



City of Seattle

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Seattle City Light

Jorge Carrasco, Superintendent

Mark Walker
Director of Public Affairs
Northwest Power & Conservation Council
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Re: Comments on the Draft Economic Forecast – Appendix B

Thank you for the opportunity to comment on the Preliminary Draft Economic Forecast for the Sixth Power Plan. Three issues seem to require further attention.

1. The Impacts of the Recession on Regional Demand and Resource Needs.

Page 3 of the Economic Forecast states: *“Given the long-term nature of the Council’s power plan, the current recession and impact of the federal economic stimulus package were not explicitly modeled.”* The recession plays an important role in determining electricity demand and the timing of future resource needs. City Light’s load has fallen and its resource needs may be pushed back by 2 years as a result of the recession. In addition, the timing of the recovery may be strongly impacted by the stimulus package. Global Insight estimates that the federal economic stimulus package will add 1% to GDP. Without careful consideration of these impacts, the Council’s load forecast and timing of future resource needs runs the risk of being out-of-step with resource needs, especially in the early years.

2. Renewable Portfolio Standard Analysis

Table B20, page 38 indicates that before new conservation, Washington utilities in total will need zero aMW of new qualifying renewables in 2012 and 6 aMW of qualifying renewables in 2013 to comply with Initiative 937. Table B20 is followed by a table of expected rate impacts consistent with these numbers. Some Washington utilities in fact do need to add new qualifying renewable resources or renewable energy credits to meet their 2012 requirement. The assumptions behind the numbers are not fully explained, but perhaps the Council is attributing existing Washington renewable resources to Washington utilities, when approximately half are owned or are under contract to utilities outside Washington.



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3. Natural Gas Prices:

Industrial natural gas prices for Washington are forecast at \$14.50 in 2010 (2006 \$/MMBTU) in Table B26, page 42. For comparison, Ventyx forecasts a 2010 burner tip price for the Coastal Northwest of \$7.97 (2006 \$/MMBTU). The NPCC forecast of Northwest industrial gas prices is \$8.02 (2006 \$/MMBTU) in Table A-2, Appendix A. Absent a transcription error, the analysis suggests that a \$6.48 per MMBTU (81%) premium is expected in Washington over the Northwest regional average industrial price.

In combination, the impacts of the recession on the next several years for demand and resource needs; understating the cost of RPS compliance; and the potential for inflated natural gas prices could adversely impact the Sixth Power Plan.

Thank you again for the opportunity to comment.

Sincerely,

David Clement
Director, Resource Planning & Forecasting
Seattle City Light

