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September 24, 2009

MEMORANDUM

TO: Power Committee

FROM: Massoud Jourabchi

SUBJECT: Update to economic assumptions for the final Sixth Power Plan

Staff will present a summary of proposed changes to economic assumptions for the Sixth Power Plan.

Assumptions about economic growth are the dominant determinants of electricity demand. Economic growth assumptions, combined with fuel and electricity price forecasts, and detailed information about the stock of electricity using buildings and equipment determine electricity demand.

In the draft Plan, staff used September and February reports from Global Insight to develop its economic assumptions. To reflect the possible effects of recession, a preliminary estimate of the slow-down in economic activity was included in the Council's economic forecasts. In the final plan, staff expects to use the September 2009 forecast from Global Insight, this forecast more explicitly includes the anticipated impact from the recession and stimulus package. A comparison of the key economic assumptions is presented below.

	Draft	Final	Change
Population in 2030 (1000's)	16,326	16,685	2.2%
2009-2030 Population Increase (1000's)	3,255	3,641	385
2009-2030 New Single Family Additions (1000)	1,316	1,328	0.9%
2009-2030 New Multi Single Family Additions (1000)	404	406	0.5%
2030 Commercial Employment (1000)	6,666	6,504	-2.4%
2009-2030 New Commercial Floorspace Additions (Millions sqf)	977	953	-2.4%
2030 Industrial Employees (1000)	565	544	-3.7%
2030 Industrial Output (billions of \$2000)	197	194	-1.6%

The economic assumptions to be used in the final Sixth Power Plan differ from those used in the draft plan. Although the long-term trend of economic growth is not significantly different, the timing and pattern of growth has changed. In general the changes can be summarized as:

- Residential sector - slower economic growth in the short-term followed by an increase in the long-term.
- Commercial and industrial sectors - deeper contraction in the short-term, followed by smaller decline in the long-term.

Staff will discuss these changes and describe the implications for the electricity demand forecast and other aspects of the Plan at the October 7th meeting.

A PowerPoint presentation is enclosed with this cover memo.

Attachment

Update to Economic Assumptions of the 6th Plan

Massoud Jourabchi
October 7, 2009

Today's Presentation Covers

- Updates to the economic drivers
- Other updates
- Implication of revised assumptions on the demand forecast
- Comparison of forecast to other forecasts

Changes made since the draft report

- Updated economic assumptions with the latest forecast from Global Insight. The September 2009 forecast more explicitly takes into account the impact of recession and the stimulus package.
- Updated the forecast of fuel and CO2 tax
- Updated the DSI load forecast
- Incorporated 2007-2008 demand and actual fuel prices

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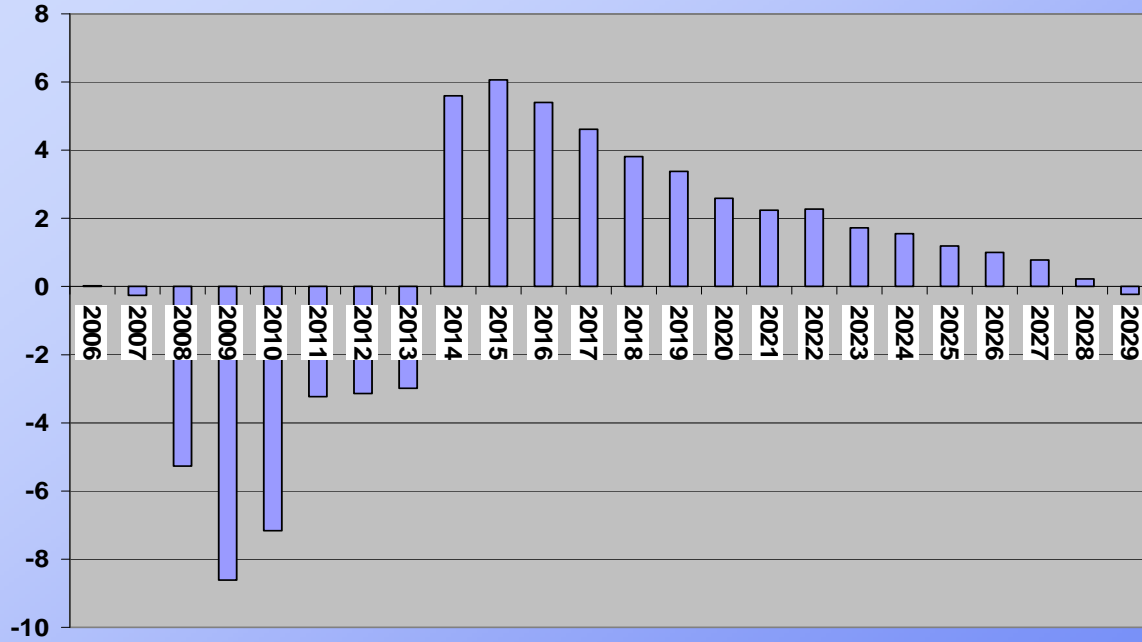
Summary of Major Change in Economic Drivers

