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Energy Policy Division

Biweekly Energy Status Report



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VW Polo BlueMotion—48 city, 74 hwy, 61 combined. 700 miles on a tank of gas. No current plans to bring this to the U.S., although they sell 300,000 a year overseas.



Energy Price Summary

For the last several weeks energy prices on the wholesale level have been relatively stable, though some retail prices continue to trend downwards. Crude oil and natural gas prices have stabilized at about 20% and 35 %, respectively, below the peak levels reached in mid-July: see chart pg 2. Futures market prices for gasoline, diesel, jet fuel, ethanol, corn, soybeans, etc have stabilized for the most part over the last several of weeks.

This week's EIA petroleum report revealed a large increase in crude oil and smaller increase distillate inventories. There was yet another a sizable decrease in the gasoline inventory level, which is nearly out of its 'normal' range for this time of year. This is possibly the result of the very low profit margins refiners are receiving for gasoline production. Refinery utilization remains low at roughly 86%. Diesel production remains profitable and refineries are producing as much as feasible given the low or zero returns on associated gasoline production, and equipment constraints. The strong global demand for diesel will keep home heating oil prices high this winter.

Futures prices for gasoline dropped to \$2.90 per gallon and to \$3.21 for diesel—a drop of nearly 75 cents. This signals fur-

ther modest price declines at the retail levels (assuming crude oil price does not rise) over the next couple of weeks.

Ethanol price after falling for many weeks, has stabilized: today at \$2.31 per gallon. After falling for several months on improving harvest news, corn prices have been slowly rising the past several weeks: the current futures price is \$5.75/bushell. Soybean prices (biodiesel) have also risen a bit lately.

Retail gasoline and diesel fuel prices have fallen steadily the last six weeks. As of Monday the average US retail gasoline and diesel prices were down 5.5 and 6.2 cents for the week to \$3.69 and \$4.14 per gallon respectively. The average Washington State gasoline price was down 4 cents to \$3.92: diesel was down 6 cents to \$4.50 per gallon for the week.

Natural gas price continues to trend with crude oil, actually declining a bit more over the past six weeks since the July peak levels. Natural gas prices are down by over \$4 at the Sumas gas Hub: \$6.98 per MMBtu. The natural gas future price (Oct) on the NY-MEX came in at \$8.3 MMBtu.

Underground storage volumes for the winter are looking bullish, as is US natural gas production: see chart page 4. If these factors hold consumers may see a bit of a price

break for their heating this winter. Gas storage inventories increased by 88 Bcf to 2,655 Bcf, near the 5-year storage average.

