



NORTHWEST COLORADO SOCIOECONOMIC ANALYSIS AND FORECASTS

PRESENTED BY:


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Summary Presentation

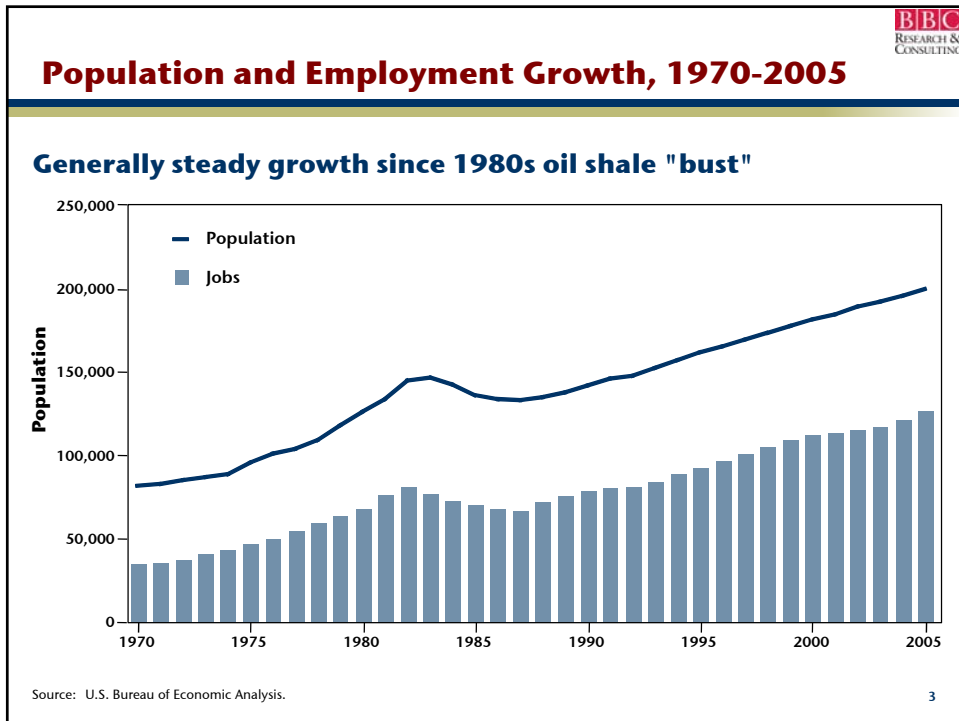
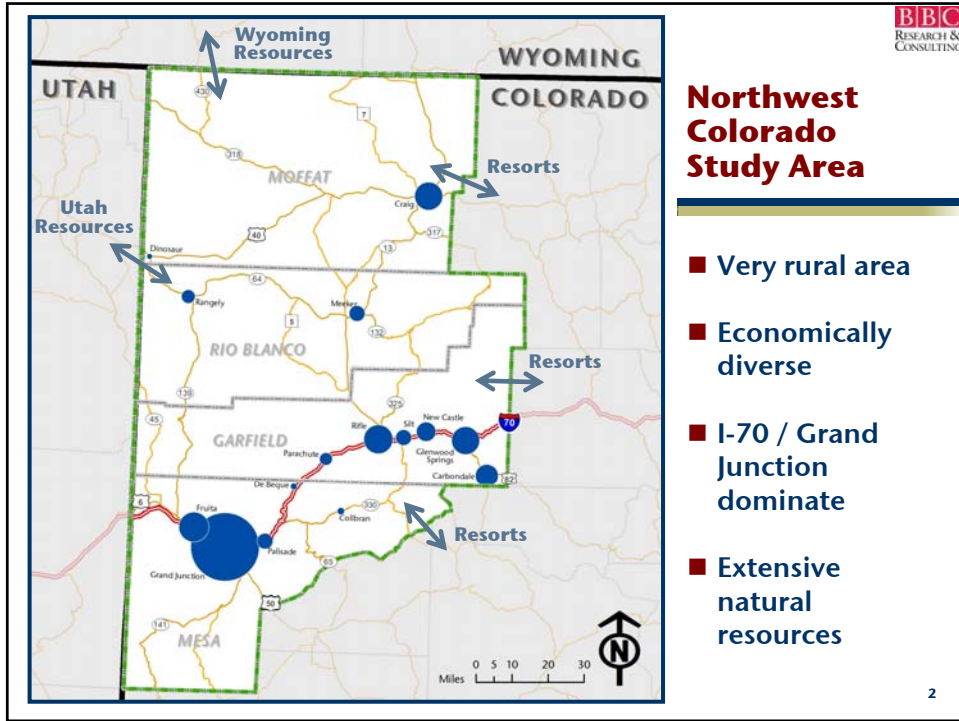


