TACOMA POWER

3628 South 35th Street
Tacoma, Washington 98409-3192

TACOMA PUBLIC UTILITIES

November 14, 2008

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

Dear Mr. Walker:

Tacoma Power appreciates the quality and statistical rigor used for developing the draft long-run natural gas price forecast for the 6th Power Plan. The family of forecasts used in the analysis provides a useful framework for understanding the implications of natural gas prices on avoided cost generation technologies for the Pacific Northwest. There are a few areas however in the draft forecast document that remains unclear from our perspective. The purpose of these concerns is designed to promote increased clarity on the subject and foster better forecast reliability and integrity.

Our first concern involves the Council's determination of their long-run equilibrium price forecast. It is not readily transparent in reviewing the draft document the exact modeling methodology used to support the Council's long-run equilibrium price for natural gas. The ambiguity for this price discovery process could unintentionally cause some readers to conclude that the forecast is arbitrary. To circumvent this type of criticism it would be helpful to include an appendix that generally outlines the Council's exact forecast findings. Such detailed, transparent analysis is seen in Appendix F, Attachment 2. This section contains draft comments by Chris Coller. His comments provide an alternative econometric methodology for estimating Northwest natural gas hubs. Coller's alternative analysis offers a clear, precise and plausible methodology for understanding the process for ascertaining gas price forecasts.

Our second concern involves supply-side discussion in the draft document. The document contains important supply-side data but does not address any new or emerging supply-side issues that will likely have an impact on long-run equilibrium gas prices. The document omits discussion about key FERC rulemakings designed to promote greater gas competition either thru gas storage, expanded gas trading activities or production deliverables from key Western states like Colorado, Utah or Montana. These factors will impact on gas prices and could result in downward pressure on the projected long-run equilibrium values.

Sincerely,

Chris Robinson

FOR Theodore C. Coates
Power Manager