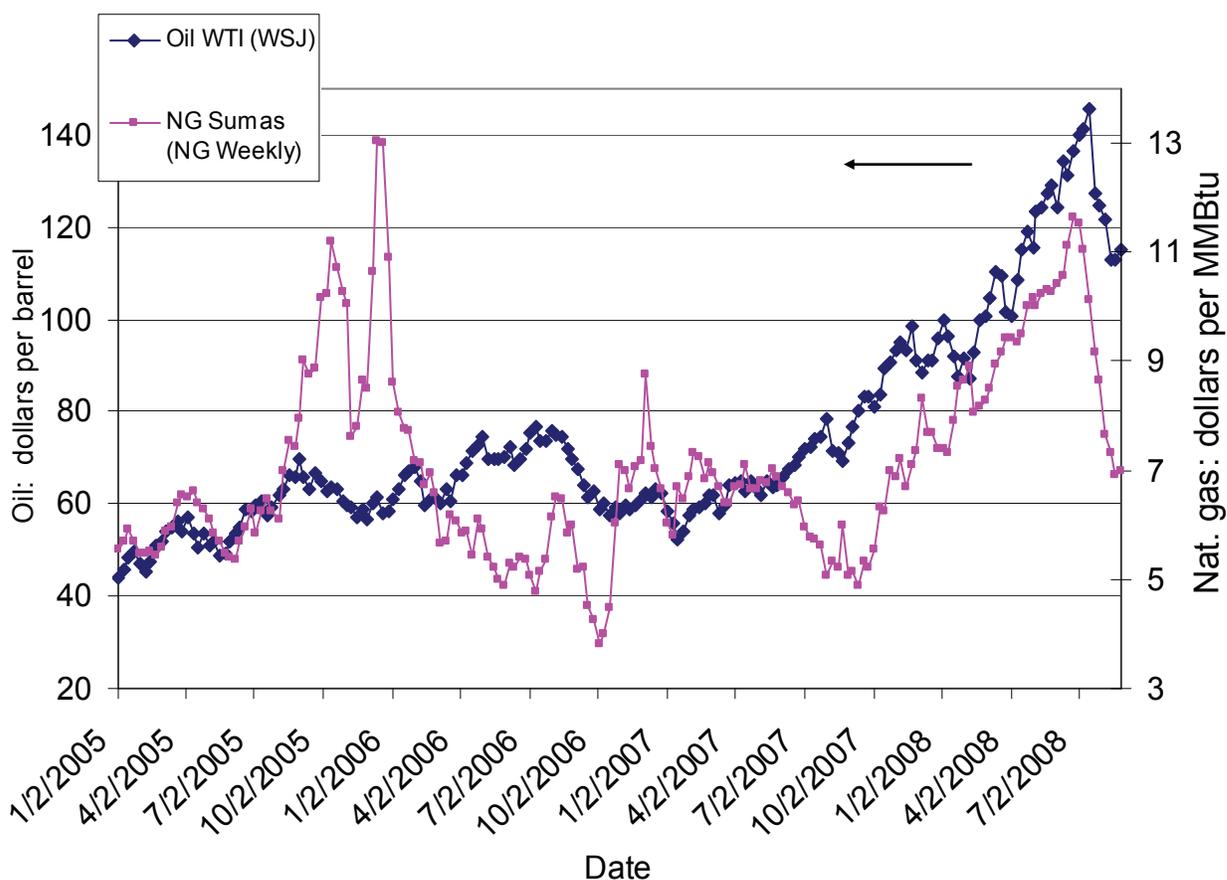
The trade journal 'Natural Gas Weekly' reported that an energy research firm has shown that US gas reserves are up to 50% higher than stated by the EIA. Most of these 'new' reserves are located in shale formations, such as the Barnett formation in Texas that is proving so prolific. Recent gas production has been trending up, countering predictions of a production peak by many analysts.

The weekly average electricity spot market price at the Mid Columbia trading hub was at \$71: down \$2 from the last report. Hydro power production continues to taper off from the highs seen in May and June (the usual pattern): Rainfall was low in July, but is likely to be high for August, which should boost reservoir levels.

The Western Climate Initiative released its draft design recommendations document: see the WCI site. http://www.westernclimateinitiative.org/

The document presents recommendations on key elements of a regional cap and trade system for greenhouse gases.

Crude Oil: West Texas Intermediate, Natural Gas @ Sumas Hub



Electricity, Petroleum & Natural Gas Prices

- Weekly Range at Mid-C: \$61-80 per MWh, Ave. = \$71.2 (year ago \$58.6)
- Approximate change from previous report \$ -2 per MWh
- Pre-2000 typical price range \$20-\$40 per MWh
- Petroleum, West Texas Intermediate: \$112.9 per barrel (year ago: \$69.5)
- Seattle gasoline price (8/20) \$3.93 per gallon (year ago \$2.79)
- Gasoline futures (NYMEX next month) \$2.93 per gallon
- State Diesel price (8/20) \$4.56 per gallon (year ago \$3.11)
- Heating oil futures (NYMEX next month) \$3.20 per gallon
- Natural gas (cash), Sumas Hub: \$6.93 per million BTU (year ago \$5.98)
- Natural gas futures (NYMEX next month) \$8.30 per million BTU
- Approximate change from 2 weeks ago. Oil: = -7 \$ per barrel; Nat. gas: -0.7 \$ per MMBtu
- Ethanol (CBT next month contract) \$2.30 per gallon
- E85 (national average) \$4.01 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 July stream flow at The Dalles: 99.2% of average,
- Observed July precipitation above The Dalles: 46 % of average,
- Forecast Jan.-July 2008 runoff at The Dalles: 101 MAF (94%)
- 2008 snow pack: NA.
- Federal hydropower generation in July 9,405 aMW, 1995-2002 average: 9,147 aMW.
- Reservoir content (Libby, Hungry Horse, Grand Coulee, Dworshak): July 90.2 % , 5-year avg. 88.8%.