	Draft	Final	Change
Population in 2030 (1000's)	16,326	16,685	2.2%
2009-2030 Population Increase (1000's)	3,255	3,641	385
<hr/>			
2009-2030 New Single Family Additions (1000)	1,316	1,328	0.9%
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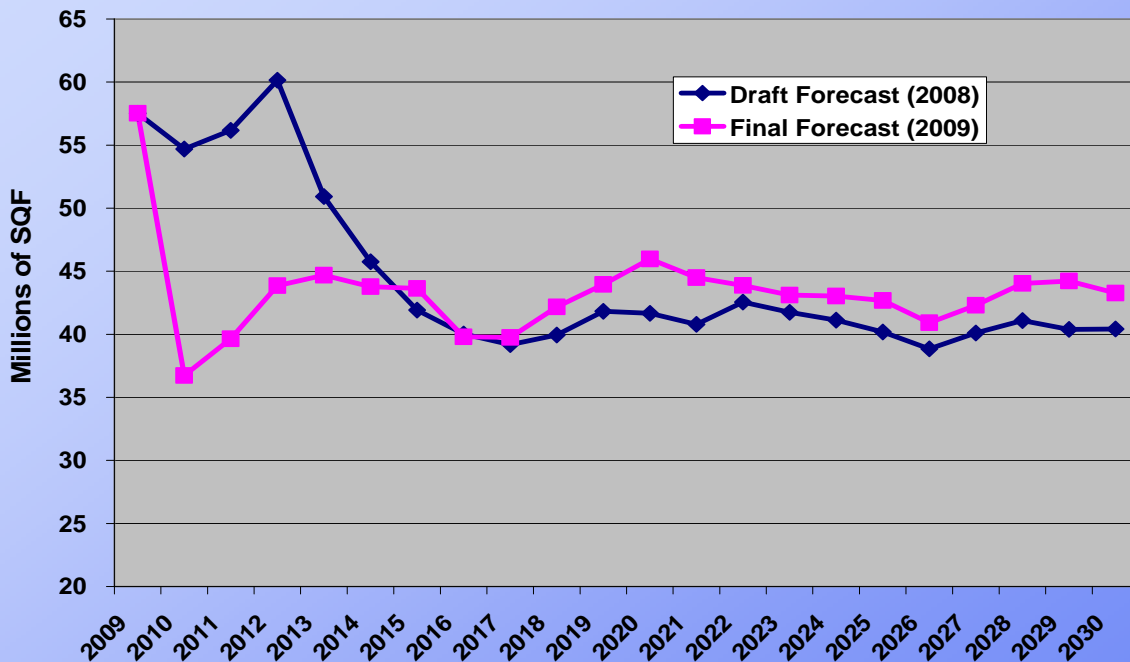
Change in Single Family New Residential Additions Draft Plan Compared to Final Plan (1000s)



Worst is over. New construction market bouncing back. Significant increase by 2015. In long-term slight increase in total number of new homes to meet growing population.