Northwest Colorado Socioeconomic Analysis

- Evaluation of cumulative effects of growth in Northwest Colorado
- Collaborative local and state government effort
- Initiated to respond to federal oil shale plans
- Includes:
 - Scenarios for natural gas and oil shale
 - Economic and demographic forecasts
 - Fiscal analysis



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Baseline Scenario Forecasts (Without Commercial Oil Shale)



Baseline Energy Activity

Stable, traditional components:

- Electric generation
- Coal mining
- Rangely oil field
- 900 workers in region;
1,400 workers nearby

Fast growing component:

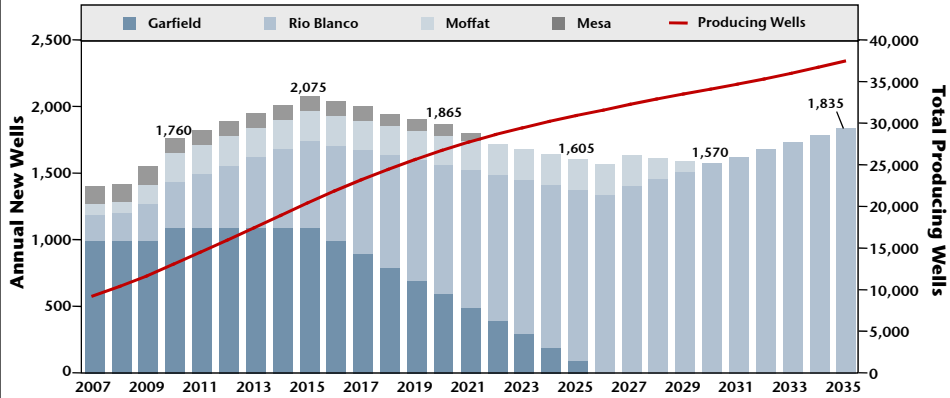
- Natural gas

Prospective components:

- Oil shale (RD&D underway)
- Uranium



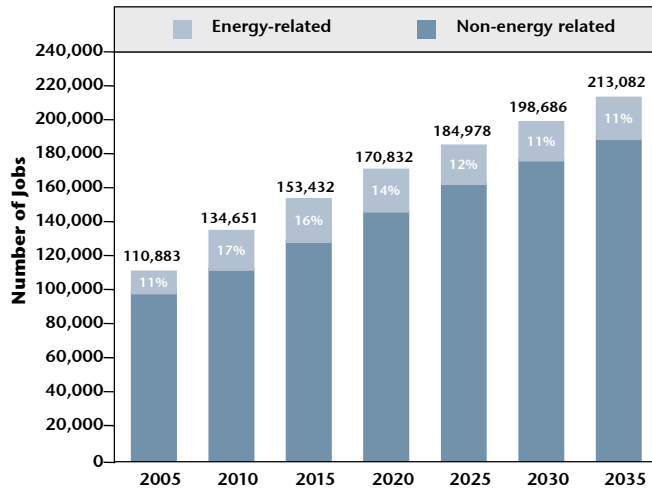
Projected New Gas Drilling and Production, 2007-2035



- Drilling activity peaks in 2015, then stabilizes
- Focus shifts north — Rio Blanco County
- Does not fully reflect industry risks

Total Jobs, 2005-2035 (Baseline Scenario)

- Employment doubles by 2035
- Energy's share peaks in 2010-2015
- Energy remains a key component
- Does not capture sub-regional variations



