



# **2023 IEPR Demand Forecast**

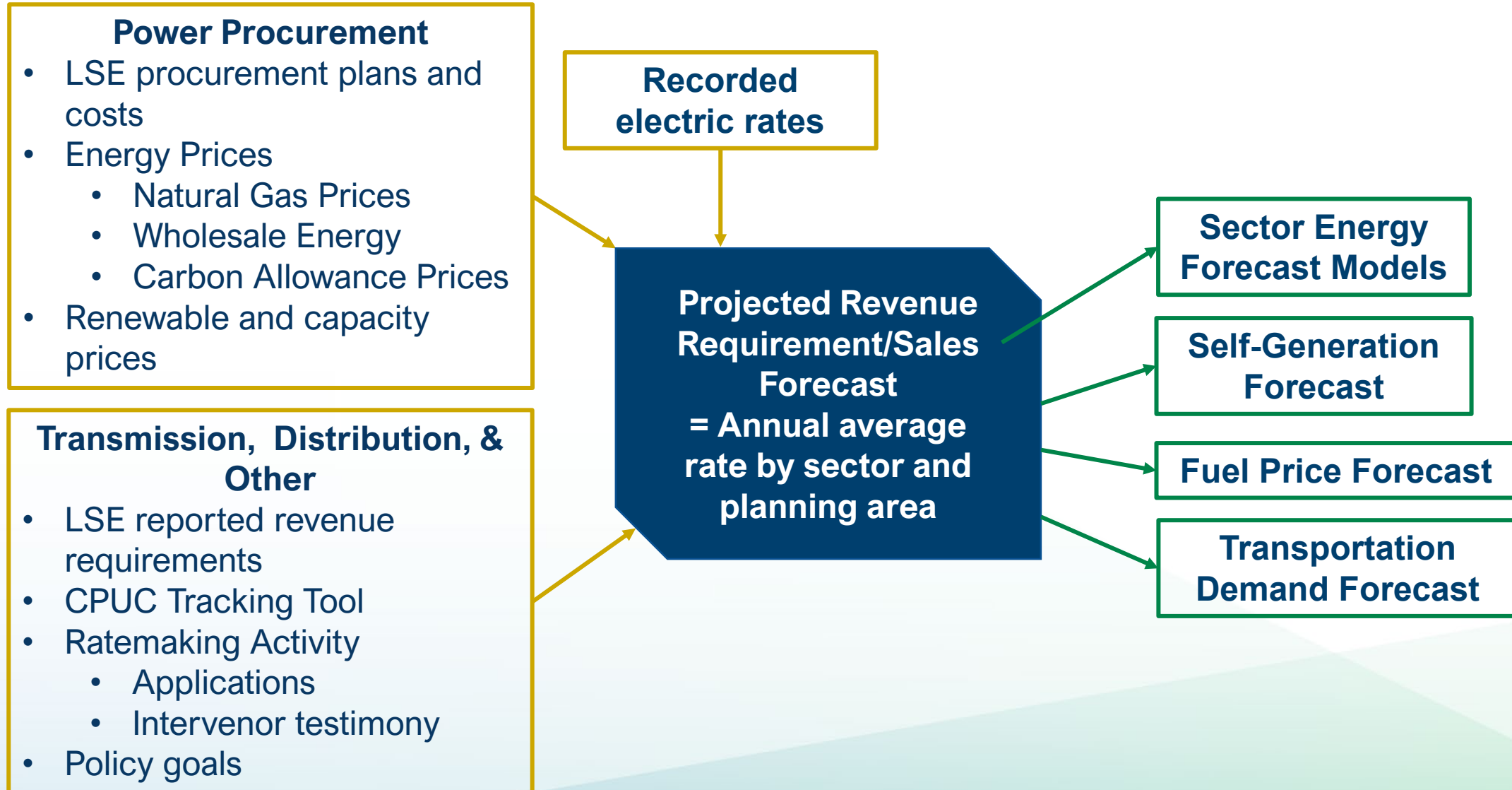
# **Electricity Rate Forecast**

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October 26, 2023



# Rate Forecast Overview





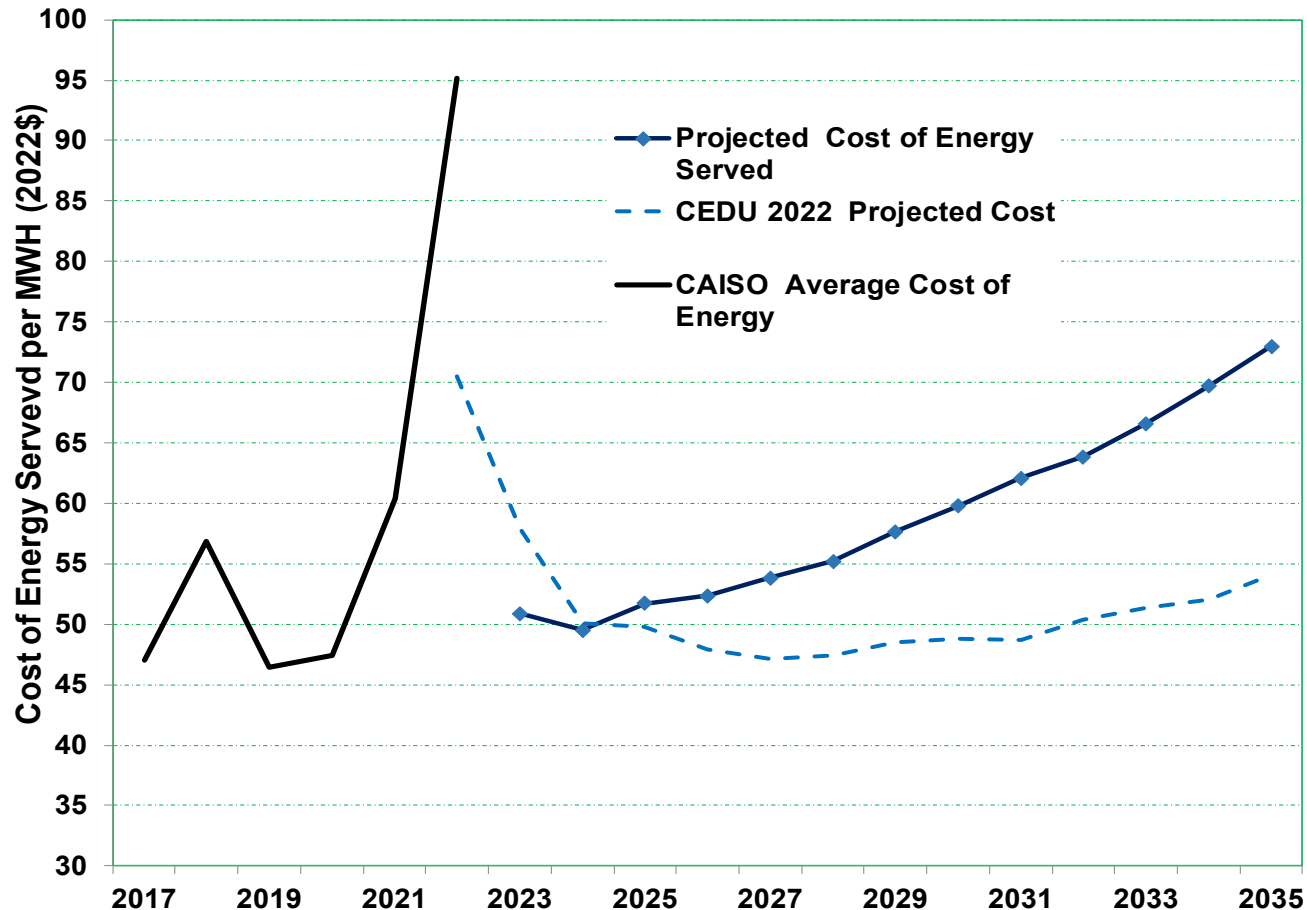
# Key Inputs

- Sales projections from the CEDU 2022 planning scenario, extrapolated using the 2021 IEPR Additional Transportation Electrification scenario.
- Historical electricity rates revised to use CEC QFER rates instead of EIA and QFER.
- Utility submitted revenue requirement projections (Form 8.1a), rate data (Form 2), and supply forms (S-1).
- Updated current and prospective IOU revenue requirements using June 2023 CPUC Energy Division Utility Cost & Rate Tracking Tool data.
  - Pending and recently approved applications include significant requests for wildfire mitigation spending and cost recovery.
- Wholesale electricity prices through 2035 from 2023 IEPR PLEXOS preliminary results.
- More discussion presented at the August 15, 2023, IEPR workshop:
  - [IEPR Commissioner Workshop on Inputs and Assumptions](#)