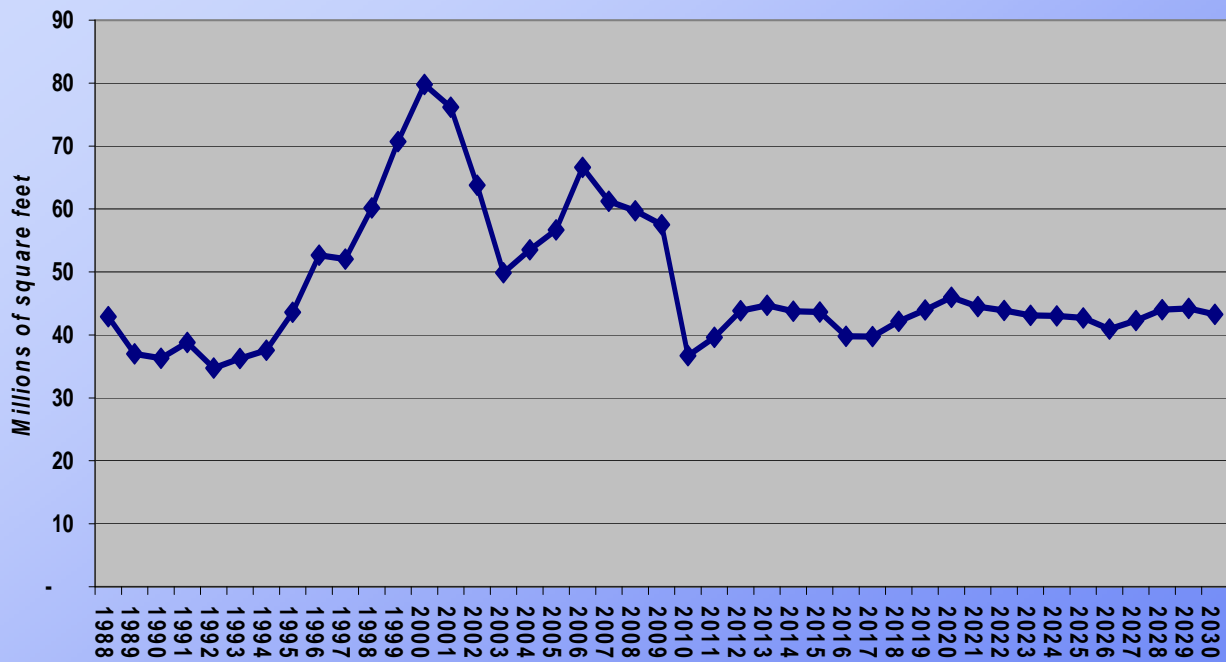
Comparison of Commercial Floor Space Additions



Significant drop in the 2010-2014 Commercial Construction Projected



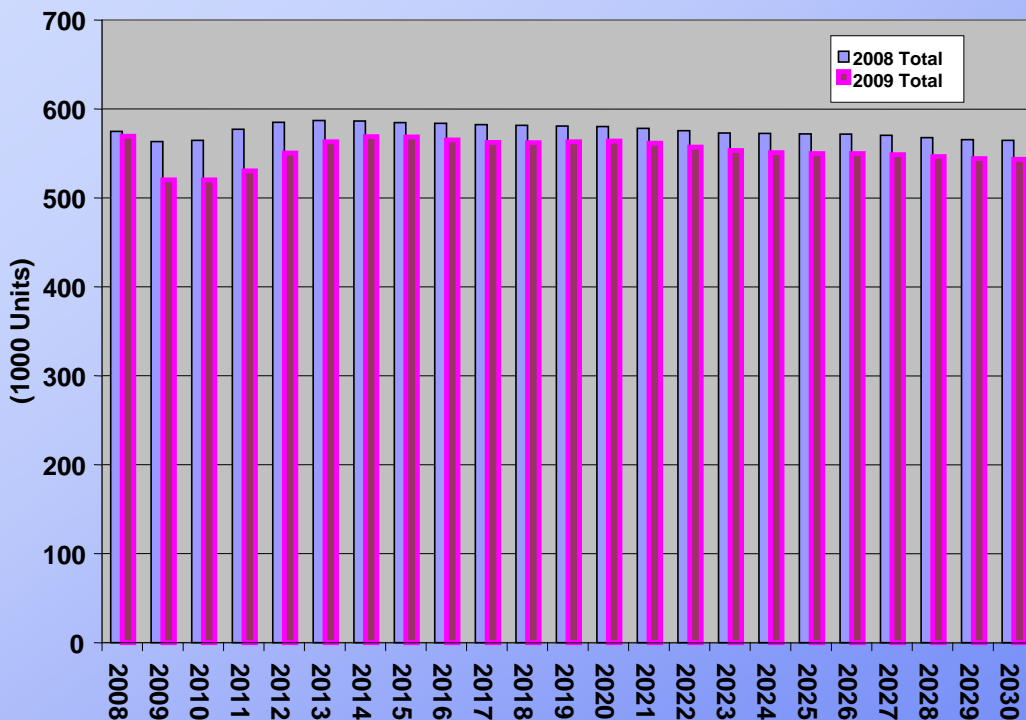
History and Forecast of Regional Commercial Floorspace Additions



