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April 4, 2005

MEMORANDUM

TO: Council Members

FROM: John Fazio, Senior System Analyst

SUBJECT: Power Outlook for 2005

The current runoff forecast at The Dalles is 75 million acre-feet or about 70 percent of average. The region has an energy surplus of about 1,250 average megawatts (based on critical water conditions), which means that there should be ample supply to keep the lights on. The region will likely see a slight increase in wholesale bulk electricity prices over the summer period due to the short water supply. Electricity futures prices look like they will peak at about \$70 per megawatt-hour in July and August. Natural gas prices, which are about \$2 to \$2.5/MMBtu higher than last year, have pushed electricity prices up by more than 25 percent this year. River flows at both Lower Granite and McNary are projected to be much lower than normal and far from meeting the biological opinion objectives.

Federal agencies will also present their take on the power supply and river flow situation for this year. We expect a number of federal executives including Suzanne Cooper, Bonneville Power Administration, Ken Peede, Bureau of Reclamation, Witt Anderson, Corps of Engineers, and Rob Walton, NOAA-Fisheries. Enclosed is an out line of their presentation. In addition, there may be a panel of fish managers that are expected to discuss concerns over the low runoff forecast and potential impacts to the fisheries.

A summary of current litigation regarding the hydroelectric operation will be mentioned and discussed briefly. Unfortunately, due to the fact that there is pending litigation and a hearing date is set for April 18th, the Federal agencies will not be able to comment specifically about the pending case.

Analysis is still ongoing and staff will forward a copy of the presentation to Council members as soon as it is available, probably later this week.

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