Projected Population by County—Baseline Scenario

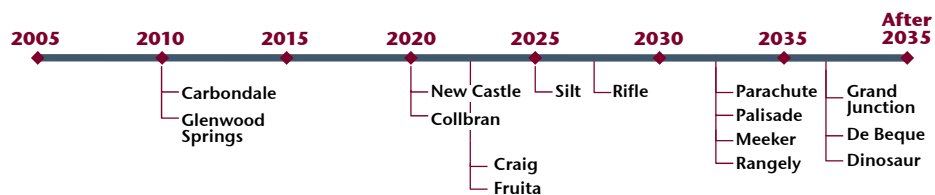
- Mesa County will add over 100,000 residents
- Fastest growth rates in Rio Blanco and Garfield counties

County	2005	Projected Population		Annual Growth Rate
		2020	2035	
Garfield	50,673	95,860	136,697	3.4%
Mesa	130,662	182,170	235,272	2.0%
Moffat	13,426	22,014	26,356	2.3%
Rio Blanco	6,073	13,055	18,624	3.8%
Total	200,834	313,099	416,949	

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Dates When Communities Begin to Approach Build Out*

Limited capacity for growth in existing communities



Note: * Approximate dates when communities are projected to reach 80% of capacity.
Source: Northwest Colorado Socioeconomic Projection model, BBC Research & Consulting, 2008.

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Commercial Oil Shale Scenario Forecasts



Commercial Oil Shale Scenario

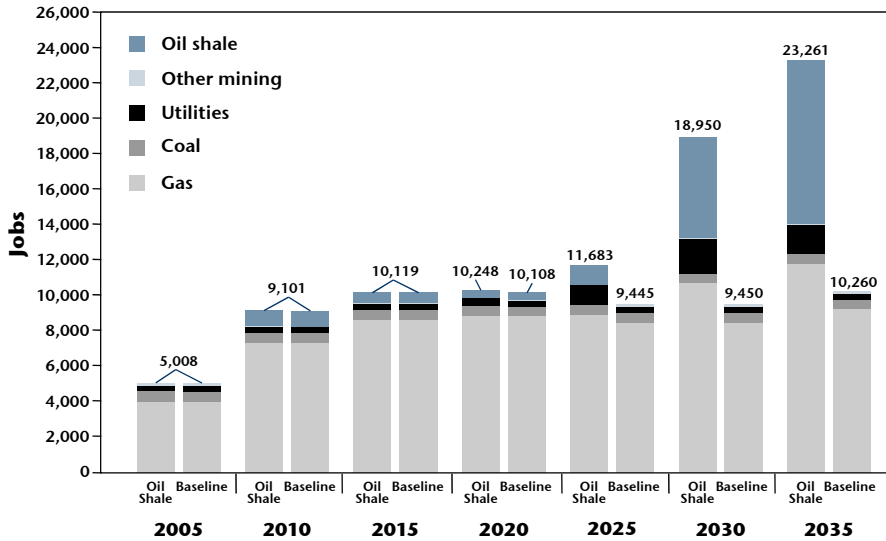
■ Three critical factors:

- Growth/decline in existing supplies
- Global oil demand and politics
- RD&D projects must overcome technical, economic and environmental challenges

■ BBC scenario based on BLM timing, Alberta oil sands experience:

- Small scale production begins 2021
- Production rises to 550,000 bpd by 2035

Direct Energy Jobs by Subsector, Commercial Oil Shale Scenario vs. Baseline Scenario, 2005-2035



Source: Northwest Colorado Socioeconomic Projection model, BBC Research & Consulting, 2008.

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Projected Population—Commercial Oil Shale Scenario

- Rio Blanco and Garfield counties would experience greatest impact

	2005 Population	2035 Population		Difference
		Baseline	Oil Shale	
Garfield County	50,673	136,697	154,301	17,604
Mesa County	130,662	235,272	241,746	6,474
Moffat County	13,426	26,356	31,487	5,131
Rio Blanco County	6,073	18,624	39,013	20,389
Total Region	200,834	416,949	466,547	49,598