Drop in 2009-2010 is expected to be similar to 2000-2003 drop in construction



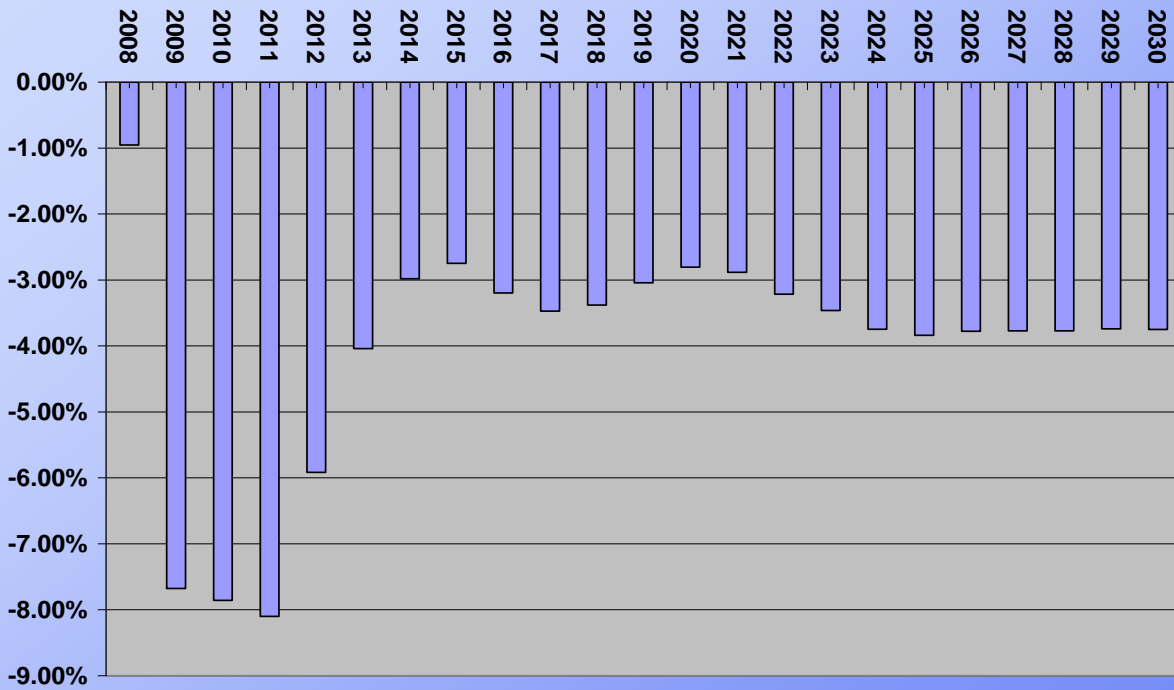
Regional Manufacturing Employment



Manufacturing employment down by over 3% in the long-term. ⁸



% change in Manufacturing Employment (Draft Compared to Final)

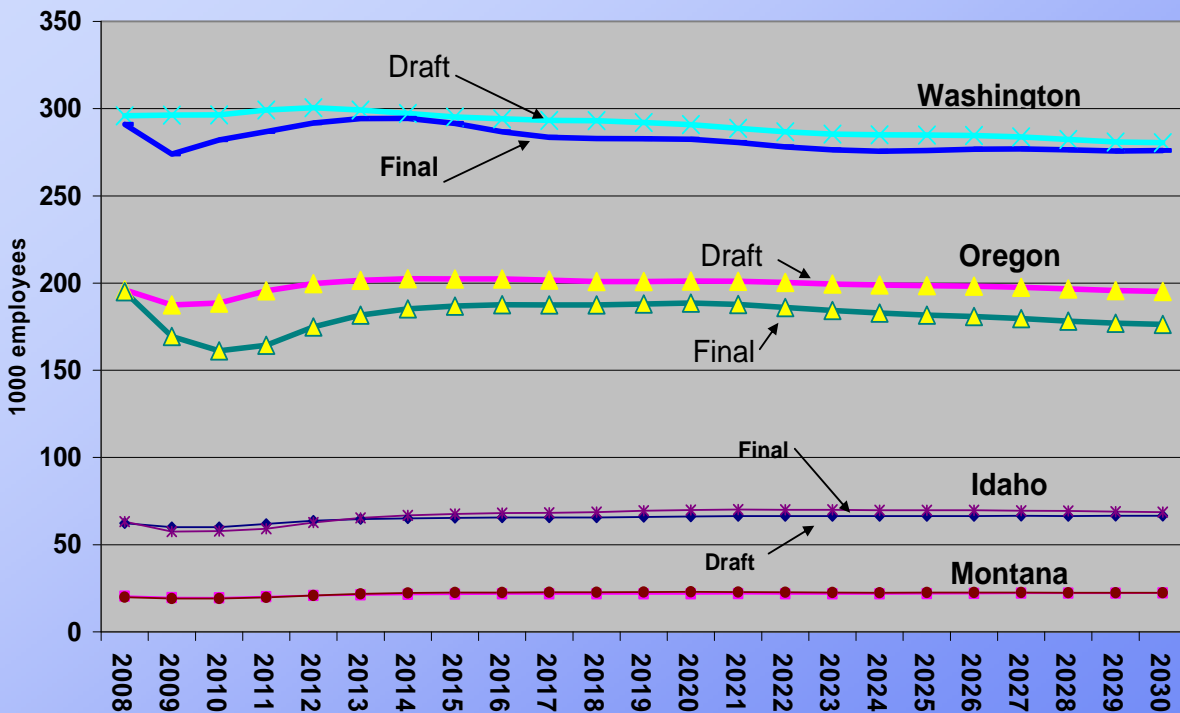


Reduction in manufacturing employment has not bottomed out.

