

From: Anderson, Susan
Sent: Tuesday, April 07, 2015 12:01 PM
To: Armstrong, Tom; Andre' Baugh; Ocken, Julie
Cc: Armstrong, Michael
Subject: Explanation for assumptions about propane end use

Julie - Please provide to PSC members.

This provides background information on how the carbon mitigation fee was calculated.

1. Pembina has indicated that, at least initially, 50 - 65% of the propane will be used as chemical feedstocks. The calculations assume 50% to be conservative and recognize that this will change over time.
2. Growth in demand for propane in Asia is primarily in the residential and commercial sectors. (So not transportation; not industrial.)
3. We assume some propane is displacing fuel oil and some displacing coal (15% each), since propane is generally less expensive than fuel oil and less polluting than coal.
4. The low price and increasing availability of propane also induces new demand for propane. The new demand is from a) increased economic growth and new companies/jobs; b) continued population growth and formation of new households; and c) provision of additional amenities to residences (i.e., perhaps had no heat source before; now have propane). We assume that 20% of the propane ends up meeting this new, induced demand.

Michael Armstrong

Policy, Research and Operations Manager

Bureau of Planning and Sustainability

City of Portland

1900 SW 4th Ave, Suite 7100

Portland, OR 97201

tel: 503-260-2570

www.portlandoregon.gov/bps

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