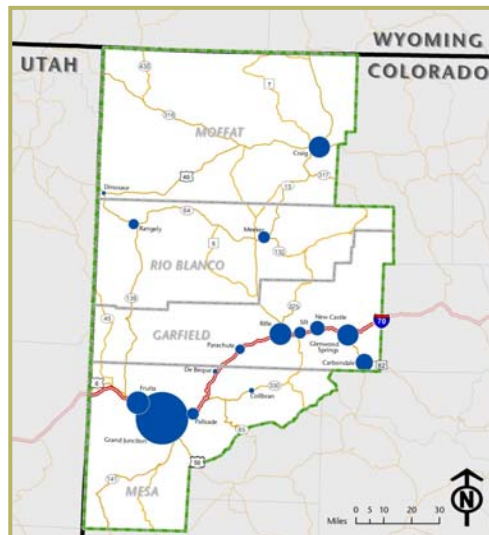
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Fiscal Analysis



NW Colorado—Fiscal Challenges

- Very rural location
 - Small towns, minimal infrastructure
 - Housing shortage
 - Competition for workers
 - Limited road network
- Difficult Topography and abundant public land
- Except for Grand Junction, average town is less than 6,000 persons



NW Colorado—Fiscal Challenges

Gas industry has unusual characteristics...

- Dispersed
- Road intensive
- Uncertain price and risk
- May out-compete other industries
- Migratory
- Evolving: drilling to production

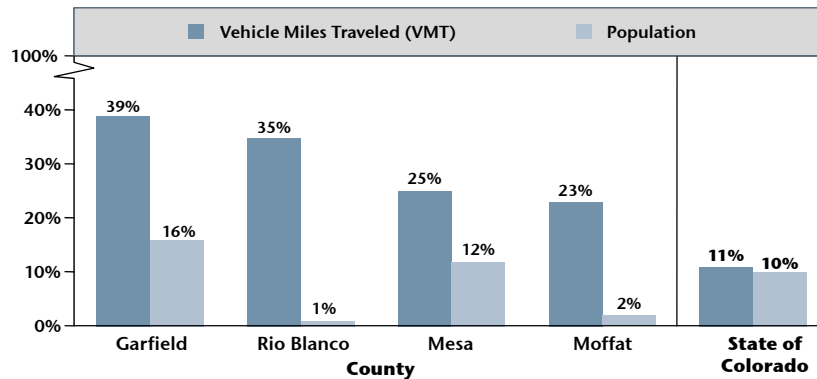


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NW Colorado—Fiscal Challenges

Gas Industry is highway intensive...

Traffic and Population Growth, 2000-2006

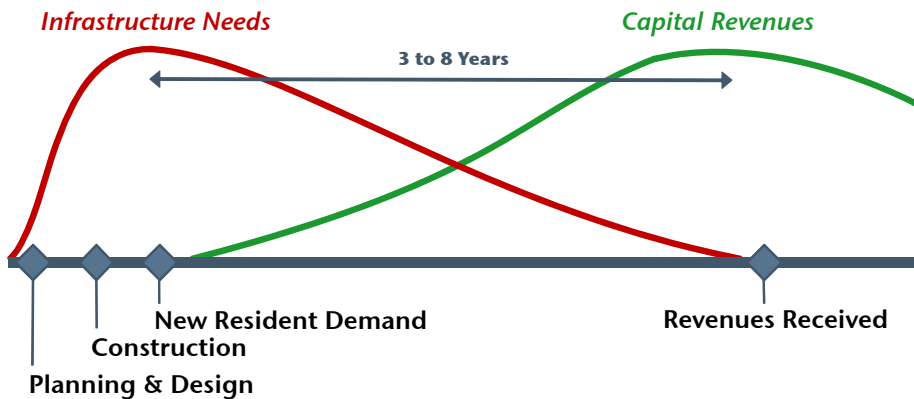


...road costs will be extraordinary and solutions uncertain

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NW Colorado—Fiscal Challenges

Public Investment Timing Issue:



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NW Colorado—Fiscal Challenges

■ Jurisdictional Financial Imbalances

- Sales tax to large towns, housing to rural areas
- Property tax to counties, service demand to towns
- TABOR limitations

■ Economic Uncertainty

- Severance/mineral lease taxes to state
 - DOLA grants
 - Worker-based redistributions
- Uncertain federal policy