Northwest Power Pool

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

Power Pool peak load (Aug 20): 46,566 MW

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

Power Exchanged:

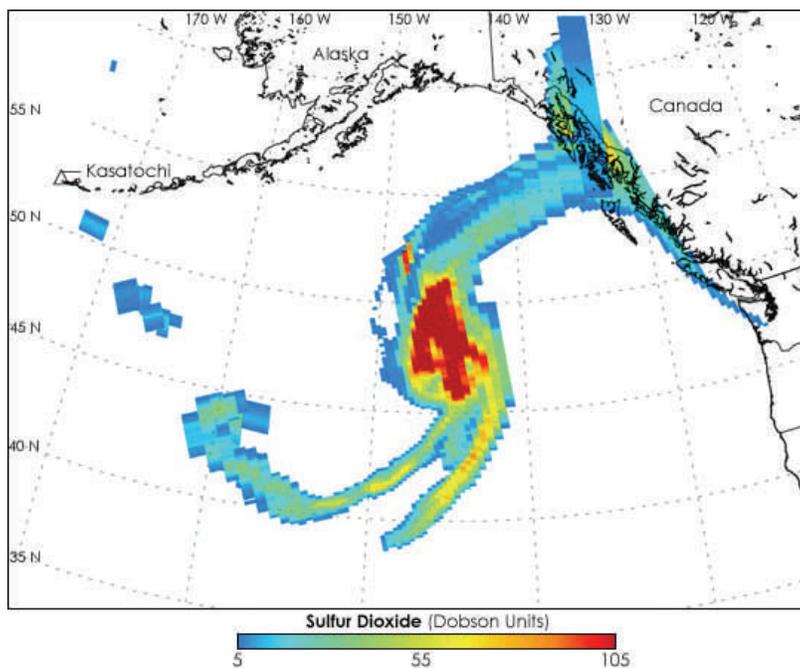
(Updated: Aug 20)

Average flow of power during the last 30 days

- California (exported to) 3,207 MW
- Canada (import from) 466 MW
- Net power export: 2,741 MW

In August, the Kasatochi Volcano in the Aleutian Islands of Alaska erupted 3 times. The volcano released a large cloud of sulfur dioxide. By August 10th, the cloud had traveled southeast toward the Canadian-United States border. Because the cloud may have unseen ash, airlines canceled flights or diverted around it. Fine ash can clog jet engines, causing them to stall. As of August 11, Alaska Airlines had cancelled 44 flights to avoid the ash, affecting some 5,200 passengers, said Reuters.

http://earthobservatory.nasa.gov/Newsroom/NewImages/images.php3?img_id=18118



Annual U.S. Dry Natural Gas Production



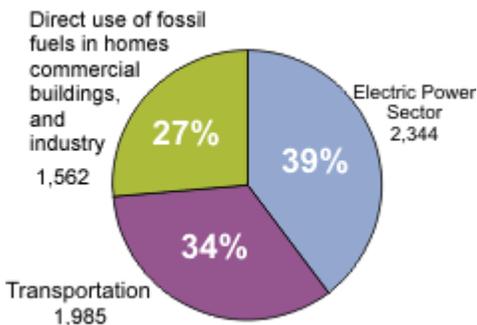
Source: U.S. Energy Information Administration

After declining for several years during the early and mid 2000's US natural gas production has been rising since 2005, and is on pace to be about 8% higher in 2008. Much of the new production is from unconventional natural gas resources, such as cold-bed methane and shale formations. US production actually peaked in the early 1970's a few years after oil production peaked. The natural gas market was regulated at the time, and well-head prices were not allowed to rise sufficiently to bring on new gas resources until the early 1980's.

