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Energy Policy Division - Biweekly Energy Status Report

Toyota is launching sales of it's smallest car, the iQ. Non-hybrid, 54 mpg, 4 seats, starts at $13,720. Selling this month in Japan, next year in Europe.

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Energy Price Summary

Both the International Energy Agency (IEA) and the US Energy Information Administration (EIA) released their short-term energy forecasts this week. Both forecasts exhibit sharp departures from early forecasts for both prices and consumption. The energy forecast changes are primarily due to rapidly declining economic conditions in the US and across the world that are depressing demand for petroleum products, natural gas and electricity. For 2009 EIA has lowered its price forecast to: $63.5/barrel for WTI, $6.82/ Mcf for Henry hub natural gas, while average US electricity rates are expected to rise 6.5% next year.

The EIA energy consumption forecast is also down for 2009. Petroleum product consumption declined 5.4% in 2008 (mix of 2008 actuals and 2 month forecast), with a further decline of 1.3% forecast for 2009. Natural gas consumption increased by 1.1% in 2008 and is forecast to decline by 0.2% in 2009 (assuming average weather): see figure page 3. Electricity consumption is expected to increase only 0.1% for 2008, and decline 0.6% for 2009 (primarily due to a large forecast industrial demand decline).

The IEA forecasts global petroleum demand for 2008 will increase only 0.12 million barrels per day (0.15%), and for 2009 increase only increase by 0.35 Mbd (0.4%). These increases are much smaller than the typical consumption increases earlier in the decade. The IEA tempers its forecast of short-term demand and price moderation with a warning that in the long-term, perhaps as early as 2010, strong global demand growth will quickly push prices up again. All of the future demand push is expected to come from developing countries such as China and India. Demand in developed nations is expected to decline slightly during the 2010-20 time frame.

Prices, particularly for petroleum products, have continued their steep decline since the last newsletter. Crude oil finally slipped under the $60/barrel barrier this past week, closing at $56.16 on Wednesday.

Natural gas price has also declined since the summer, but it has firmed over the past several weeks as heating demand is causing consumption to increase. NYMEX natural gas for December delivery was $6.32 per MMBtu. Natural gas at Sumas was $5.72. Gas storage increased last week to 3,405 Bcf or 2.3 percent above the 5-year average.

Reduced demand is the primary cause of the recent lower fuel prices. Current lower prices may be impacting consumer behavior in a way that will eventually shore-up prices. Recent sales data suggest that consumers are beginning to purchase more trucks and SUVs as fuel prices moderate: see figure next page.

Refining activity was steady over the past two weeks at about 85% capacity utilization. This resulted in small inventory builds for gasoline and diesel, while crude oil inventories were unchanged.

