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April 2, 2009

## MEMORANDUM

**TO:** Power Committee

**FROM:** Terry Morlan

**SUBJECT:** Revision of Near-Term Fuel Price Forecast

I will discuss a revision to the fuel price forecast that is intended to better reflect the near term effects of the recession and the recent collapse of natural gas prices in particular. These revisions do not affect the long-term forecast ranges.

My recommendation for the Council is to not include these revisions in the draft plan. There are a couple of reasons for this recommendation. First, it is not likely to affect the planning results substantively. Second, incorporating the changes at this time would delay the draft plan significantly. Rather, we could include the revision between the draft and final plan. For the draft in the meantime, we have recognized that these numbers will be updated, and discussed how we anticipate the near-term prices will likely change as an indicator for the region.

I will briefly describe the changes at the Power Committee web conference on April 9. A Power Point presentation about the revisions is attached.

Attachment

# Recession Adjusted Fuel Price Forecast

Power Committee  
Web Conference  
April 9, 2009

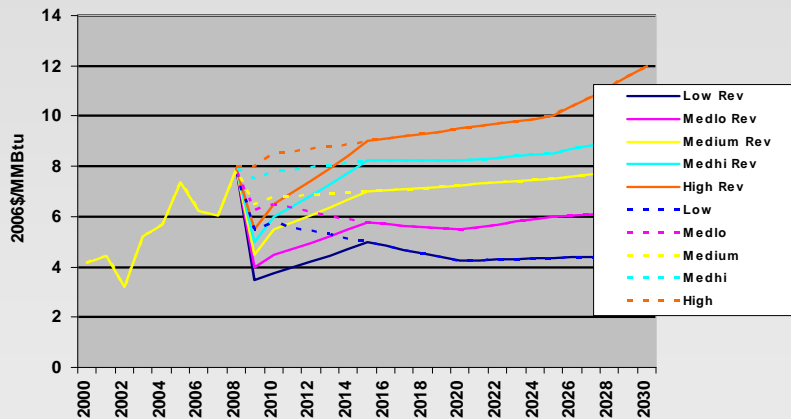


## Reason for Revision

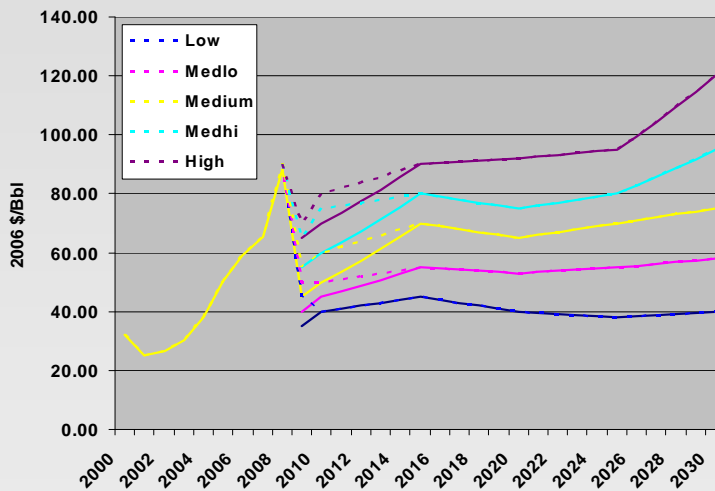
- Commodity boom of 2007-08 burst
- Change is partly economic recession and partly fuel market cycles
- Recent natural gas prices have fallen well below the low case forecast for 2009 of \$5.50 per MMBtu
- Use of fuel price forecasts in some regional regulatory processes makes near term forecast significant



## Short-Term Natural Gas Price Forecast Revision



## Revision of World Oil Price Forecast



## Recommendation

- Do not include revision in the draft Power Plan
  - Cause significant delay in Plan
  - Unlikely to affect resource strategy

