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California Energy Commission
Docket Office, MS-4
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Sacramento, CA 95814-5512
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Re: California Energy Commission Docket No. 11-IEP-1C Demand Forecast: Committee Workshop on 2012-2022 Preliminary Staff Electricity and Natural Gas Demand Forecast

To Whom It May Concern:

On July 20, 2011, the California Energy Commission ("Energy Commission" or "CEC") held a Committee Workshop on 2012-2022 Preliminary Staff Electricity and Natural Gas Demand Forecast ("the Workshop"). The Workshop was held as part of the Energy Commission's 2011 Integrated Energy Resource Policy Report process ("2011 IEPR"). Southern California Edison Company ("SCE") participated in the Workshop. SCE appreciates the opportunity to provide these written comments on the Workshop.

After reviewing the Energy Commission forecast[1] ("CED 2011 Preliminary Forecast"), the forecast appears to be lower than expected. Accordingly, we have been working with the Energy Commission staff to determine the drivers of these results. However, given the short timeframe to comment on the CED 2011 Preliminary Forecast, SCE has not had time to fully understand the assumptions and forecasting techniques. SCE would like to continue to work with the Energy Commission Staff to develop a full understanding of the Energy Commission's forecasting models, techniques and assumptions.

Forecast Growth Rates

SCE has compared its expectation of the growth rate by customer class with the assumptions used for the CED 2011 Preliminary Forecast and found significantly lower than expected growth rates in the CED 2011 Preliminary Forecast. In order to make this comparison SCE subtracted the updated uncommitted energy efficiency forecast from the Energy Commission's forecast. This was necessary as SCE's forecast does not differentiate between committed and uncommitted energy efficiency.

[1] Preliminary California Energy Demand Forecast 2012-2022, Draft Staff Report. Pub # CEC-200-2011-011-SD. Posted August 26, 2011. Available at: http://www.energy.ca.gov/2011publications/CEC-200-2011-011/CEC-200-2011-011-SD.pdf

Table 1 – Growth Rates by Customer Class for 2011 CED 2011 Preliminary Forecast

Year	Sales Growth Rates (GWh)			
	Residential		Non-Residential	
	SCE Expected	CEC-Mid	SCE Expected	CEC-Mid
2011-2015	1.32%	0.91%	1.35%	0.54%
2015-2022	2.28%	1.42%	1.80%	-0.03%
2011-2022	1.93%	1.23%	1.64%	0.18%

As Table 1 above demonstrates, for residential sales, SCE's expected growth rate is higher through the 2011-2022 timeframe. Part of this is due to the difference in solar distributed generation. Distributed generation is a load modifier and is, therefore, subtracted directly from the demand forecast. The Energy Commission's new solar model provides estimates that are higher than SCE's forecast of solar generation in all three timeframes (i.e., 2011-2015, 2015-2022 and 2011-2022).[2]

For the non-residential sales, the difference in growth rates is much more dramatic. SCE's expected growth rate is 1.64% for the 2011-2022 timeframe, while the Energy Commission's forecast is growing at a 0.18% rate for the same timeframe. This is one area where the Energy Commission and SCE need to better understand the differences. One partial explanation is that SCE accounts for additional electrification load from equipment other than electric vehicles. Total electrification load is expected to reach 2,600 gigawatt hours by 2022. This includes electrification at ports, rail, forklifts and other equipment as a result of increased air standards. Another significant difference is the inclusion of non-residential distributed generation (thermal, solar and fuel cells). SCE tracks all distributed generation regardless of size while for thermal generation the Energy Commission only uses information for units over 100 kilowatts.

Table 2 – Overall Growth Rates for 2011 CED 2011 Preliminary Forecast

Year	**Overall Growth Rates**			
	Retail Sales (GWh)		Peak Demand (MW)	
	SCE Expected	CEC-Mid	SCE Expected	CEC-Mid
2011-2015	1.34%	0.64%	1.30%	0.87%
2015-2022	1.97%	0.45%	1.75%	0.40%
2011-2022	1.74%	0.52%	1.59%	0.57%

The Energy Commission separately provided its forecast of total retail sales to SCE. Once again, to make an accurate comparison, SCE subtracted the associated uncommitted

[2] CED 2011 Preliminary Forecast, Appendix B.

energy efficiency from this forecast. The Energy Commission's total retail sales forecast is growing at rate of 0.52% per year over the 2011-2022 timeframe, while SCE's expected growth rate is 1.74%. SCE's expected growth rate is 1.59% in the 2011-2022 timeframe while, according to the peak demand results included in the CED 2011 Preliminary Forecast, the Energy Commission's growth rate is only 0.57%. Given these differences, by 2022, the peak demand difference is over 2000 MW, which is the size of a large generation station complex. Given the magnitude of this difference, pursuing resource strategies based on a forecast using inaccurate assumptions could result in either substantial additional costs or inadequate reliability for SCE's customers. As a result, SCE regards continued work towards understanding and reconciling these forecasting differences to be very important.

Energy Efficiency and Conservation

SCE has been working with the Energy Commission to gain a better understanding of how energy efficiency and conservation are calculated and incorporated into the forecast. SCE continues to be concerned about the level of peak energy efficiency reductions (MW) the Energy Commission is assuming in its uncommitted forecast and looks forward to working with the Energy Commission to address this issue.

The graphical representation of energy savings in the CED 2011 Preliminary Forecast[3] is a more accurate representation of the amount if efficiency and conservation contained in the Energy Commission forecast. SCE applauds the Energy Commission's willingness to work with stakeholders to improve the characterization of efficiency and conservation in its forecast.

Future Steps

SCE believes there needs to be additional work done to understand the Energy Commission forecasting process and its models and assumptions in order to identify the reasons behind the differences in the Energy Commission and SCE forecasts before SCE can take issue with any particular assumption. The Demand Analysis Working Group ("DAWG") has spent a considerable amount of time helping the Energy Commission understand how the investment-owned utilities ("IOUs") and larger publicly-owned utilities ("POUs") develop their forecasts. SCE believes that the Demand Forecasting Subgroup of the DAWG would be an appropriate forum for discussing the Energy Commission's forecasting methods and processes, identifying key issues between the Energy Commission and utilities and working towards resolution of identified issues.

[3] CED 2011 Preliminary Forecast at p.30.

As always, SCE appreciates the opportunity to submit its comments. Feel free to contact me regarding any questions or concerns.

Sincerely,

/s/ Manuel Alvarez

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