

W. Bill Booth
Chair
Idaho

James A. Yost
Idaho

Tom Karier
Washington

Richard K. Wallace
Washington



Bruce A. Measure
Vice-Chair
Montana

Rhonda Whiting
Montana

Melinda S. Eden
Oregon

Joan M. Dukes
Oregon

February 27, 2008

MEMORANDUM

TO: Power Committee

FROM: Maury Galbraith and Jeff King

SUBJECT: Interim wholesale power price forecast paper

Staff has developed an interim wholesale power price forecast for use during the preliminary development of Council's upcoming Sixth Power Plan. The forecast of wholesale power prices are a key input to the Council's portfolio risk model that is used to evaluate alternative resource development strategies. The forecast also provides a cost-effectiveness "bookend" to guide the initial conservation and resource assessments.

This forecast incorporates revised fuel price forecasts, estimated renewable resource acquisitions in response to state renewable portfolio standards, resource acquisitions needed to maintain target resource adequacy standards and revised estimates of the future cost of CO₂ production. This paper discusses a potential new avoided cost methodology that blends forecast wholesale power prices and the full cost of RPS resource development to arrive at an overall avoided cost for utilities with RPS obligations. Staff proposes this forecast supersede the final wholesale power price forecast of the Fifth Power Plan, however the forecast will be updated as newer assumptions and data become available as the development of the Sixth Plan progresses.

Staff has made significant revisions to both the interim price forecast and the paper in response to public comments. For example, in response to comments of the Northwest Energy Coalition the forecasted power prices now reflect higher costs of future CO₂ production. In response to comments received from the Bonneville Power Administration, the final paper now provides specific guidance regarding the appropriate use of the interim forecast in the evaluation of various resource development strategies.

The Power Committee will discuss and consider whether to recommend release of the final version of the paper. A draft of the paper is included in the full Council packet. It is undergoing additional staff review and a final version of the paper will be provided as soon as possible.