# Procurement Costs



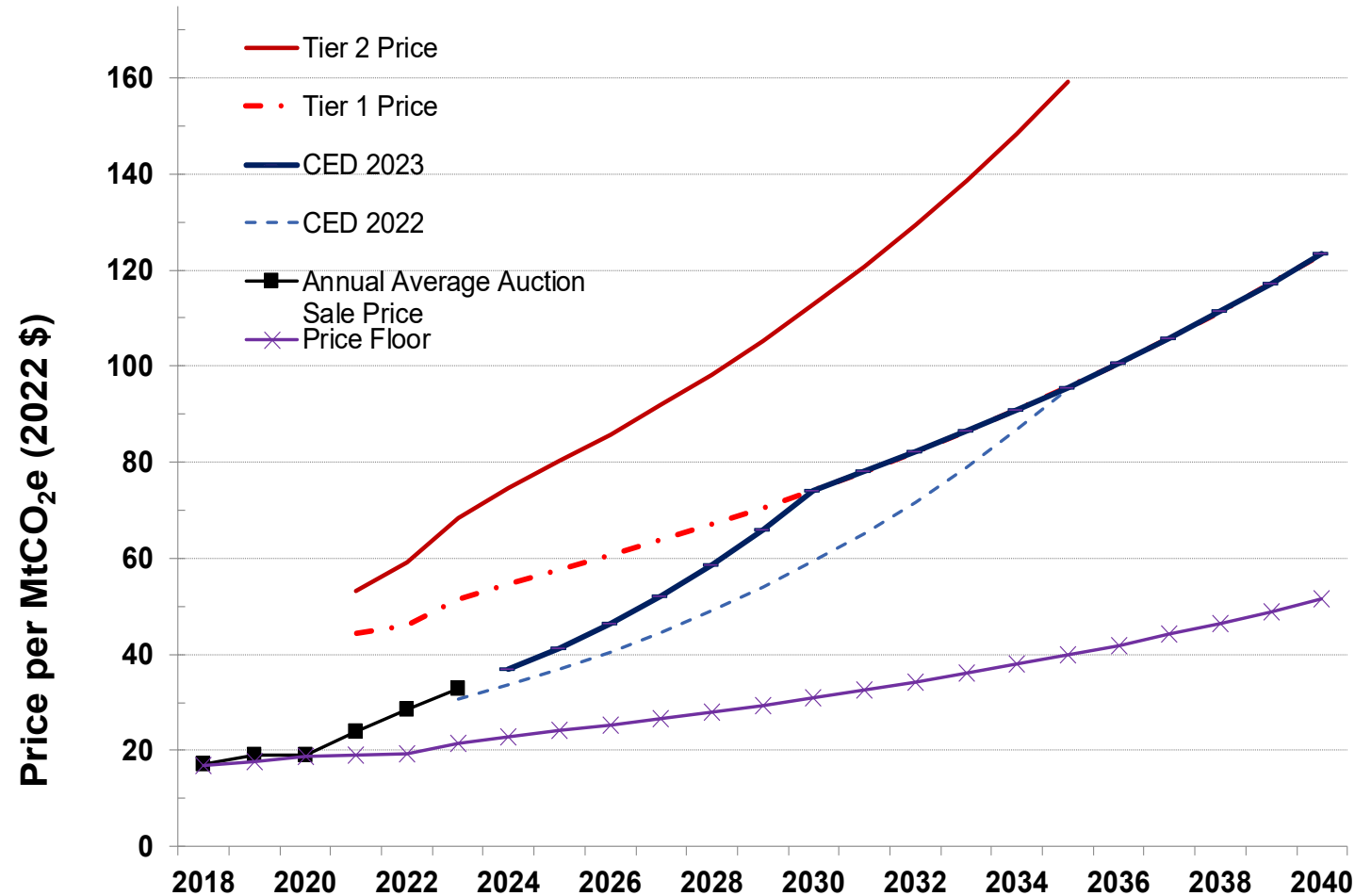
- Using the CEDU 22 planning forecast, projected wholesale energy prices are 33% higher by 2035
- Energy prices escalated with inflation after 2035.
- Capacity prices have doubled in recent years. Based on CPUC contract data, additional capacity needs are valued at \$85/kw/year (2022\$) compared to \$72 for CEDU 2022.

