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September 24, 2009

## MEMORANDUM

**TO:** Power Committee

**FROM:** Terry Morlan

**SUBJECT:** Fuel Price Forecast Revision

Completion of a final Sixth Power Plan requires another loop through the analytical cycle. The purpose of this analysis is to both incorporate changes in response to comments received and to make the load and market price forecasts consistent with the resource strategy included in the draft plan.

In order to complete the Plan as efficiently as possible, we need to get a head start on this analysis. There are several assumptions that begin the analytical cycle and we will discuss those at this meeting. These include the fuel price forecasts, economic growth forecasts, financial assumptions, and carbon price assumptions. These important starters affect both the demand forecast and the electricity market price forecast.

The primary need for revising the fuel price forecast is to reflect the current weakness in the fuel markets and to reflect recent changes in the natural gas supply. The recent experience with rapid growth in natural gas supplies from shale deposits has changed the long-term prospects for natural gas supplies and prices. In addition, expansion of liquefied natural (LNG) gas import terminals provides additional flexibility in natural gas supplies.

To date we have not received comments on the natural gas, oil or coal prices. The changes we will discuss are not large in the long term. Staff recommends lowering the early years of the forecast of natural gas prices to reflect the effects of the recession and expanded supplies. In addition, we recommend lowering the medium to high forecast range to reflect increased supplies and improving technology for accessing shale and other nonconventional supplies.

Oil and coal prices are only adjusted for the early years of the forecast to reflect the most recent data and the effects of the global recession on prices.

Attachment

# Final Plan Fuel Price Forecasts

Power Committee Meeting  
Sun Valley, ID  
October 7, 2009



## Role of Fuel Price Forecasts

- Affect demand for electricity
- Affect the cost of generation
- Affect market prices of electricity
- Are a significant source of risk in the Power Plan