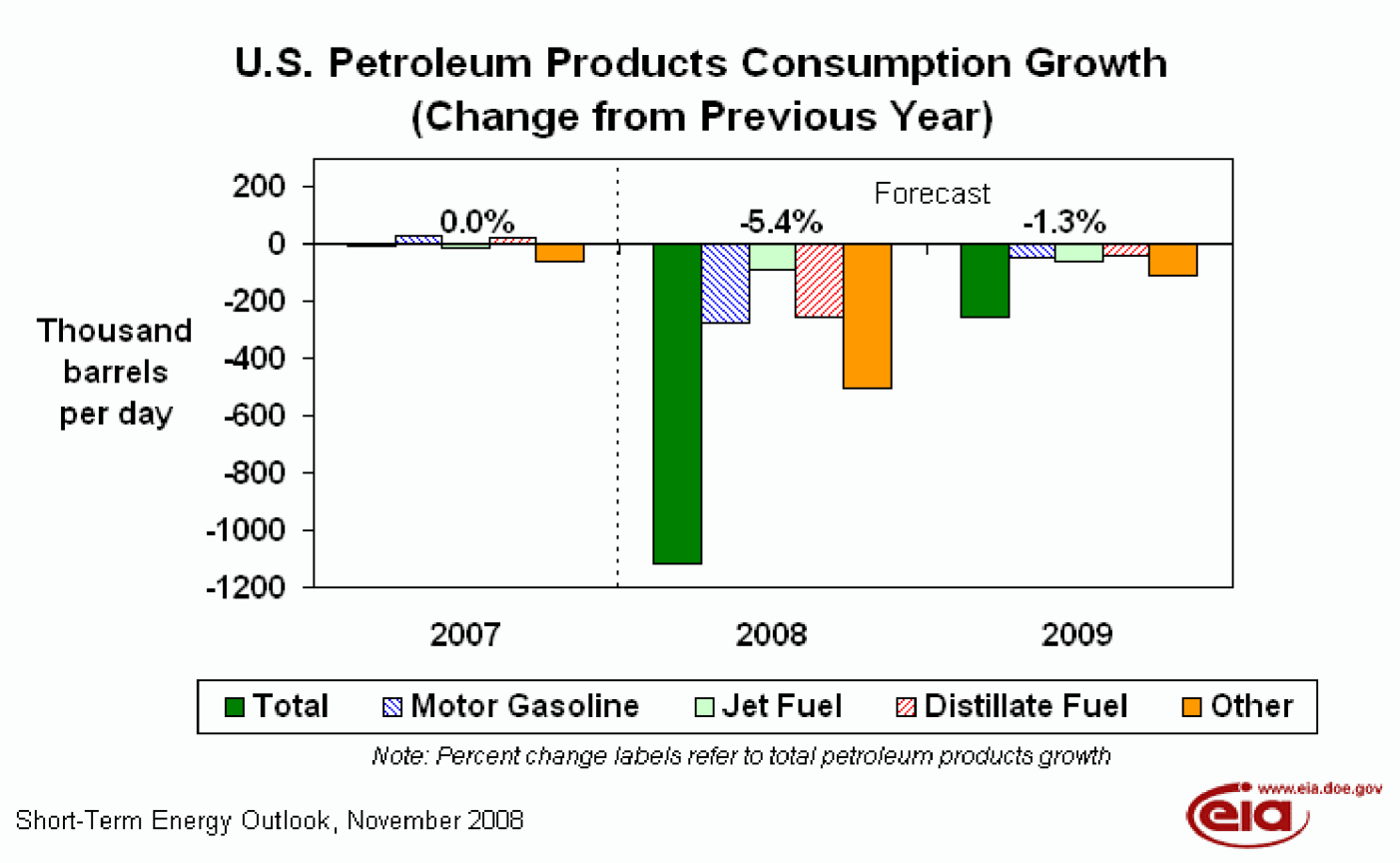
In NYMEX trading, gasoline futures were $1.32/gal , down 19 cents from the last report, while heating oil slipped 6 cents to fetch $1.92/gallon. Winter heating demand has been tempering heating oil price declines.

Nationally, fuel prices continued their rapid decline, with some areas dipping below $2/gallon. The US average gasoline price declined 16 cents last week, nearly 40 cents from the last report, while the price of diesel was down 14 cents for the week. In Washington prices were down 20 and 12 cents for the week for gasoline and diesel respectively. The price declines are unprecedented in magnitude and have driven gasoline prices are significantly lower than they were a year ago.

The average electricity spot market price at the Mid Columbia trading hub was at $49.1 : down $1.8 from the last report.

EIA STEO: http://www.eia.doe.gov/emeu/steo/pub/contents.html

IEA: Petroleum Market Report: http://omrpublic.iea.org/



Electricity, Petroleum & Natural Gas Prices

- Weekly Range at Mid-C: $42-57 per MWh, Ave. = $49.1 (year ago $60.3)
- Approximate change from previous report $ -1.8 per MWh
- Pre-2000 typical price range $20-$40 per MWh
- Petroleum, West Texas Intermediate: $56.16 per barrel (year ago: $95.21)
- Seattle gasoline price (11/12) $2.38 per gallon (year ago $3.24)
- Gasoline futures (NYMEX next month) $1.33 per gallon
- State Diesel price (11/12) $3.18 per gallon (year ago $3.76)
- Heating oil futures (NYMEX next month) $1.92 per gallon
- Natural gas (cash), Sumas Hub: $5.72 per million BTU (year ago $7.21)
- Natural gas futures (NYMEX next month) $6.32 per million BTU
- Approximate change from 2 weeks ago. Oil: = -6.57 $ per barrel; Nat. gas: -0.61 $ per MMBtu
- Ethanol (CBT next month contract) $1.65 per gallon
- E85 (national average) $2.33 per gallon gasoline equivalent

California Electricity Situation

CA ISO and NWPP Alerts

- Transmission emergencies, So Calif. Oct. 22-24 2007, due to fires
- August 28 2007, Stage 1 alert declared by CA ISO. Possible Stage 1 or 2 alert forecast for weekend.
- Nov. 29, 2006 NWPP peak load reaches record level—reserves adequate.
- Nov. 27, 2006 NWPP concerns that contingency reserve levels could not be met.