Source: CEC Staff



# GHG Allowance Price Forecast

- Since CARB initiated pre-rulemaking for revised Cap and Trade program rules, prices have increased and are currently at \$35 compared to the May 2023 auction price of \$30.
- The preliminary forecast assumes prices reach Tier Price 1 in 2030, docketed at:  
[2023 IEPR Preliminary GHG Allowance Price Projections](#)
- Final forecast (Jan. 2024) will be revised based on any developments or analysis in the CARB proceeding.



Preliminary CED 2023 Forecast assumes prices will reach the Tier 1 price in 2030, then follow the Price Containment Reserve Tier 1 Price

Source: CEC Staff

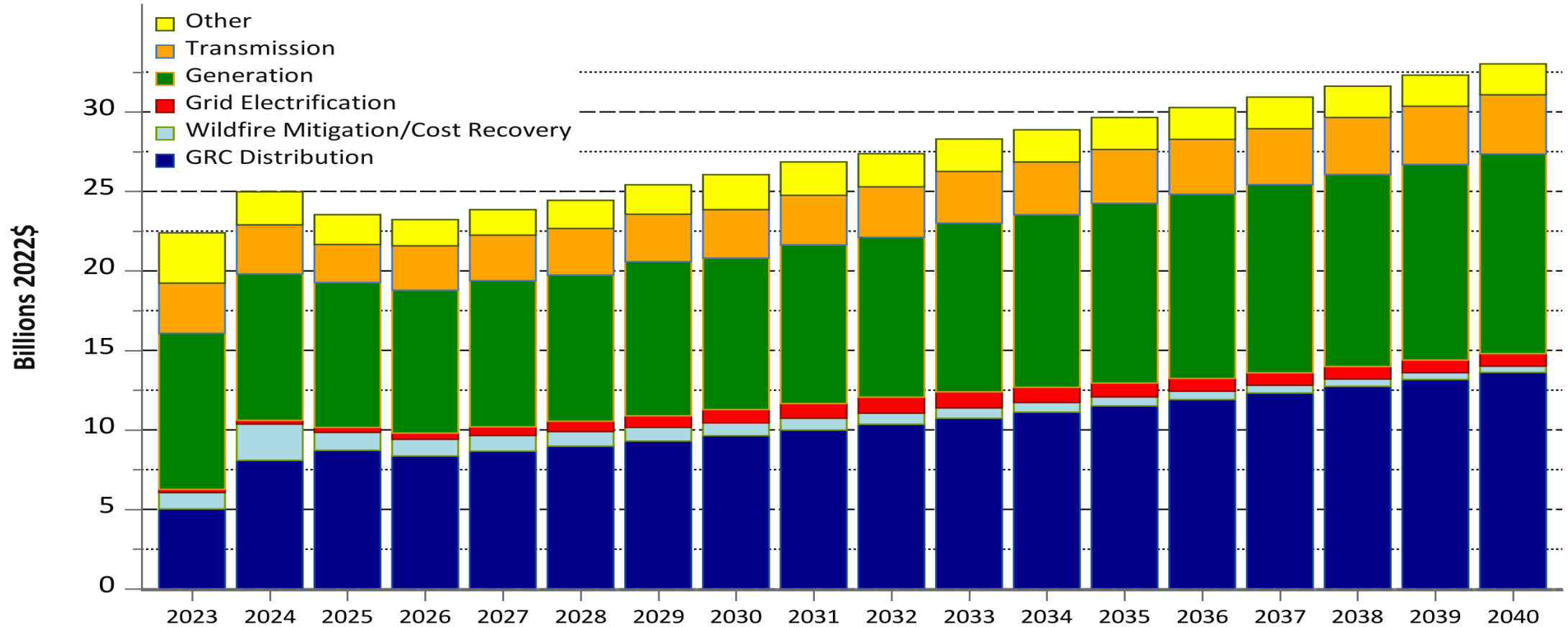


# Other Revenue Requirements

- General Rate Case proceedings
  - All 3 IOUs have pending General Rate Case applications with proposed increases averaging 10% or more annually. Wildfire risk mitigation is a major driver of higher GRC approved and requested amounts.
  - Staff adjusted requested amounts considering intervenor positions, when available, and recent CPUC decisions.
  - After current GRC period, GRC distribution escalates at 5.5% nominal annually.
- Transmission revenue uses current applications, forecasts provided by utilities, or escalation assumptions; escalates at 4 to 5% annually (nominal).
- Current levels of wildfire event cost recovery decline gradually from current level.
- Additional distribution system upgrade costs to support electrification approximated using Public Advocate Office **Distribution Grid Electrification Model Study and Report, August 2023**, using average of lower bound and central result (Table 3-3).
  - Currently subject to comment in High DER proceeding (R.21-06-017):
  - [Order Instituting Rulemaking to Modernize the Electric Grid for a High Distributed Energy Resources Future](#)