In the first 6th months of 2009, Regional Industrial demand for electricity dropped by 13% compared to first 6th months of 2008.



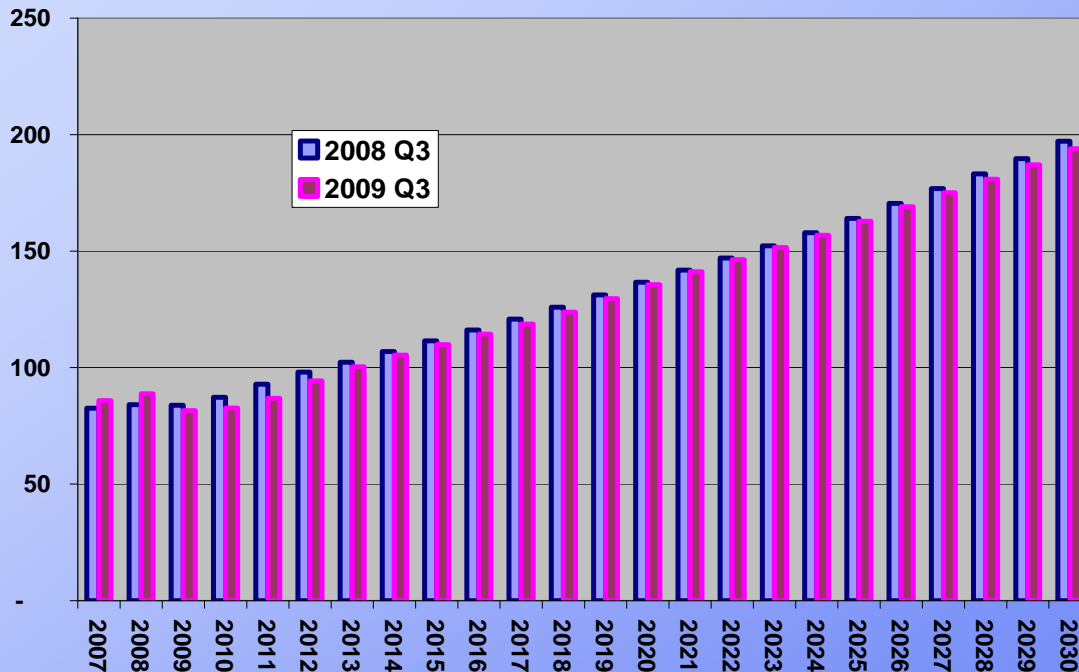
Change in Manufacturing Employment (Draft Compared to Final)



Drop in manufacturing employment is projected to be long lasting in¹⁰Oregon



Regional Manufacturing Output (Billions Constant \$2000)



Manufacturing output is not reduced to the extent which manufacturing employment is dropped, due to gains in productivity



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Summary of Change in Key Economic Drivers

- Population growth slightly higher.
- Residential New Construction significantly down in the short-term, in the long-term slightly higher
- Additions to Commercial Square Footage
 - Significantly reduced in the short-term.
 - Long-term projections for employment about 2% lower, resulting in commercial floor space additions to be 2% lower.
- Manufacturing employment is slightly lower across the board.
- Price of Natural gas and electricity lower in the short-term and slightly lower in the long-term.