River & Snow Pack Information

- Observed Oct. stream flow at The Dalles: 85.5% of average,
- Observed Oct. precipitation above The Dalles: 77 % of average,
- Forecast Jan.-July 2008 runoff at The Dalles: NA
- 2008 snow pack: NA.
- Federal hydropower generation in Oct. 5,303 aMW, 1995-2002 average: 5,216 aMW.
- Reservoir content (Libby, Hungry Horse, Grand Coulee, Dworshak): Oct. 81.1 % , 5-year avg. 80.5%.

Northwest Power Pool

(WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

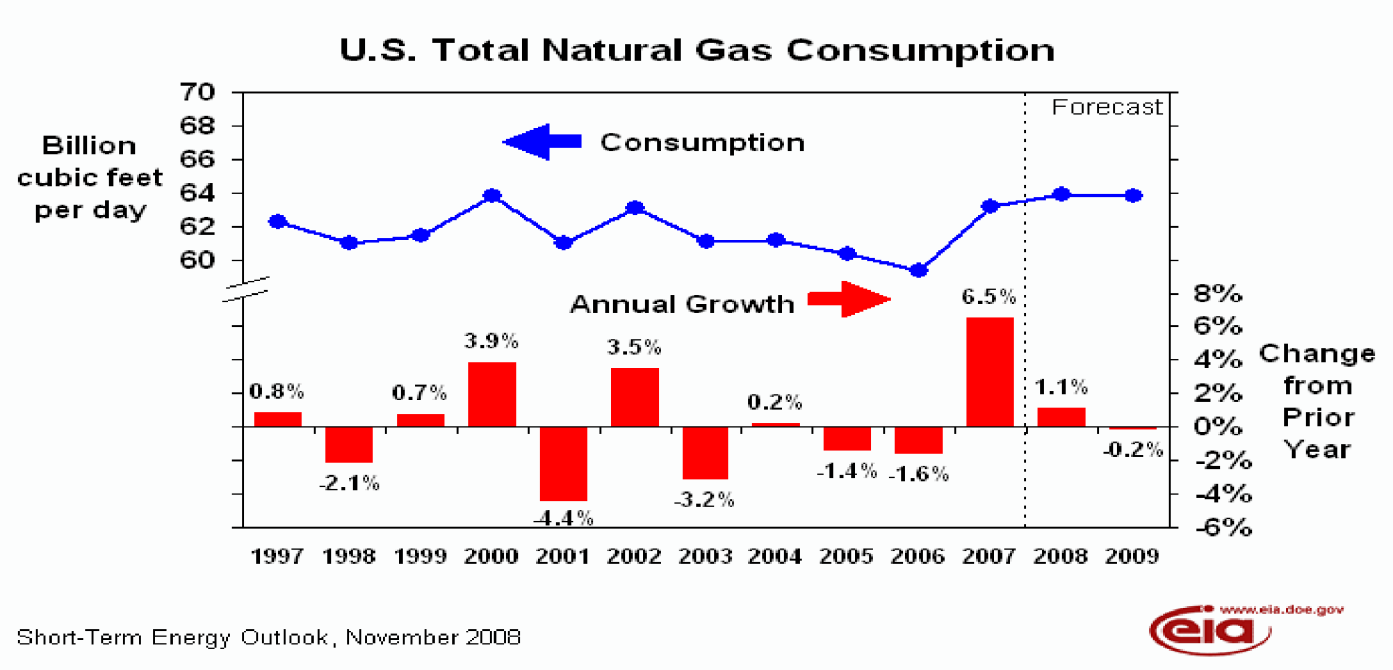
Power Pool peak load (Nov. 12): 48,934 MW

