Public Utility Commission of Oregon
Comments on ASC
FY 10 and FY 11 ASC Filings
March 3, 2009

Issue 5
ASC Forecast Model

<u>Issue-Generic Issue – New Plant Additions – Natural Gas Prices</u>

Should BPA adopt a common natural gas price forecast in the ASC Forecast Model for all new natural gas-fired plant additions?

<u>Discussion</u>

Forecasted natural gas prices vary significantly between the utilities forecasting natural gas burning new additions. None of the utilities submitted documentation on long term firm natural gas supply contracts, so it is assumed that the differences are a result of different natural gas price forecasting techniques.

<u>Response</u>

The OPUC recommends BPA use the natural gas forward market prices existing at the time of utility filings for nearest available Hub, such as Sumas, to account for the average commodity cost of fuel for new natural gas generating resources unless a utility demonstrates other commodity contractual prices for its new resource(s). This would have the affect of removing BPA and utility guesses when accounting for the commodity cost of fuel for new natural generating resources. Natural gas market price forecasts are by their very nature tenuous.

BPA should also add charges for pipeline transportation and any other known fuel related charges to this commodity cost of fuel. In this regard, utilities include both fixed (Reservation) and variable pipeline charges in their account 547, other power – fuel. It should be recognized pipeline charges calculated on a unit basis, for instance dollars per MMBtu, vary with capacity factor. For example, Northwest Pipeline's tariff currently shows a maximum reservation charge of about 38 cents per MMBtu/day firm receipt/delivery capacity. If a utility plant having firm pipeline transportation for all of its maximum daily operation normally operates at 25% then this pipeline charge equates to an average cost of $1.52 per delivered MMBtu (38 cents at full operation divided by 25% actual operation). So, when accounting for new resource other power fuel costs, BPA should also utilize pipeline tariffs in deriving the pipeline cost of transporting natural gas fuel from hub to plant gate along with plant capacity information unless a utility demonstrates other contractual pipeline charges.