# PG&E CPUC-Jurisdictional Revenue Requirements

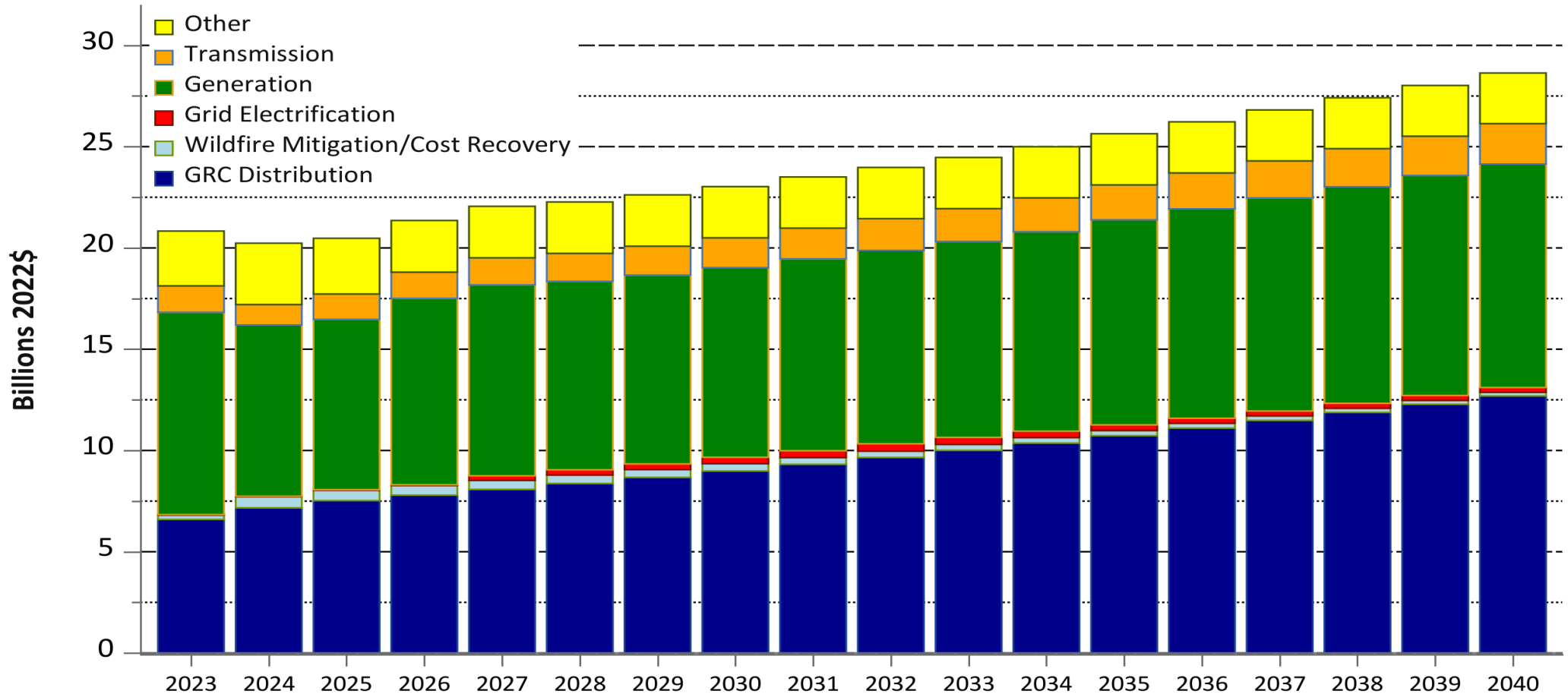


Source: CEC Staff

- GRC Distribution increase in 2024 and 2025 includes amortization of 2023 balances .
- Grid investment to support increased electrification adds \$12 billion through forecast period.
- Total revenue increases 2.5% annually 2025-2040, compared to 2% increase in sales.



# SCE CPUC-Jurisdictional Service Area Revenue Requirements



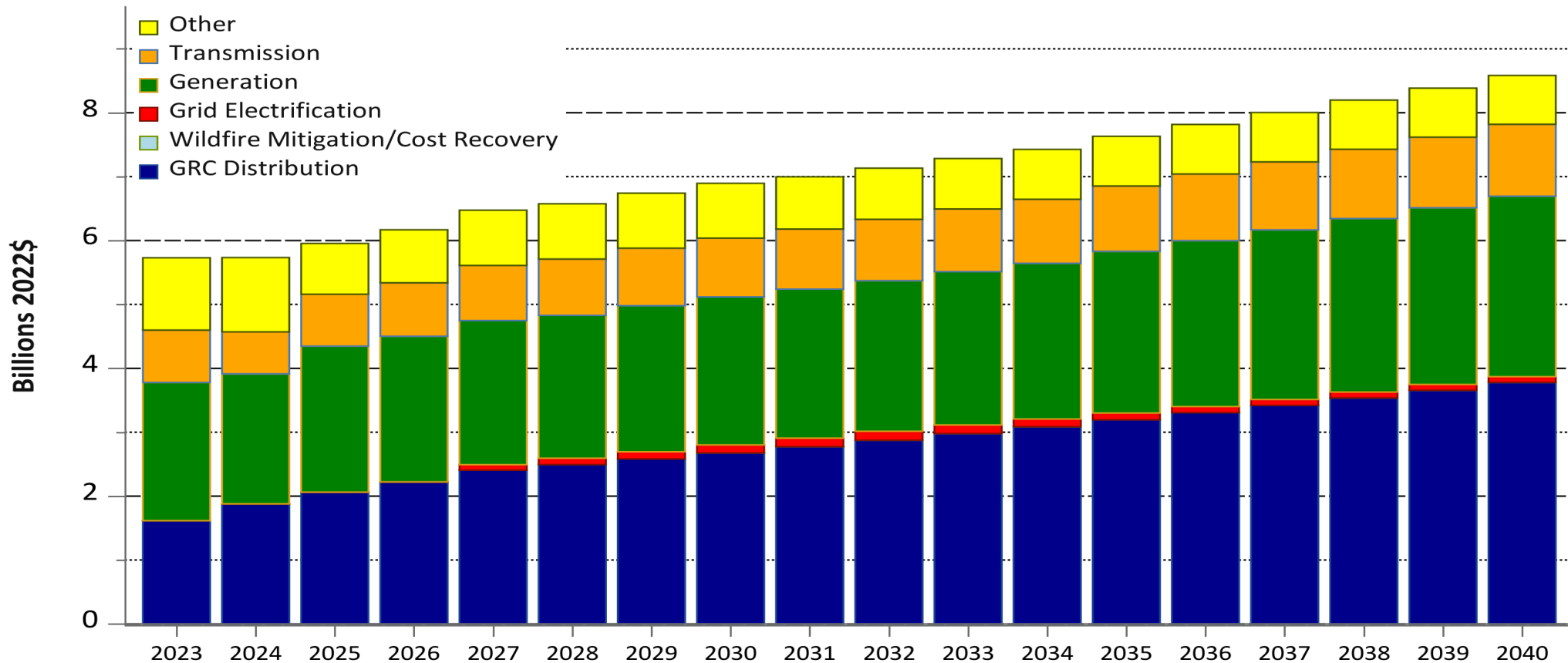
Source: CEC Staff

- 2024 increase in GRC Distribution is offset by decline in generation; 2023 generation rates include a large under-collection due to the 2022 spike in energy prices.
- Grid investment to support increased electrification adds \$4 billion through forecast period.
- Total revenue increases 2.3% annually 2025-2040, compared to 1.6% increase in sales. <sup>8</sup>





