

Bruce A. Measure
Chair
Montana

Rhonda Whiting
Montana

W. Bill Booth
Idaho

James A. Yost
Idaho



Joan M. Dukes
Vice-Chair
Oregon

Bill Bradbury
Oregon

Tom Karier
Washington

Phil Rockefeller
Washington

October 27, 2011

MEMORANDUM

TO: Council Members

FROM: Terry Morlan

SUBJECT: Direct Use of Natural Gas Study

A draft paper describing an analysis of the direct use of natural gas for space and water heating compared to using electricity generated from natural gas for the same heating was included in the October Council packet. The study was managed by the Regional Technical Forum. A project to define the end-uses, technologies, and costs was funded jointly by the Northwest Gas Association and Puget Sound Energy. Council staff then expanded and refined the basic data and modeled the alternatives from both regional and consumer perspectives to determine the most cost-effective combinations of technologies from each perspective.

As described in the draft paper and the cover memorandum in the October packet, the analysis continued to support the finding that natural gas and electric technologies continue to be broadly competitive in end-use markets. The best technology is highly dependent on specific conditions of the consumer's characteristics, location, and availability of natural gas and relative natural gas and electricity prices. These findings support the Council's long-standing policy of reliance on the market choices of consumers rather than attempting to influence fuel choices through policy.

Council staff continues to work with the Northwest Gas Association and RTF to refine the analysis. Some changes have been made to the assumptions used in the consumer perspective analysis based on reviewers' recommendations. The results will be discussed by the RTF subcommittee on the direct use of gas study on Thursday, October 27 (packet day). Depending on the results of that meeting, staff will revise the paper and provide it to the Council as soon as possible.

If reasonable agreement is achieved in the meeting about the results of the analysis, staff will recommend that the paper be released for general public comment at the Coeur d'Alene meeting. Staff will provide a brief summary of the analysis and findings, and the implications for the Council's direct use of natural gas policy. Following a public comment period, staff will propose a Council decision on its direct use of natural gas policy. This may occur in December or January depending on comments received and necessary revisions.

q:\tm\council mtgs\2011\nov11\c09_1\dug cm.docx