

March 5, 2013

California Energy Commission
Docket Office, MS-4
Sacramento, CA 95814-5512
docket@energy.state.ca.us



Re: California Energy Commission Docket No. 13-IEP-1C/1L Comments on Workshop on Economic, Demographic, and Energy Price Inputs for Electricity, Natural Gas and Transportation Fuel Demand Forecasts

To Whom It May Concern:

On February 19, 2013, the California Energy Commission (“Energy Commission”) held a Lead Commissioner Workshop on Economic, Demographic, and Energy Price Inputs for Electricity, Natural Gas and Transportation Fuel Demand Forecasts (“the Workshop”). The Workshop was part of the Energy Commission’s 2013 Integrated Energy Policy Report process. Southern California Edison Company (“SCE”) appreciates the opportunity to contribute to the Energy Commission’s collaborative process for refining the methodology and assumptions behind its demand forecasts through the submission of these brief written comments.

A. Natural Gas Demand Forecast

With respect to the natural gas market outlook, SCE believes that the assumptions discussed at the Workshop are reasonable and supports the Energy Commission’s use of the World Gas Trade Model. SCE appreciates the Energy Commission’s invitation to collaborate with it and other stakeholders on model assumptions and methodologies in the future. SCE looks forward to participating in that process and to commenting further on the results of the Energy Commission’s reference and scenario cases when they are published.

B. Electricity Demand Forecast - Economic, Efficiency, Self-Generation, and Rate Assumptions

SCE’s comments on the Energy Commission’s electricity demand forecast assumptions and methodologies are as follows. As a preliminary matter, SCE strongly supports the continued use of the Demand Analysis Working Group (“DAWG”) as a forum for the Energy Commission, the utilities and other stakeholders to collaborate on forecasting issues. SCE looks forward to addressing the issues raised below in future DAWG meetings.

SCE also supports the Energy Commission’s reliance on Global Insight and Moody’s for its economic and demographic forecasts. In fact, Global Insight and Moody’s are the same sources

SCE relies upon for its own forecasts. SCE, however, utilizes a different approach when harmonizing disparate results from these two sources and suggests that the Energy Commission consider the merits of SCE's approach. Specifically, SCE shares the Energy Commission's experience that Moody's tends to be overly pessimistic while Global Insight can be too optimistic about the California economy, particularly with respect to manufacturing output forecasts. These differences can result in a large discrepancy between the two sources' forecasts. When this occurs, SCE averages the two sets of data to arrive at a single forecast. The Energy Commission may want to utilize the same approach to achieve a more realistic view of the California economy.

SCE understands that the Energy Commission develops its high-case and low-case scenarios to identify extreme situations. SCE recommends, however, that certain adjustments be made to the underlying assumptions so that the Energy Commission's scenarios reflect certain practical realities. For instance, high economic growth is likely to increase customers' ability to invest in energy efficiency and self-generation, such as rooftop solar photovoltaic systems. The inverse is likely true in periods of low economic growth. The Energy Commission's high and low economic growth scenarios, however, do not consider these correlations and instead assume the opposite is true. SCE therefore suggests that the Energy Commission consider making adjustments to its scenarios to take these nuances into account.

Regarding energy efficiency, SCE agrees with the Energy Commission's decision to include achievable energy efficiency in its forecast. Specifically, it is appropriate for the Energy Commission to incorporate the impact of those programs in its long-term demand forecast because it is reasonable to assume that California's energy efficiency programs will continue beyond their current funding cycle.

The Energy Commission's recognition of imbedded energy efficiency uncertainty is also reasonable and prudent. When developing its achievable energy efficiency scenarios, the Energy Commission should consider how uncertainty may vary depending on program design. For instance, savings from behavioral and emerging technology programs are much more uncertain than savings from programs that encourage customer investment in more efficient and mature technologies. SCE recommends that the Energy Commission structure its scenarios around these uncertainties. Specifically, the high savings scenario should include all cost-effective energy efficiency; the mid scenario should be calibrated to existing programs; and the low scenario should be the most pessimistic, assuming no savings from uncertain programs.

SCE also requests that the Energy Commission provide greater detail about the base analysis for predicting achievable or uncommitted energy efficiency potential. The California Public Utilities Commission, in conjunction with Navigant Consulting, completed a study on energy efficiency potential in 2011. The CPUC is currently in the process of updating and refining the 2011 study for 2013. The Energy Commission may also want to consider using the 2013 updated study as its basis for calculating future energy efficiency program savings.

In addition to the Energy Commission's base analysis for predicting energy efficiency, SCE would also appreciate more information about the underlying rate design and level assumptions the Energy Commission is relying upon, as well as the opportunity to submit additional comments based on that information. Rate design is currently undergoing significant changes, which may alter the impact of rate levels within the Energy Commission's models.

Finally, SCE suggests that the Energy Commission consider developing a quarterly, if not monthly, forecasting model. The Energy Commission's use of annual models may overlook seasonal variations and thus produce less accurate estimates in the coefficients of the weather variables in its models. Because the Energy Commission recently developed econometric models, it should be able to use quarterly or monthly, as opposed to annual, data to take these seasonal differences into account. In addition, the Energy Commission currently receives quarterly data from the utilities. Thus, the benefit of implementing a quarterly or monthly forecast likely outweighs the inconvenience of transitioning from an annual to a quarterly or monthly forecast.

C. Electric Vehicles

The workshop materials only provide a single low forecast for electric vehicle adoption. The Energy Commission should consider following SCE's approach, which utilizes three scenarios -- a low-case scenario based on the California Air Resources Board Zero-Emission Vehicles Mandate model, a mid-case scenario based on an analysis of published studies, and a high-case scenario based on a factor of 1.75 to 2 times the mid-case scenario.

In addition to expanding the forecast scenarios, SCE also recommends that the Energy Commission include other kinds of transportation and vehicle electrification, such as high speed rail, fixed route medium and heavy duty trucks, forklifts, catenary trucks and shore power, in its demand forecasts.

In conclusion, SCE appreciates the Energy Commission's consideration of SCE's comments and looks forward to continuing to engage in this collaborative process with the Energy Commission. Please do not hesitate to contact me at (916) 441-2369 regarding any questions or concerns you may have.

Yours truly,

/s/ Manuel Alvarez

Manuel Alvarez