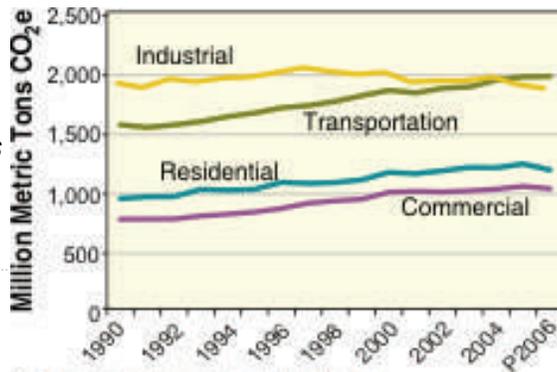
Electricity generation and transportation are the biggest sources of energy-related greenhouse gases.



Million Metric Tons CO₂e



Source: Energy Information Administration



Source: Energy Information Administration

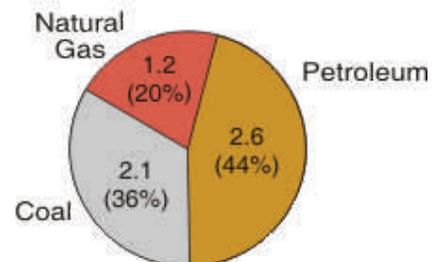


The transportation sector currently emits the most energy-related greenhouse gas.

Petroleum is the fossil fuel that accounts for the most carbon dioxide emissions



Billion Metric Tons CO₂e



Source: Energy Information Administration, *Emissions of Greenhouse Gases in the United States 2006* (Nov. 2007).

Energy headlines:

International

Toyota raising prices on hybrids. Seattle PI, Aug. 24.

http://seattlepi.nwsourc.com/business/1310ap_japan_toyota.html

Mexico's PEMEX annual oil output slides 10%. Oil & Gas Journal, Aug 23.

http://www.ogj.com/display_article/337712/7/ONART/none/DriPr/1/Pemex-annual-oil-output-slides-10;-Cantarell-36/

Gas-liquids get visibility in energy markets. Wall Street Journal, Aug. 21.

<http://online.wsj.com/article/SB121926757324658063-email.html>

China's Sinopec suspends imports of gasoline. Wall Street Journal, Aug. 20.

http://online.wsj.com/article_email/SB121917447248054029-1MyQjAxMDI4MTI5NTTEyNzU0Wj.html

Global Warming Will Do Little To Change Hurricane Activity, According To New Model Science Daily, Aug. 12.

<http://www.sciencedaily.com/releases/2008/08/080812160615.htm>

National

Fill 'er up at the deep fryer. New York Times, Aug. 17.

<http://www.nytimes.com/2008/08/17/nyregion/nyregionspecial2/17Rgasprices.html?adxnnl=1&adxnnlx=1219683841-AsFE0sJjDq6Gd85AEvKw8w>

With oil demand down, prices are leveling off. New York Times, Aug. 23.

<http://www.nytimes.com/2008/08/23/business/23oil.html?scp=2&sq=energy%20prices&st=cse>

Energy politics proving difficult to master. New York Times, Aug. 22.

<http://www.nytimes.com/2008/08/22/us/politics/22energy.html?scp=5&sq=energy%20prices&st=cse>

Sweet potato out-yields corn in ethanol production study. World News Network, Aug. 20.

<http://cgi.wn.com/?action=display&article=76097665&template=worldnews/paidnews.txt&index=recent>

Nearly three quarters of Americans think Pickens' energy plan can work. Renewable Energy Aug 18.

<http://www.renewableenergyworld.com/rea/news/story?id=53357>

Gasoline costs in perspective. Chicago Sun Times, Aug. 18.