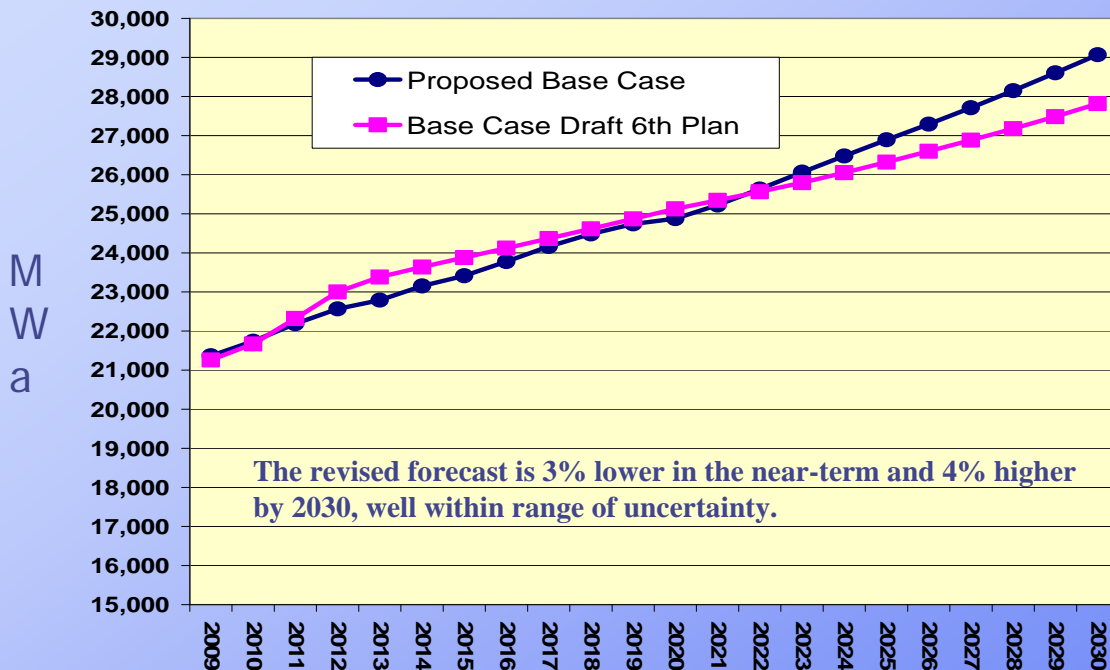
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Implications of these updates

- Lower fuel and electricity prices
- Lower demand for goods and services in the short-term
- Increased demand in the residential sector in the long-term
- Reduced demand in the industrial
- Demand forecast may be slightly lower in the short-term and higher in the long-term.
- Lower short-term demand may necessitate conservation acquisition strategies.



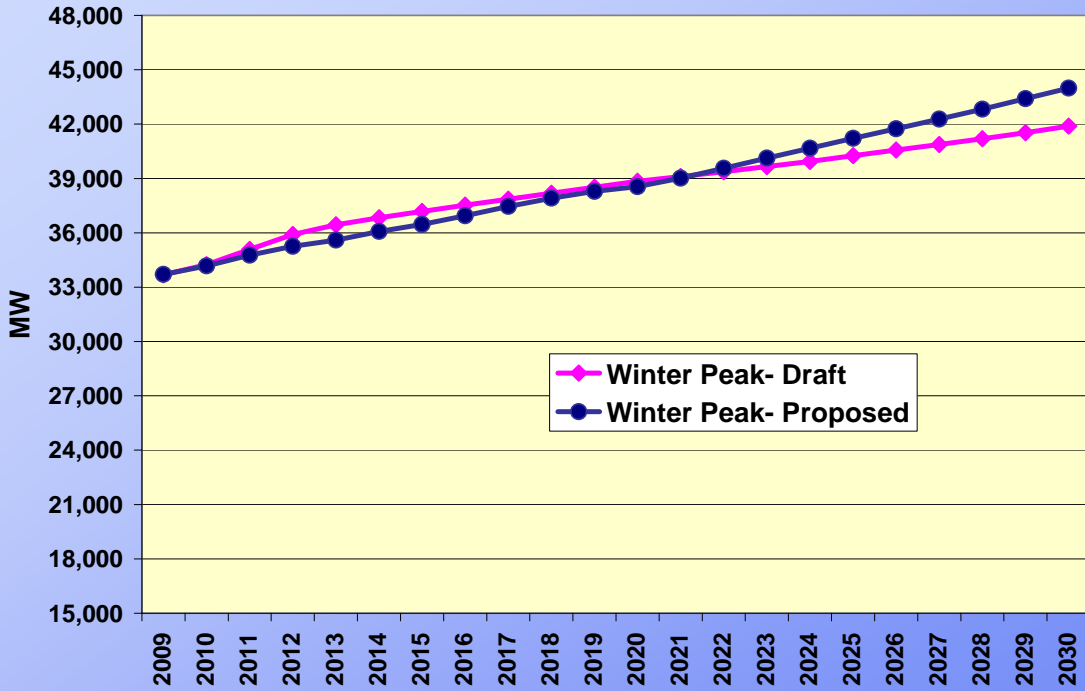
Comparison of 6th Plan Draft and Final Price-Effect Load Forecasts



The revised forecast is 3% lower in the near-term and 4% higher by 2030, well within range of uncertainty.