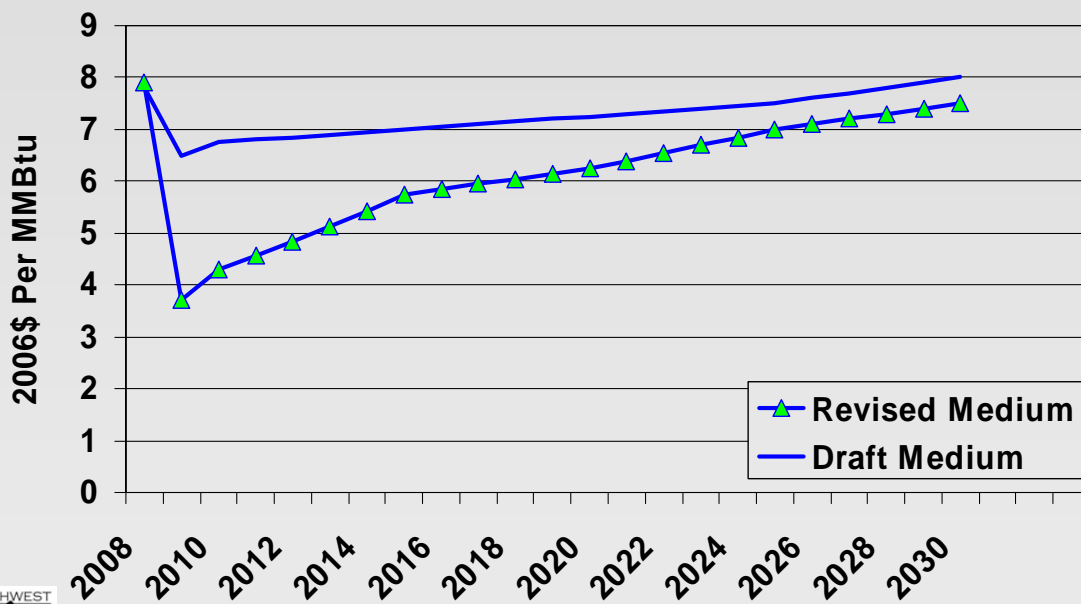


# Proposed Changes to Forecast

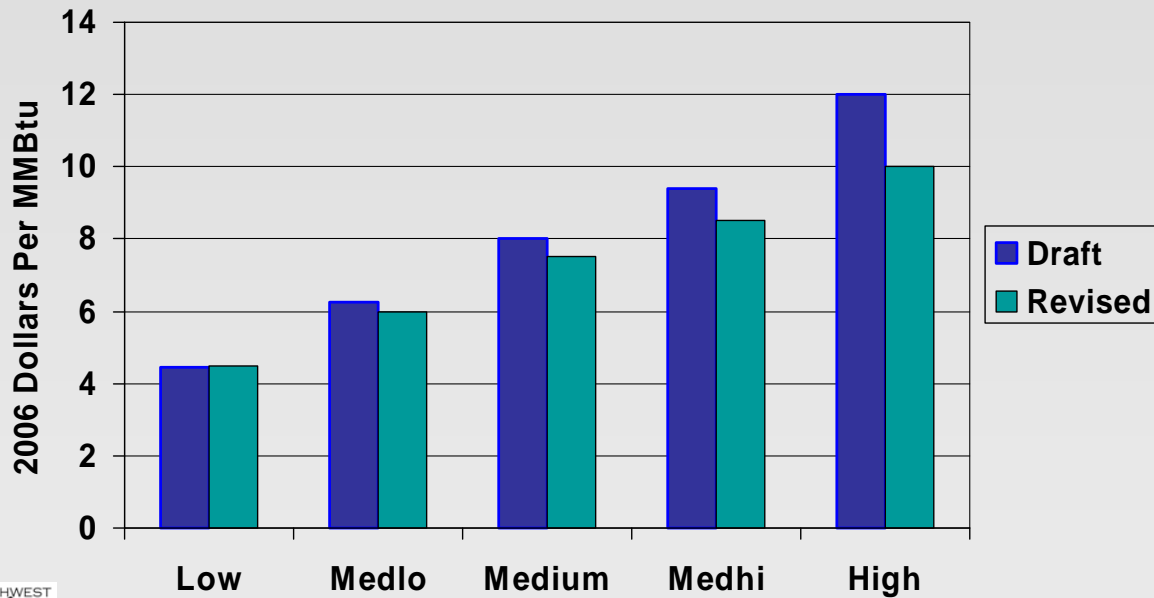
- Reflect current recession and depressed fuel prices, use latest data
  - Lower near-term prices for all fuels
- Reflect public comments
  - There have been none to date
- Reflect long-term natural gas supply changes
  - Lower the medium to high natural gas prices



## Revision to Medium Natural Gas Price Forecast

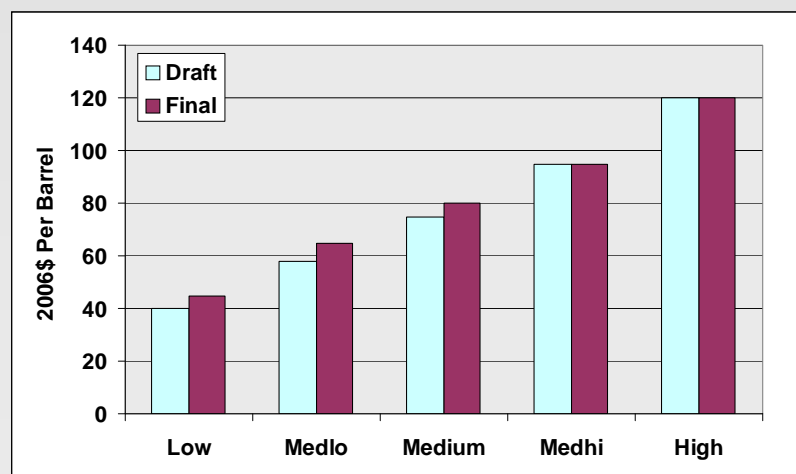


# Changes to Long-Term Natural Gas Prices - 2030



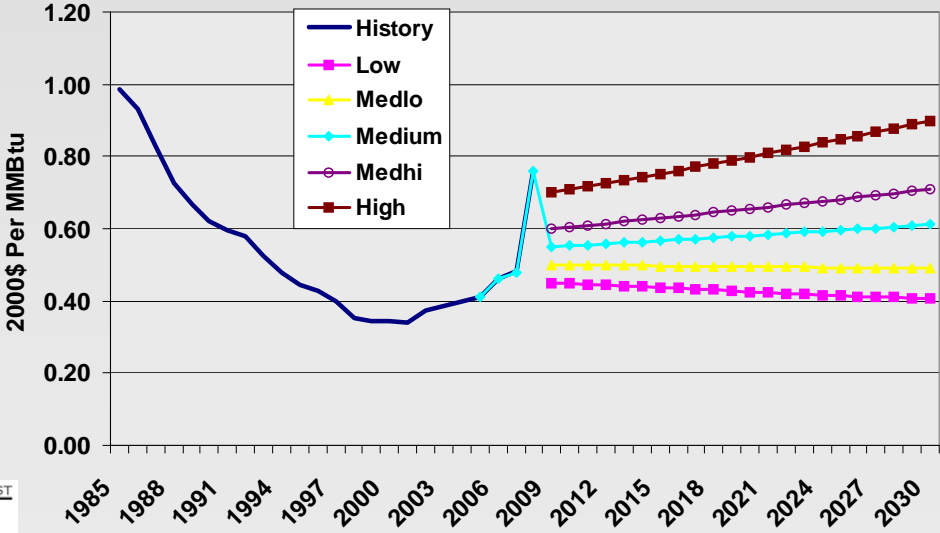
## World Oil Prices

- Oil prices have little effect on the Plan
- Changes to the forecast are very small
  - Lower cases were raised by about \$5



# Coal Prices are Unchanged

Historical and Forecast Coal Prices  
(Powder River Basin)



Questions?