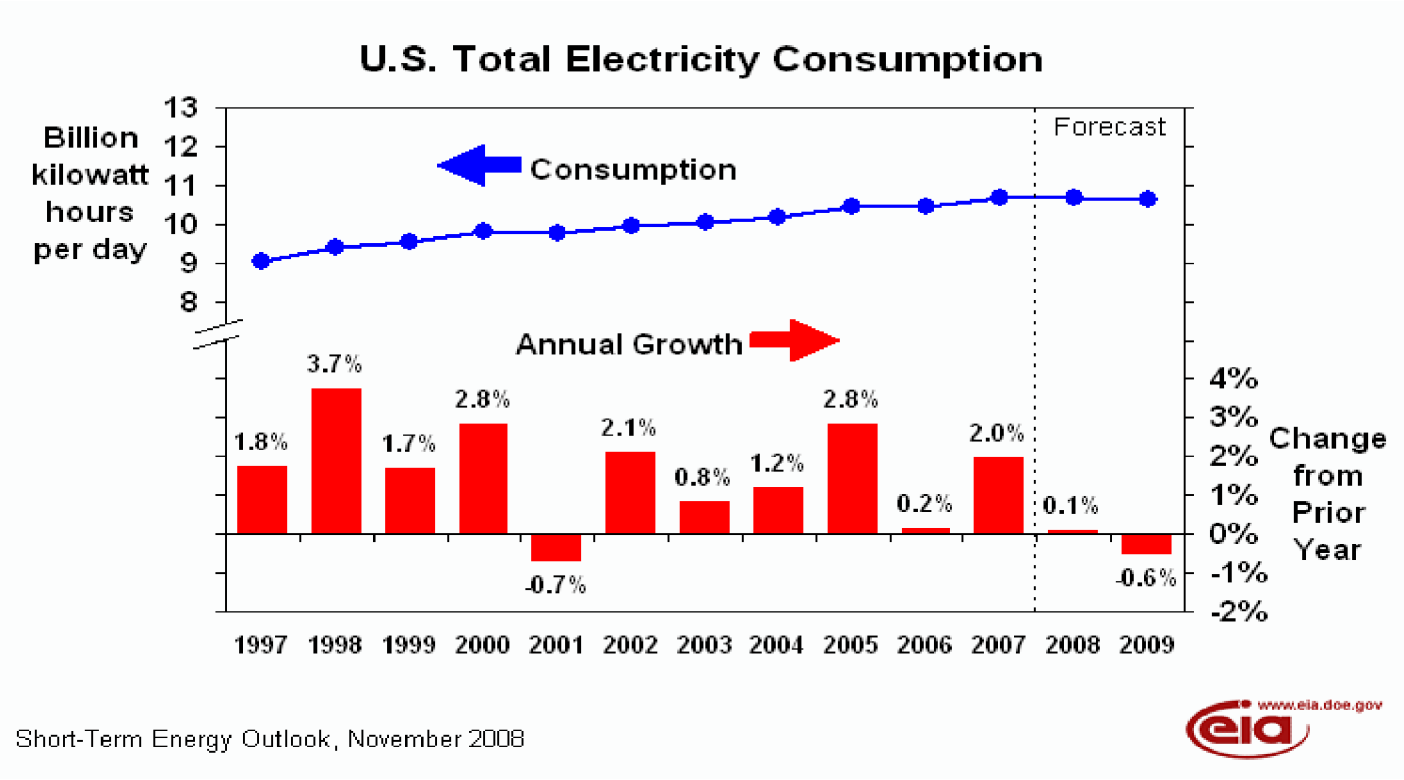
Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

Power Exchanged:

(Updated: Oct 30)
Average flow of power during the last 30 days

- California (exported to) 2,077 MW
- Canada (export to) 634 MW
- Net power export: 2,711 MW





