

Update

What's Happening With the Sixth Power Plan

October 2008

This month, the Council continued to wrestle with a critical piece of the next Plan – what are the power costs that the region's customers are likely to face? They have updated their forecast of fuel prices, reaffirmed their commitment to provide a high level view of future retail rates, and have hired a firm to look at the cost of reducing CO₂ emissions.

- **Gas is Forecast to Go Up.** The draft fuel-price forecast for the Sixth Power Plan confirms what we knew or suspected: natural gas and oil prices are up significantly. The price of both has literally doubled since the Council adopted its last plan in 2004. While the 20-year outlook for gas and oil is less volatile than the recent market, near-term prices are expected to be higher than a few years ago. The draft forecast was released for comment at the Council meeting last week. It's a vital piece of the foundation for the power plan and will bear heavily on the cost-effectiveness of various resource choices. According to the forecast, gas is expected to stay between \$7 and \$8 per MMBtu, and oil, which plays a less direct role in the Council's plan, is predicted to vary between \$65 and \$75 per barrel.

In comparison with other forecasts, the Council seems to have captured the range of market scenarios. One of PNUCC's goals is to assure the Sixth Power Plan reasonably depicts the Northwest's power system and describes the challenges we face to maintain an adequate and affordable power supply. The fuel-price forecast goes to the heart of the matter.

I encourage you to peruse the fuel-price forecast paper – go to the Council's website or call and I'll forward a copy. It's worth some time. For the experts out there, now is the time to share your views. The Council is eager to hear from you - within the next 30 days.

- **Costs and Rates on the Upswing.** The fuel-price forecast underscores issues we would like the Council to address in the power plan: the future cost of power and the effect it will have on retail rates. The cost of acquiring and operating new resources, investing in renewables, and deploying some new technologies in energy efficiency will likely drive rates upward. The Council has the analytic capability to quantify the expected change in rates. They are also well suited to ensure that the region knows that prices are going to go higher and will not be coming back down.

- **Experts on Reducing Greenhouse Gases.** The Council is hiring EcoSecurities to analyze potential approaches to reducing greenhouse gas emissions and the costs involved. This should provide good information to inform the Sixth Power Plan and reinforce the message that regulating emissions and responding to climate change have a price tag. And a significant share of the costs may end up in electricity rates.

The analysis of key issues facing our industry is about to begin....stay tuned!



***Dick Adams**, Executive Director*

PNUCC

503.294.1268

dick@pnucc.org