



Public Power Council

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Mark Walker
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Northwest Power & Conservation Council
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[sent via e-mail]

Subject: Comments of the Public Power Council on the Preliminary Draft
Demand and Economic Forecasts for the Sixth Power Plan

Dear Mr. Walker:

Thank you for the opportunity to comment on the demand forecast and economic assumptions to be used in the Sixth Power Plan. As the building blocks for modeling the region's resource needs, these assumptions are important to public utilities, especially those under renewable portfolio standards and energy efficiency standards that are impacted by your decisions.

Many months of careful analysis and review clearly went into the forecasts. Our review of the forecasts focused on the reasonableness of the results without delving deeply into the methods used to obtain them. Our reservations center primarily on the degree of optimism evident in the assumptions in light of the ongoing difficulties in the economy. In addition to comments on the energy forecast, this letter will also briefly address the peak forecast and the problem of keeping forecasts relevant as conditions change.

The assumptions and forecasts were created over the course of time and reflect reasonable conclusions, given the historic data. However, over the past couple of months the problems in the economy have revealed themselves to be more severe than previously expected. Utility electric loads appear to be dropping, industries have announced operational cutbacks and new construction has fallen off. In light of this recent information, many of the assumptions in the forecasts appear to assume greater economic activity and electric loads than would seem reasonable today. The assumptions about residential growth and DSI loads are good examples.

Residential Forecast

Residential growth is assumed to proceed at an average rate of 2.2% per year. This appears to be a very high rate, springing from the assumptions of healthy customer growth, continued high rates of new home construction and the addition of large numbers of electronic appliances. Each of these underlying factors seems suspect. New construction has dropped already, slowing customer growth. If bad economic times continue, will the recent trend to larger home sizes reverse itself? And while there has been rapid growth in energy intensive consumer electronics, economic factors provide a counterbalance to consumer spending. The forecast also does not reflect the current load drop indicated by anecdotal evidence. Even the low case forecast shows positive growth in all years. We recommend reviewing and adjusting all of the assumptions.

DSI Forecast

A second example of an optimistic assumption is the DSI forecast. DSI loads have declined over the years as economic factors made production of aluminum in the Northwest less competitive. Some aluminum load remains due to subsidies from BPA's customers and through a long-standing arrangement for Mid-Columbia power. However, the assumption that DSI loads will increase slightly from current levels and continue at that level throughout the study period is unrealistic. If the plants are uneconomic without a subsidy, it is reasonable to assume that at some point they will cease production, either because the subsidy is withdrawn or it is no longer sufficient.

In addition to these examples, other assumptions used in commercial and industrial forecasting are no doubt similarly optimistic and should also be reviewed.

An unrealistically high energy forecast could result in a Plan that encourages unnecessary resource acquisitions and requires utilities to pursue unattainable conservation goals. Because of these serious impacts, we urge you to re-examine your assumptions in light of the most recent economic data and revise the forecasts as needed.

Peak Forecast

In contrast to a seemingly high energy forecast, the peak forecast looks quite modest. Peak loads are a new area of concern and have historically not received the level of scrutiny that energy forecasts have enjoyed. However, as non-dispatchable resources make up an increasing part of the generation base and the flexibility of the hydro system continues to erode, peak forecasting becomes more crucial. We encourage you to compare your monthly peaks and load factors to the sum of utility forecasts compiled by PNUCC, with appropriate adjustments for the differences in peak definitions.

Ongoing Forecast Review

Finally, the rapid changes we are seeing now in the economy, and for that matter the abrupt losses of load that we saw during the 2000/2001 energy crisis, exemplify the difficulty of accurately foreseeing the future. Because utilities will be required to achieve conservation goals set assuming that forecast loads materialize and are available for efficiency improvements, we recommend that the forecast be reviewed annually. The Sixth Power Plan could include consideration of whether adjustments to conservation targets would under some circumstances be appropriate.

Again, thank you for the opportunity to review and comment on the draft forecasts.

Sincerely,

A handwritten signature in black ink that reads "Scott Corwin". The signature is written in a cursive style with a large, sweeping initial "S".

Scott Corwin
Executive Director