<http://www.suntimes.com/business/1110673,CST-FIN-wallet161.article>

Want a clean energy future? It matters who is president. Seattle PI, Aug. 22.

http://seattletimes.nwsourc.com/html/opinion/2008130317_cantwellop22.html

T. Boone Pickens' energy plan isn't powered by details. Seattle PI, Aug. 22.

http://seattlepi.nwsourc.com/virgin/375446_virgin19.html

Bush blames Democrats for high gas prices. Seattle PI, Aug. 23.

http://seattlepi.nwsourc.com/national/1151ap_bush.html

Precision finally gets Grey Wolf in \$2B gas deal. Seattle Times, Aug 25.

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Enhanced geothermal, the next killer app? New York times Dot Earth, Aug 20.

<http://dotearth.blogs.nytimes.com/2008/08/20/enhanced-geothermal-the-next-killer-app/?scp=6&sq=climate%20change&st=cse>

Wind-power sector faces delay of key US support. Wall Street Journal, Aug. 20.

<http://online.wsj.com/article/SB121920553348556135-email.html>

Let's invest in clean energy. Wall Street Journal, Aug. 18.

http://online.wsj.com/article_email/SB121901994266948385-1MyQjAxMDI4MTI5NTAyMTU5Wj.html

U.S. power grid in better shape 5 years after blackout. USA Today, Aug 12.

http://www.usatoday.com/money/industries/energy/2008-08-12-blackout-power-outage_N.htm

Eight strikes and you're out! New York Times, Aug. 13.

http://www.nytimes.com/2008/08/13/opinion/13friedman.html?_r=1&scp=1&sq=McCain%20energy%20policy&st=cse&oref=slogin

McCain takes case for drilling to the Gulf. New York Times, Aug. 20

<http://www.nytimes.com/2008/08/20/us/politics/20campaign.html?scp=6&sq=McCain%20energy%20policy&st=cse>

Regional

Moves to save energy here to stay. Seattle PI, Aug. 24.

http://seattlepi.nwsourc.com/business/376312_smallbusiness25.html

Energy consumption: Rethinking 55. Seattle PI, Aug 17.

http://seattlepi.nwsourc.com/opinion/375334_drived.html

Slow going for grain exports. Seattle PI, Aug 25.

http://seattlepi.nwsourc.com/business/376455_grainbottleneck26.html



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

T. Boone Pickens' energy plan isn't powered by details. Seattle PI, Aug. 22.

http://seattlepi.nwsourc.com/virgin/375446_virgin19.html

Bush blames Democrats for high gas prices. Seattle PI, Aug. 23.

http://seattlepi.nwsourc.com/national/1151ap_bush.html

Recent Reports on Energy and Climate Change

The effects of climate change on agriculture, land resources water resources, and biodiversity in the US. CCSP, USDA, May 27
<http://www.usda.gov/wps/portal/lut/p/ s.7 0 A/7 0 1OB?contentidonly=true&contentid=2008/05/0136.xml>

Factor of Two: Halving the US Automobile Consumption be 2035. MIT, Cot. 2007.

<http://online.wsj.com/public/resources/documents/eyes-1119-2007.pdf>

Renewable energy and energy efficiency: Economic drivers of the 21 century. American Solar Energy Society, Nov, 2007.

<http://www.ases.org/ASES-JobsReport-Final.pdf>

Crude oil, the supply outlook. Energy Watch Group, Oct 2007.

http://www.energywatchgroup.org/fileadmin/global/pdf/EWG_Oilreport_10-2007.pdf

The US Economic Impacts of Climate Change, and the Costs of Inaction. University of Maryland, Oct. 2007.

<http://www.cier.umd.edu/climateadaptation/>

Puget Sound Trends: Vehicle miles traveled. August 2007.

<http://www.psrc.org/publications/pubs/trends/t2aug07.pdf>

OECD report on biofuels: Is the cure worse than the disease? Sept 12.

