



Department of Energy

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

POWER SERVICES

November 14, 2008

In reply refer to: PFP-6

Mr. John Harrison, Information Officer
Northwest Power and Conservation Council
851 S.W. Sixth Ave. Suite 1100
Portland, OR 97204

Dear Mr. Harrison:

Bonneville Power Administration (BPA) commends the Northwest Power and Conservation Council (Council) for the high quality analysis supporting the Fuel Price Forecast. BPA offers the following comments on the level of the natural gas prices. We understand that this forecast was done during a period where US prices were sharply increasing. Unfortunately, recent trends too often drive long-term outlooks. The price forecasts for this draft now seem somewhat high relative to more current outlooks. BPA encourages the Council to consider the potential implications of a severe economic downturn on the low and medium-low gas price forecasts. Additional research on the factors and levels where downward pressure on natural gas prices encounters enough resistance to create a floor would be helpful. This topic would be a good item for a future Natural Gas Advisory Committee meeting.

BPA appreciates that the Council has a tradition of taking a stable, long-term approach to its forecasts and therefore the Council is not overly influenced by short-term transient factors. However, the recent volatility of natural gas markets and economic drivers illustrate a need for the ability to review and update the short-term forecasts more frequently. BPA recommends that the Council staff explore ways to achieve more current short-term updates.

In summary, we recommend that the Council take the following steps: review the natural gas price forecast in light of the economic downturn and revise the prices downward accordingly, put special analytical emphasis on the low forecast as a realistic floor of gas prices, and explore ways to more frequently update the near-term natural gas price forecast.

Thank you for the opportunity to comment on the Council's Fuel Price Forecast. Please contact Rob Anderson at 503-230-5952, or me if you have any questions or would like to discuss these comments further.

Sincerely,

A handwritten signature in cursive script that reads "Suzanne B. Cooper".

Suzanne B. Cooper
Manager, Power Policy & Rates