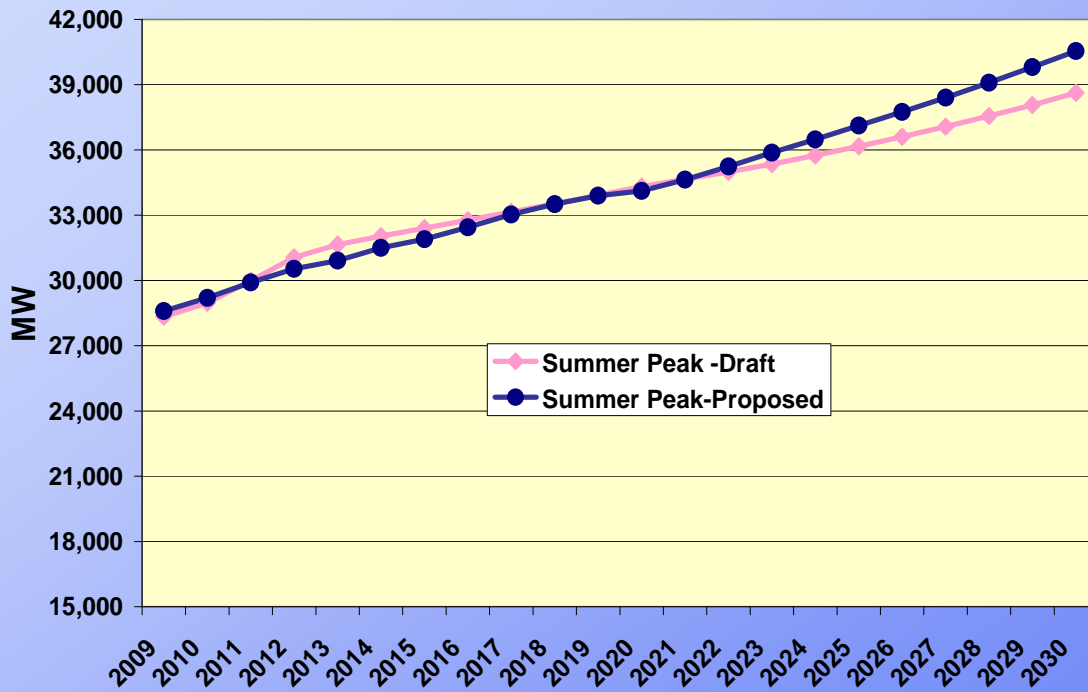
Comparison of Winter Peaks



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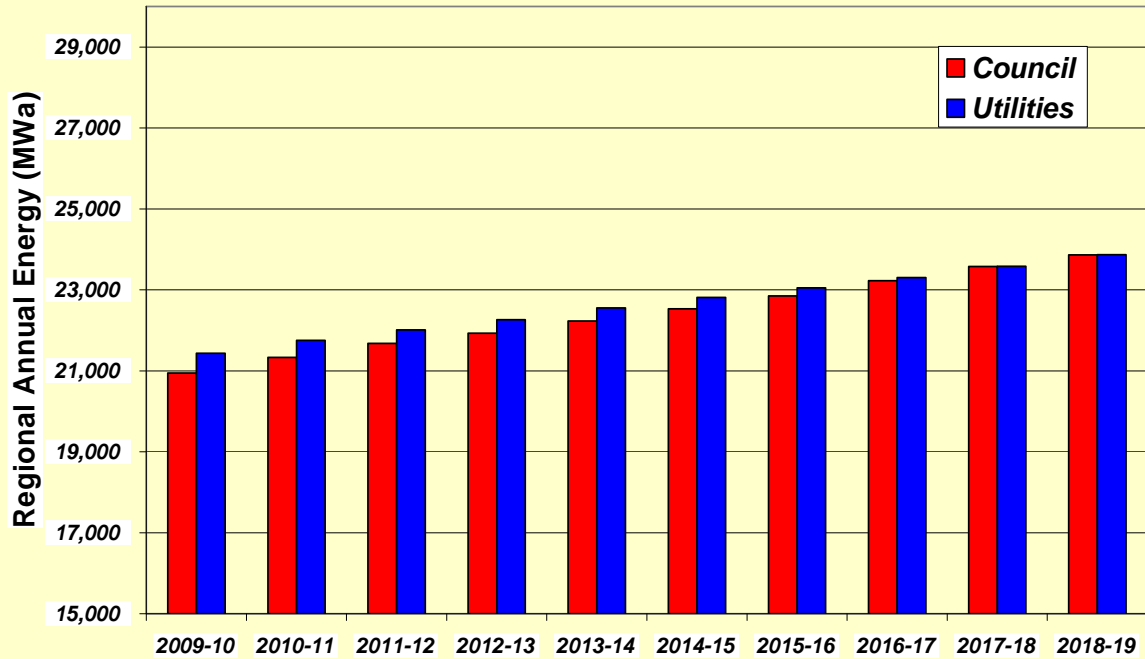
Comparison of Summer Peaks