<http://media.ft.com/cms/fb8b5078-5fdb-11dc-b0fe-0000779fd2ac.pdf>

2007 Gas Price Study: Phase 1 Fact-finding, WA State Attorney General's Office, Aug. 16

http://www.atg.wa.gov/uploadedFiles/Another/Safeguarding_Consumers/Antitrust/Unfair_Trade_Practices/Gas_Prices/2007%20Gas%20Price%20Study%20-%20phase%20I.pdf

Energy and Economic impacts of S. 280, the Climate Stewardship Act of 2007. EIA, August 6 2007

<http://www.nytimes.com/reuters/washington/politics-usa-climate-legislation.html>

National Petroleum Council: Facing the Hard Truths about Energy (2007). http://downloads.connectlive.com/events/npc071807/pdf-downloads/Facing_Hard_Truths-Executive_Summary.pdf

Washington Climate change Challenge. Dept of Ecology & Community Trade and Economic Development

http://www.ecy.wa.gov/climatechange/cat_overview.htm

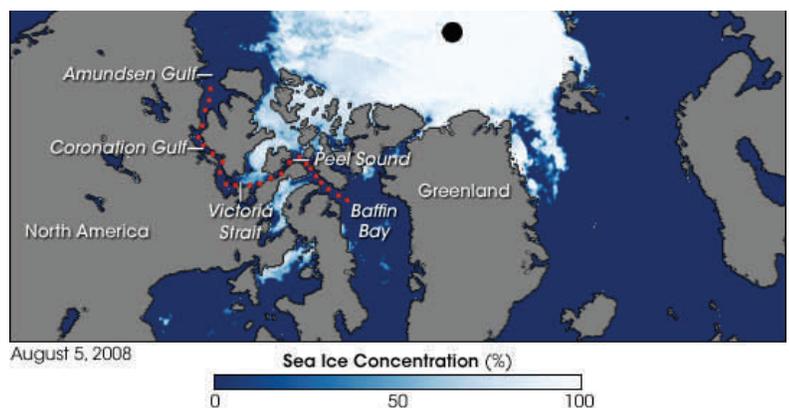
Mitigation of Climate Change, May 4, Working Group III, Intergovernmental Panel on Climate Change, United Nations. <http://www.ipcc.ch/SPM040507.pdf>

Climate Change 2007: Climate Change Impacts, Adaptation and Vulnerability. Apr. 6, Working Group II, Intergovernmental Panel on Climate Change, United Nations. <http://www.ipcc.ch/SPM6avr07.pdf>

Events, Conferences, Trade Fairs

- **September 1:** [23rd European Photovoltaic Solar Energy Conference and Exhibition](#), Valencia, Spain
- **September 9-10:** Energy Health and Safety Conference, Chicago, IL www.marcusevansbb.com/EHS2008
- **September 10-12:** Going Green: Greener pastures for global business, Davis, CA <http://alwayson.goingon.com>
- **September 10-12:** EPIS 2008 Electric Market Forecasting Conference, Stevenson, WA <http://epis.com/Events/2008conference.htm>
- **September 15-17:** Cleantech Forum XVIII, Washington DC www.cleantech.com
- **September 16-17:** Carbon Markets USA, Washington DC http://greenpowerconferences.com/carbonmarkets/carbonmarkets_USA_2008.html
- **September 21-23,** [14th Annual Fleet Fueling Conference & Exhibition, Hyatt Regency](#), Atlanta, GA
- **September 22-23:** Corporate Climate Response, Chicago, IL http://greenpowerconferences.com/corporateclimateresponse/CCRChicago_08.html
- **September 30:** Sustainable Industries Economic Forum, Portland, OR <http://www.sustainableindustries.com/forums>
- **September 30–Oct 1:** [Sustainable Cities & Communities](#), Geneva, Switzerland
- **October 17-18:** AltCar Expo & Conference/ National Conference on PHEVs, Austin, TX www.altcarexpo.com
- **October 23-24:** ASA Committee on Energy Statistics, Washington, DC, email: Alethea.Jennings@eia.doe.gov
- **November 13-14:** Women's Global Leadership Conference in Energy & Technology, Houston, TX www.WGLNetwork.com

Arctic sea ice reached a record low in August and the Northwest Passage was open between Baffin Bay and McClure Strait.



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<http://www.cted.wa.gov/DesktopModules/CTEDPublications/CTEDPublicationsView.aspx?tabID=0&ItemID=5008&Mid=863&version=Staging>

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