October U.S. Vehicle Sales down 31.9%

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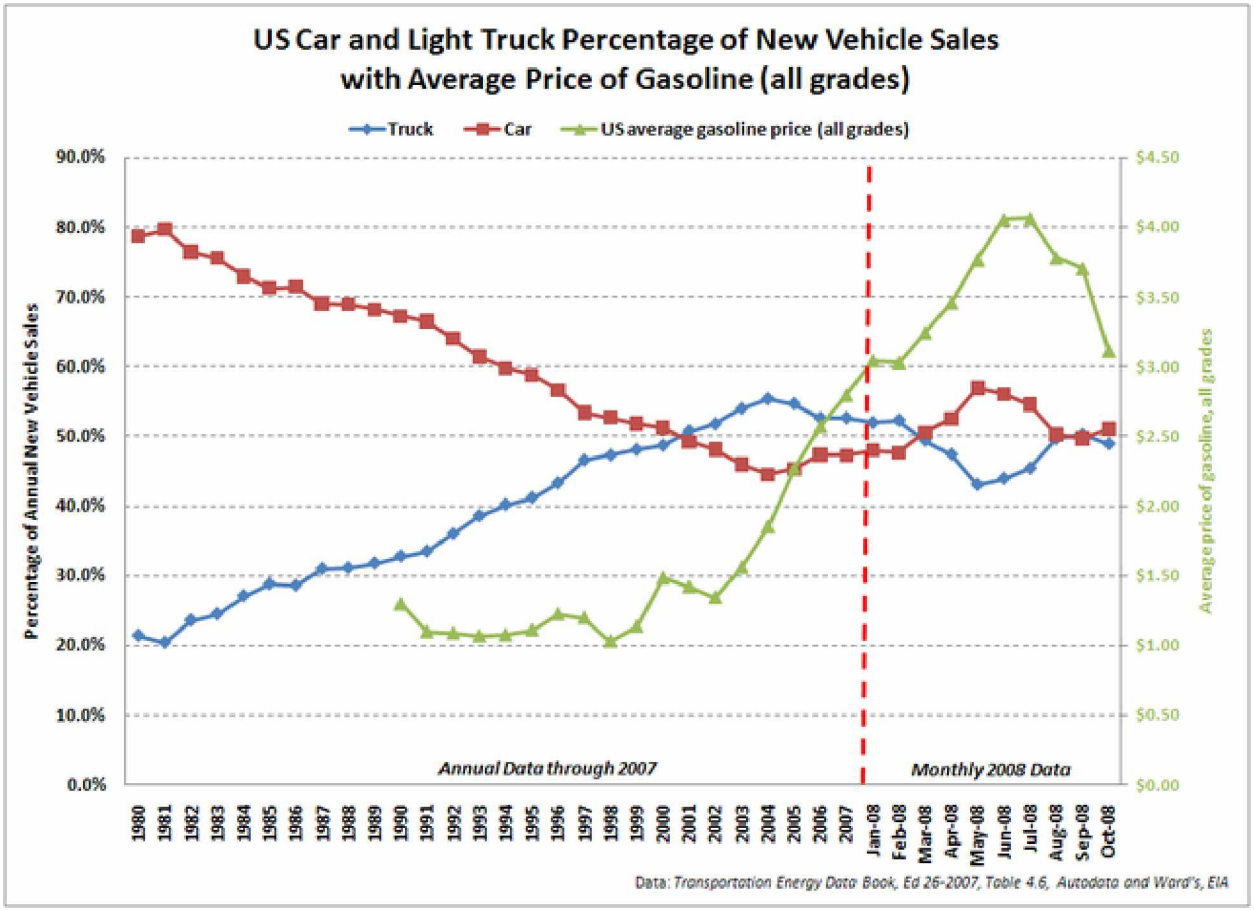

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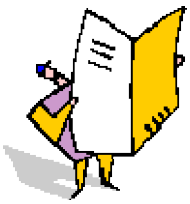