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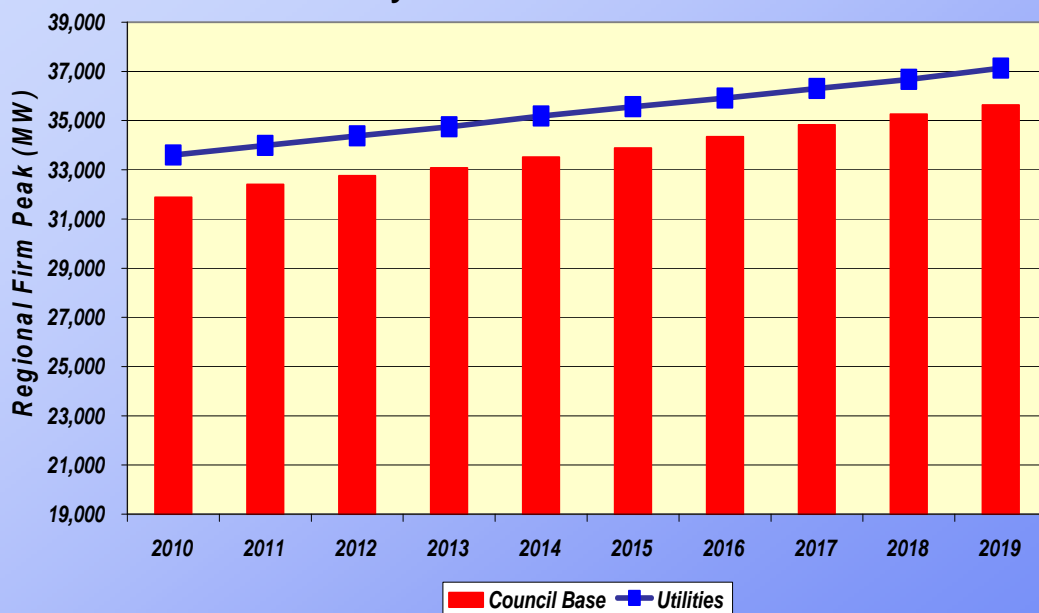
Comparison of Council Forecasted Loads & PNUCC



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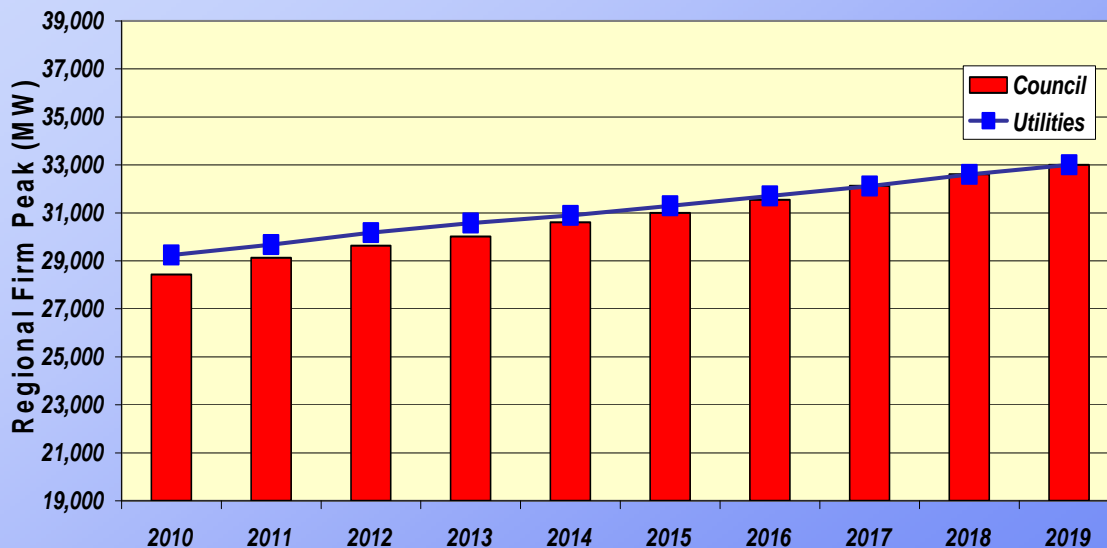
Council January Peak Forecast is Lower than Utilities



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Council Forecasts for July is very close to July Peak forecast from Utilities



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In Summary

- Comparing the draft and proposed load forecasts shows that:
 - 2009-2011 Loads are very close
 - 2012-2014 Loads are slightly lower
 - 2021-2030 Loads are slightly higher

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