

June 10, 2013

California Energy Commission
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Re: *California Energy Commission Docket No. 13-IEPR-1C Workshop on Preliminary Electricity and Natural Gas Demand Forecasts 2014-2024*

To Whom It May Concern:

On May 30, 2013, as part of its 2013 Integrated Energy Policy Report (“2013 IEPR”) process, the California Energy Commission (“Energy Commission”) held a Staff Workshop on Preliminary Electricity and Natural Gas Demand Forecasts from 2014 through 2024 (“the Workshop”). The workshop explored a range of perspectives on the future of end-user energy demand in California over the next 10 years. Southern California Edison Company (“SCE”) appreciated the opportunity to participate in the Workshop and to provide these written comments.

At the workshop, the Energy Commission presented its preliminary demand forecast and discussed its methodology for calculating the forecast. As discussed in greater detail below, SCE recommends the Energy Commission use a collaborative approach with both utilities and stakeholders to (1) attempt to rectify the significant differences between the utilities’ and the Energy Commission’s forecasts, (2) develop a common approach to weather normalization to calculate peak demand, (3) develop a demand forecast methodology that will eventually achieve greater granularity, and (4) consider incorporating uncommitted energy efficiency in all future forecasts.

A. Harmonization of the Utilities’ and Energy Commission’s Demand Forecast Inputs

As the Energy Commission has acknowledged, the departures between the Energy Commission’s and the utilities’ forecasts primarily stem from fundamental differences between the Energy Commission’s and SCE’s input data. Specifically, electrification, household size and electric rate forecasts, all of which are data points that are incorporated into and influence the outcome of the demand forecast.

First, SCE strongly encourages the Energy Commission to reevaluate its electric rate forecast to more closely align its electric rate growth with utility consensus outlooks of electric rate growth, which is much lower than the forecast used in the Preliminary Electricity Demand Forecast. SCE believes that the reason the Energy Commission’s electric rate forecast is

significantly higher than any of the utility's respective rate forecasts is likely twofold. First, the Energy Commission's electric rate forecast is inconsistent with current natural gas prices, which have dropped to historic lows. Future natural gas price outlooks have also dropped significantly between 2010 and 2013. Second, the Energy Commission's projected rate growth pattern appears to be similarly inconsistent with the utilities' data. Given that the Energy Commission believes that half of the energy efficiency savings will come from price effects, SCE would like the opportunity to work with the Energy Commission to improve the electric rate forecast's assumptions, model design, and final output. In addition, SCE recommends that the Energy Commission utilize each utility's latest rate update for 2012 to establish the most accurate historical data point.

Second, electrification data is also driving a difference between the utilities' and the Energy Commission's demand forecasts. The forecast for electric vehicles used in the Energy Commission's 2013 preliminary demand forecast has not been updated to reflect recent developments in this market. In addition, the preliminary forecast does not include goods and people movement electrification. As a result, the electrification of the ports and forklifts and the expansion of electrified rail, all of which are occurring in SCE's service territory, are not captured in the Energy Commission's preliminary forecast. Without these elements, it is difficult for SCE to meaningfully compare SCE's and the Energy Commission's forecasts at this time. SCE understands, however, that the Energy Commission plans to incorporate an updated electric vehicle forecast and to capture the additional electrification load for SCE planning area in their final forecast. SCE looks forward to offering additional comments when the new forecast becomes available.

Third, SCE recommends that the Energy Commission reevaluate its average household size projections to reflect its relationship to economic cycles. To compute the household size forecast, the Energy Commission primarily relied upon a third-party's population forecast and its own household size projections, which assume a growth trend for household size over the long term. Based on SCE's evaluation of these data, household size increases in periods of economic expansion and drops during periods of recession or decline. As such, SCE would not expect household size to continue increasing as the economy improves. Because detailed and comprehensive modeling of household size that incorporates the relationship with economic conditions would impact the overall residential demand forecast, it deserves further examination and refinement.

B. Weather Normalization to Reconcile Peak Demand Forecast Differences

SCE would like to continue to work collaboratively with the Energy Commission's and the California Independent System Operator's (CAISO's) staff to develop a common definition and assessment of historical weather conditions. Development of a single agreed upon weather normalization input will reconcile the differences in the parties' respective peak demand forecasts. SCE believes that such a collaborative effort would help establish a better foundation for future forecast development efforts among agencies such as the Energy Commission, CAISO, and SCE.

C. Achieving Forecast Granularity

The California Legislature, CAISO, Public Utilities Commission, investor owned utilities, and others have recognized that a more granular, disaggregated forecast at the local or regional service territory level is desirable. At the Workshop, however, Alan H. Sanstad from Lawrence Berkeley National Lab demonstrated that as the forecast's granularity increases so does the potential for uncertainty and inaccuracy. To mitigate these concerns, SCE recommends that the Energy Commission use the existing Demand Analysis Working Group (DAWG) as well as Evaluation, Measurement and Verification (EM&V) PCT meetings to identify, prioritize, and address data quality and availability issues and to develop new demand forecasting methodologies and energy efficiency programs at local area levels. In addition, SCE also recommends that the Energy Commission initiate a collaborative stakeholder process for establishing best practices for utilizing such forecasts for policy and decision making purposes.

D. Incorporation of Uncommitted Energy Efficiency in Future Demand Forecasts

SCE understands that the Energy Commission plans to incorporate the uncommitted energy efficiency forecast in its final forecast. In recognition of this, SCE will provide further comments when the Energy Commission releases its final forecast.

In conclusion, SCE appreciates the Energy Commission's consideration of these comments and looks forward to collaborating with the Energy Commission to develop a demand forecast that is relevant and useful for industry stakeholders and policymakers in California. Please do not hesitate to contact me at (916) 441-2369 regarding any questions or concerns you may have.

Very truly yours,

/s/ Manuel Alvarez