



November 14, 2008

Mark Walker  
Director of Public Affairs  
Northwest Power & Conservation Council  
851 SW 6th Avenue, Suite 1100  
Portland, Oregon 97204-1348

Dear Mr. Walker:

Thank you for providing PNGC Power with the opportunity to comment on the Preliminary Draft Fuel Prices paper for the Sixth Power Plan.

PNGC Power is a cooperative utility owned by its 15 member utilities. We are responsible for procuring and scheduling power and transmission on both a preschedule and a real-time basis to our various member loads. Our members are located largely in rural communities throughout Oregon, Idaho, Washington and Montana. We serve customers in seven western states. Participating in the Council's Sixth Power Plan process is of vital importance to our member-owners.

PNGC Power applauds the Council for an excellent assessment of fuel price forecasts for the Pacific Northwest. The Preliminary Draft Fuel Prices paper is well argued, carefully thought out, and strongly presented. PNGC Power sees no significant problems in the paper.

PNGC Power would like to add to the discussion of future fuel prices by emphasizing the unknown role that climate change regulation will play. As the Members of the Council know, State governments in our region are developing a cap-and-trade regulatory scheme under the Western Climate Initiative (WCI), along with other regulatory mechanisms. Meanwhile, the Federal government is considering a national cap-and-trade regulatory mechanism and other initiatives. The consideration, creation and implementation of these climate change regulatory schemes create a great deal of uncertainty in the future of fossil fuel prices.

The regulatory scheme ultimately adopted, if indeed some scheme is ultimately adopted, will be perhaps the primary influence on future Northwest fossil fuel prices. For example, under some regulatory scenarios, coal use could become incredibly expensive, while natural gas remains relatively affordable. Under other scenarios, coal and natural gas use could both become very expensive. If, on the other hand, there is ultimately no or relatively light regulation at either the state or Federal level, all fossil fuels could remain useful and relatively inexpensive.

Because of the wide range of fossil fuel prices that could result from varying regulatory schemes, PNGC Power recommends the Council attempt to determine what price forecasts apply under different regulatory schemes. The Council should then incorporate these varying price forecasts into a scenario-based Sixth Power Plan. In other words, for one scenario, the Council should provide a set of price predictions if the Federal government were to adopt a certain cap-and-trade regulatory scheme, for a second scenario, a set of price predictions if the various states were to adopt a certain version of the Western Climate Initiative Design Recommendations, for a third scenario, a set of price predictions if there is ultimately no climate change regulation, and so on. Such a scenario-based approach to the Sixth

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Power Plan will most accurately reflect the uncertainty of fossil pricing due to the wide range and many unknowns of potential climate change regulations.

Again, PNGC appreciates the opportunity to comment on the Preliminary Draft Fuel Prices paper and to emphasize the role that climate change regulation will play in determining fuel prices in the Northwest. We look forward to continuing to work with the Council as it finalizes the Sixth Power Plan.

Sincerely,

A handwritten signature in blue ink that reads "Dan James". The signature is written in a cursive style with a large initial "D" and "J".

Dan James  
Vice President, Public Affairs & Marketing