power, totaling 65,000 K.W."
8. If the Authority finds it must charge more than $1.10 per kilowatt Alcoa has the option of increasing the amount of the cheaper "secondary" power it consumes or "terminating the taking of power and energy under this contract in whole or in part."

9. "Power analysts maintain that terms of the Alcoa contract are far more generous than those of the public agencies:"

10. "The language in these contracts also reserves to the Authority rights it appears to have surrendered in the Alcoa contract. In the Plattsburg contract, the Authority "may discontinue furnishing electric service" if the city's operation of its power system "interferes" with the Authority's operations."

(Comments)

8. The General Contract Provisions adopted by the Authority, which apply to its contracts generally, allow a customer to cancel for any increase in rates no matter how small. The language in the Alcoa contract on this subject limits its right in that direction. The option given to Alcoa to take more "secondary power" by its terms is limited to situations where the Authority has the power available for sale and it is not subject to contract with others.

9. This is not so. Alcoa pays the same rates as everybody else, but is required to pay a higher minimum charge and to pay for power at a higher load factor than anybody else. While pursuant to the General Contract Provisions adopted by the Authority, other customers are not required to pay for any power when closed down because of a strike, lockout or labor dispute, Alcoa under such circumstances must pay for half the power it contracts to buy.

10. There is no provision in the Alcoa contract for the discontinuance of service in case of conditions on the contractor's power system which interfere with the power system of the Authority for the reason that Alcoa does not have a power system.
11. Moses does agree to the construction of public transmission lines to the Vermont border and to Plattsburg, Republican-ruled, but he does not appear to have altered his opposition to the construction of such lines to other areas of the state. He thus slams the door of New York City's chances to get in on the cheap power. He also continues the virtual monopoly of Niagara Mohawk, which owns or controls most transmission lines near the St. Lawrence."

11. The Post is not even right in its statement that Plattsburgh is Republican ruled. While the majority of the Aldermen are Republicans, the Mayor is a Democrat. The Post's suggestion that New York City's chances of getting St. Lawrence's power depend upon the construction of transmission lines by the authority is ridiculous. The statement about continuing the monopoly of Niagara Mohawk is of course a gratuitous one without any foundation whatever.