If you only have time to read a couple of articles—read these. ▼

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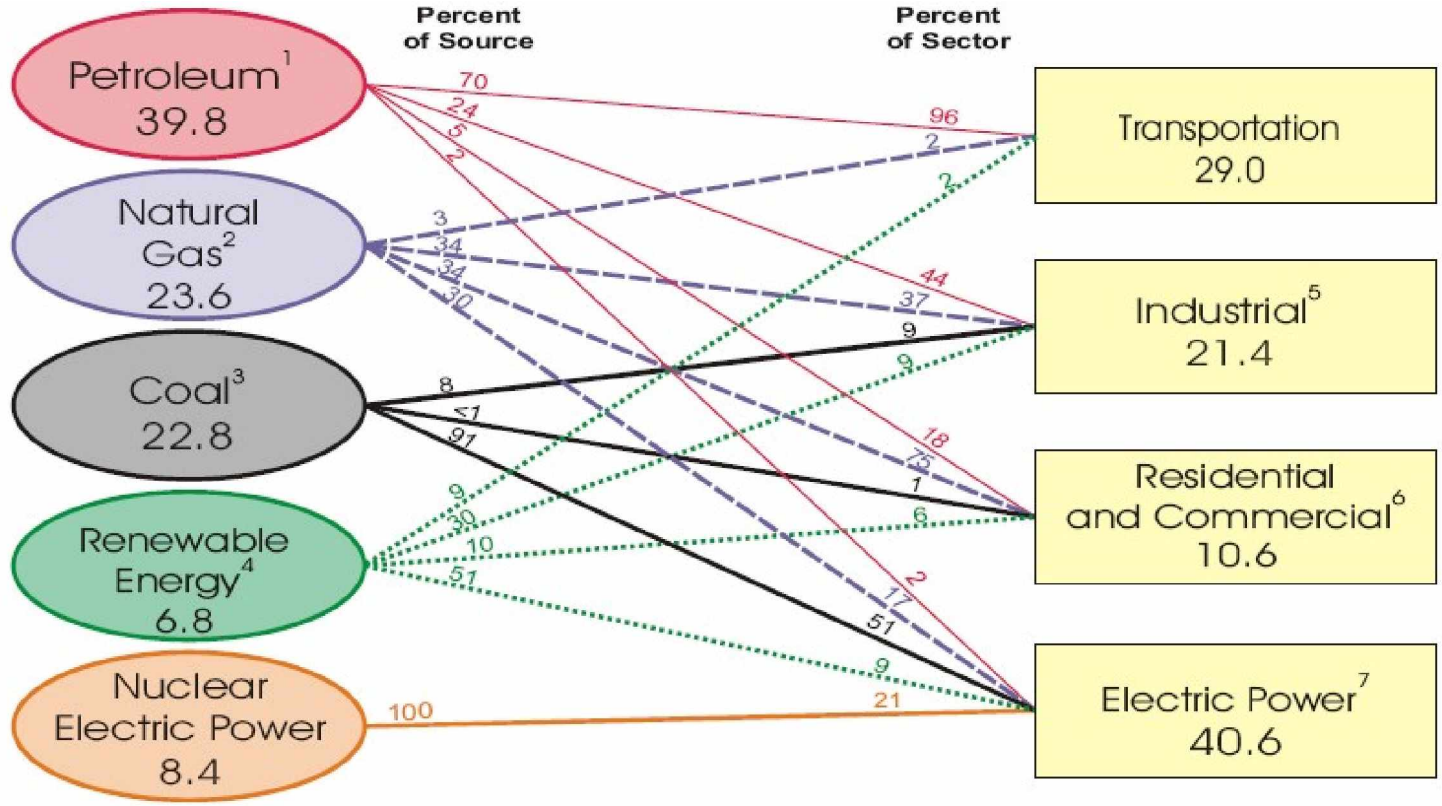
U.S. Primary Energy Consumption by Source & Sector, 2007

(Quadrillion Btu)

www.eia.doe.gov/emeu/aer/pecss_diagram.html



[1]Excludes 0.6 quadrillion Btu of ethanol, which is included in "Renewable Energy."
[2]Excludes supplemental gaseous fuels.
[3]Includes 0.1 quadrillion Btu of coal coke net imports.
[4]Conventional hydroelectric power, geothermal, solar/PV, wind, and biomass.
[5]Includes industrial combined-heat-and-power (CHP) and industrial electricity-only plants.
[6]Includes commercial combined-heat-and-power (CHP) and commercial electricity-only plants.
[7]Electricity-only and combined-heat-and-power (CHP) plants whose primary business is to sell electricity, or electricity and heat, to the public.

Note: Sum of components may not equal 100 percent due to independent rounding.
Source: Energy Information Administration, *Annual Energy Review 2007*, Tables 1.3 and 2.1b-2.1f, and 10.3.

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