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California Energy Commission
1516 Ninth Street
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RE: Docket # 13-IEP-1A - Draft 2013 Integrated Energy Policy Report Scoping Order

Dear Commissioners:

As requested in the Notice of Request for Public Comments on the Draft 2013 Integrated Energy Policy Report (IEPR) Scoping Order, San Diego Gas and Electric Company (SDG&E) and Southern California Gas Company (SoCalGas) provide these comments on the Draft Scoping Order. At high level, SDG&E and SoCalGas agree with the draft scope of the 2013 IEPR. However, we recommend that the Final Scoping Order should be more specific and focused on the demand forecasts for electricity and natural gas, addressing key issues raised in the 2011 IEPR and 2012 IEPR Update.

ELECTRICITY ISSUES

The California Energy Commission (CEC) electricity demand forecast feeds into the California Public Utilities Commission (CPUC) Long-term Procurement Plan (LTPP) and so is of critical importance. While the Draft Scoping Order includes under the electricity section, *“Forecasts of statewide and regional electricity demand and factors leading to projected demand growth,”* it does not detail the issues raised in the 2011 IEPR, the 2012 IEPR Update, and the 2012 LTPP that should be addressed in the 2013 IEPR. The Final Order should address these issues.

- 1) The 2012 IEPR Update stated “The Energy Commission should begin an effort to reflect more comprehensively uncertainty surrounding the demand forecast, particularly regarding the interaction and implementation of California’s policies for zero emission vehicles, combined heat and power, and distributed generation.” [Emphasis added] The scoping order should address these interactions and the impact on the demand forecast. In particular, the interaction of growth in demand moderated by energy efficiency, the GHG reductions of grid-supplied power due to the Emission Performance Standard (EPS) and the Renewable Portfolio Standard (RPS), and the limited potential for combined heat and power (CHP). As stated in SDG&E comments on the 2012 IEPR Update, it appears CHP in the near future will no longer provide any GHG reductions because of the impact of the EPS and RPS on marginal grid emissions. Further, the CEC’s past studies by ICF International have been based on engineering estimates of GHG savings which have proved to be dramatically overstated in the commercial sector as found in CPUC-commissioned studies of the Self Generation Incentive Program by ITRON. The 2013 IEPR should include an investigation of these interactions and their impact on the demand forecast, particularly the amount of behind-the-meter CHP.
- 2) Also vital to the electricity demand forecast is a reasonable estimate of the amount of behind-the-meter renewable distributed generation (DG). The 2013 IEPR should follow up on the recommendation in the 2011 IEPR to investigate renewable DG development by region. The factors that should be considered include the normal economics of the customer investment decision, but also should investigate the magnitude of ratepayer subsidies for DG including costs associated with integration and interconnection.¹ The impacts on customer bills from collecting increasing distribution and transmission costs through a rate structure which does not adequately capture the services that are provided to customers is significant. There is a critical need to make structural changes in rate design necessary to support wide-scale rooftop solar deployment as well as net zero energy construction policies. Changes in pricing structures, more specifically

¹ The costs and benefits related to distributed solar generation are being examined in multiple venues including R.12-11-005 and R. 1105005.

changes to the recovery of electric infrastructure and service costs, could have significant impacts on the amount of renewable DG energy in the 2013 IEPR demand forecast. In addition, different ownership models (ex: lease vs. purchase) should be considered in the forecast of PV adoption as the prevalence of lease systems continues to increase, making a simple payback model incomplete.

- 3) Uncommitted energy efficiency (EE) is another key element of the determination of the electricity demand forecast. EE savings that are reasonably expected to occur are those EE savings that meet the statutory requirement of being “cost effective, reliable and feasible.” The CEC staff previously developed low, mid and high uncommitted EE assumptions that ranged from about 40 percent lower than the mid case and to a high case 16 percent higher than the mid case. The range was much wider than CPUC staff’s initial proposal in the LTPP proceeding; there a lower end estimate of EE savings was only 5 percent lower than the mid case. This difference in forecasts led to a significant dispute in the LTPP. SDG&E suggests that the task of developing the base case uncommitted EE and the low and high scenarios developed by the CEC in the 2013 IEPR be developed in conjunction with CPUC Energy Division staff and stakeholders to eliminate a re-litigation of the issue in the LTPP.

NATURAL GAS ISSUES

As with the electricity demand forecast, the Draft 2013 IEPR Scoping Order is very vague about natural gas issues. The Draft Scoping Order states the 2013 IEPR will investigate “forecasts of statewide and regional natural gas demand and factors leading to projected demand growth, including climate change;” and, “assessments of natural gas prices and market trends and outlook.” The Draft 2013 IEPR Scoping Order does not detail the issues raised in the 2011 IEPR and the 2012 IEPR Update that the CEC said should be addressed in the 2013 IEPR.

- 1) The 2012 IEPR Update recommended assuring that the existing natural gas infrastructure can support renewable integration. Given that the likely impact of renewable integration will be to increase the variability of gas demand throughout the day as gas-fired electric generation provides increased ramping and regulation services, there will be a change in the

use of the in-state natural gas storage system and intrastate pipelines. To meet these hourly fluctuations, natural gas storage will experience increased cycling, while intrastate pipelines may experience increased fluctuations of pipeline pressures. The 2013 IEPR should address the impact of renewable integration on natural gas demand and whether the current natural gas infrastructure can accommodate these changes.

- 2) The 2011 IEPR natural gas demand forecast was significantly higher than the forecast the California utilities prepared for the 2010 California Gas Report (CGR). The disparity between the forecasts was 38 percent in the year 2020 for SoCalGas and 18 percent for SDG&E. While part of the reason for differences was different economic forecasts, a large part of the difference was the fact that the CGR incorporated adjustments for long-term uncommitted EE savings, while the 2011 IEPR forecast did not. The CEC should develop a long-term uncommitted energy efficiency forecast for natural gas and alternative scenarios similar to and consistent with the EE forecast and scenarios developed for the electricity demand forecast.
- 3) Past IEPR natural gas demand scenarios have been clustered in a fairly narrow range. SoCalGas suggests the natural gas demand scenarios should have a much broader range given alternative assumptions about the growth of the California economy, natural gas prices, the impact of the cap-and-trade program, and energy efficiency.

In closing, SDG&E and SoCalGas appreciate the opportunity to provide comments on the draft 2013 IEPR Scoping Order and look forward to productively working with the CEC on the 2013 IEPR.

Respectfully submitted,

Tamara Rasberry /s/