

Stakeholder Comments
Subject: CAISO 2010 Local Capacity Technical Study
Base Cases

Submitted by (Name and phone number)	Company or Entity	Date Submitted
Karen I. Lee (626) 302-6659	Southern California Edison	January 28, 2009

In accordance with the request of the California Independent System Operator (“CAISO”), Southern California Edison Company (“SCE”) hereby submits its comments on the base case (“2010 Base Case”) for the 2010 Local Capacity Technical Study (“2010 LCR Study”). SCE appreciates the opportunity to provide written comments on the 2010 Base Case. SCE also appreciates the continuing efforts of the CAISO and the California Energy Commission (“CEC”) to develop a load forecast for use in the 2010 LCR study that incorporates that incorporates the most recent information regarding the impact of current economic conditions.

Since the CEC did not publish a 2008 Integrated Energy Policy Report (“IEPR”) forecast in November 2008, the CAISO initially concluded that it would use the CEC’s 2007 IEPR forecast of 2010 load for purposes of the 2010 LCR Study. Given the significant economic downturn that has occurred since the 2007 IEPR forecast was published, SCE contacted CEC staff to discuss the development of a revised forecast for SCE’s planning area that better reflected current market conditions. CEC staff

subsequently issued a revised draft recommended forecast of 26,027 MW for the SCE planning area for use in the 2010 LCR Study base case.

SCE appreciates the CEC's efforts to improve its load forecast. However, SCE still believes the revised SCE planning area load forecast of 26,027 MW for the 2010 LCR Study is too high given the current economic conditions. In calculating the revised load forecast, the CEC modified its 2007 IEPR forecast and, in so doing, did not adequately account for fundamental changes to the assumptions used to develop the 2007 IERP forecast (e.g. the recent economic downturn). SCE's recommended load forecast, however, utilizes SCE's fall 2008 forecast, which was a broader analysis of economic indicators, including recorded economic data through October 2008; economic forecasts as of November 2008; and sales and load data through November 2008.

The economic data SCE analyzed to arrive at its load forecast included the significant recorded decline in the SCE area during first 10 months of the 2008 calendar year in applications for residential building permits, commercial construction, and industrial employment, all of which influenced the reductions in the forecasts of these economic indicators for the remainder of the 2008 calendar year through 2010. SCE's fall 2008 forecast also incorporated SCE data on a decline in customer in additions, sales and average hourly loads (on a weather-adjusted basis), and in the 2008 summer peak demand as compared to the 2007 summer peak demand (on a weather-adjusted basis). The combined effects of less growth due to fewer customer additions and reduced use by existing customers due to slower economic growth result in a significantly reduced forecast for 2010 peak demand.

In light of the current economic conditions, SCE's recommended (1-in-10) load forecast of 24,936 MW for the SCE planning area, approved internally in December 2008, more accurately reflects the current outlook and is more realistic for load within SCE's planning area. Therefore, SCE respectfully requests that its recommended load forecast of 24,936 MW be incorporated in the 2010 Base Case.

Going forward, SCE believes that it is necessary to improve the load forecasting process applicable to the LCR Study, to capture economic and other changes so that the LCR Study is reflective of current conditions. An LCR Study that uses a load forecast that most accurately reflects current conditions will allow the CAISO to identify local area reliability requirements and reduce the risk that load-serving entities ("LSEs") will over-procure (or under-procure and thereby create a need for CAISO backstop procurement) because the requirements were based upon outdated forecast information.

SCE appreciates the efforts of the CAISO and the CEC to improve the LCR Study forecasting process and the opportunity to provide comments on the draft 2010 Base Case. SCE requests that the CAISO consider revisions to the LCR Study forecasting process in order to ensure that current conditions are accurately reflected in future LCR studies. SCE is ready and willing to provide any assistance or additional information the CAISO may need to do so.