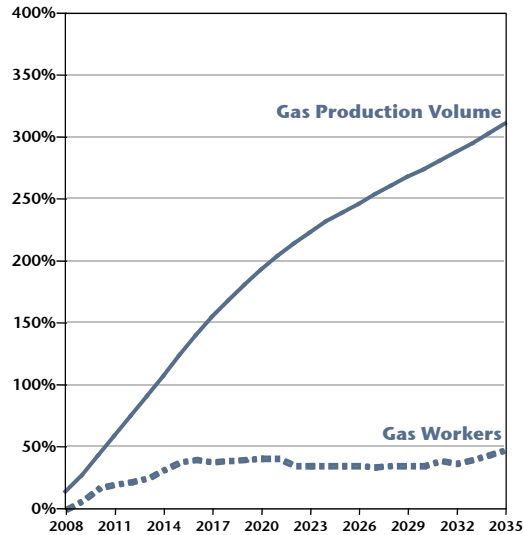
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Energy Revenues—Basically a Favorable Equation

The gas industry will produce significant tax revenue:

- Production loosely correlates with property tax, Federal Royalty and severance tax receipts
- Gas workers loosely correlate with residential service costs

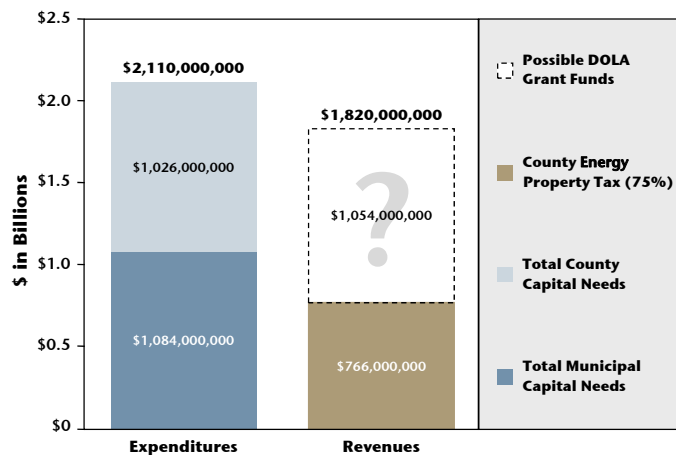
BUT....



NW Colorado—Fiscal Opportunities

Combined city and county growth-related capital costs projected to exceed likely energy revenues:

- \$2.1 billion capital need
- \$1.3 billion funding uncertainty
- Capital timing issues remain
- Jurisdictional imbalances remain



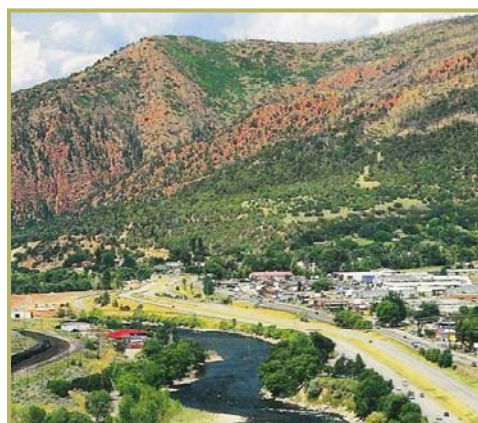
NW Colorado—Fiscal Summary

- Unique energy revenues are substantial:
 - Adequate to cover expected operating costs
 - Uncertain capital needs remain: roughly \$1.3 billion of which \$1.0 billion may be covered by DOLA Grants
- Challenges are also substantial:
 - Capital investment timing
 - Economic and investment risks
 - Revenue return is uncertain
 - Jurisdictional costs/revenue imbalances
- Regional solutions are needed:
 - Investment coordination
 - Impact monitoring

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NW Colorado—Fiscal Consequences of Oil Shale

- Uncertainty dominates
- Baseline population projections already strain most municipalities
- Federal tax support is unknown
- Demands clearly exceed institutional capacity
- Will likely require new towns—or similar private investment



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Final Thoughts and Next Steps

- **NW Colorado has entered a period of rapid change**
 - Many risks and challenges
 - Also substantial opportunities
- **Capitalizing on this challenge will require:**
 - Proactive regional efforts
 - Local, state, Federal and private commitment
- **Collaborative Task Force is willing to continue work on potential strategies and solutions**

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