



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

POWER SERVICES

December 19, 2007

In reply refer to: P-6

Mark Walker, Director of Public Affairs
Northwest Power and Conservation Council
851 SW. Sixth Avenue, Suite 1100
Portland, OR 97204

Dear Mark:

I appreciated the opportunity to visit with the Power Four last week on the Wholesale Market Price Forecast. I understand that the Council is substantially reworking this paper. Please consider the following thoughts as you do so.

This price forecast could have significant effects on regional resource development decisions. For instance, it may be used by various parties to gauge the cost effectiveness of both demand-side and generating resources. It may be used by utilities trying to choose between developing resources and relying on the short-term wholesale market to meet their load growth. The draft forecast might have been interpreted to indicate that it would be prudent to rely on the short-term market rather than develop demand-side or generating resources to meet load growth. Since the draft forecast was a set of point forecasts of spot market prices, these would not in our view be appropriate uses, and such uses could have run counter to the Council's Plan. Our suggestion is that in the next draft the Council simply be clear as to how it suggests the price forecast be interpreted by utilities considering resource development and acquisition, to avoid misinterpretation.

It is not clear that the amount of new resources assumed to be added in market price analysis is consistent with the resource adequacy standards (including the nascent economic adequacy standard). Such consistency seems important, since the Council has played a very effective leadership role in development of those standards.

As you know, we are increasingly concerned that Federal system capacity and operating flexibility are being reduced and resources with limited or no contribution to capacity are being added, while demands for capacity and flexibility are increasing. This points to the potential need for additional sources of capacity – a potential need that we suggest the Council consider both in price forecast revision and in development of the Sixth Plan.

Thanks for your consideration of these thoughts.

Sincerely,

A handwritten signature in black ink, appearing to read "P. E. Norman", followed by a long horizontal line.

Paul E. Norman
Senior Vice President