# SDG&E CPUC-Jurisdictional Service Area Revenue Requirements

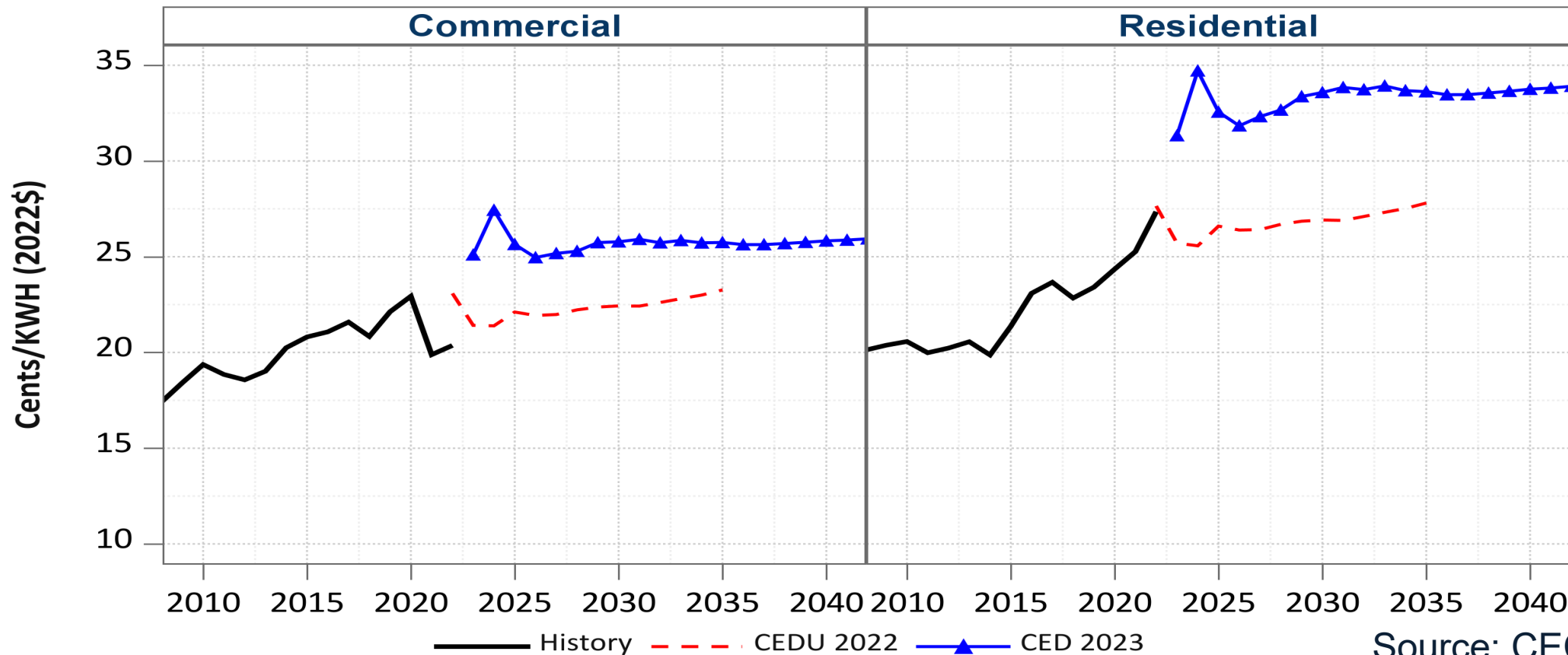


Source: CEC Staff

- 2024 GRC Distribution estimated to increase 10% annually through 2027.
- Grid investment to support increased electrification adds \$2 billion through forecast period.
- Total revenue requirement increases 2.5% annually 2025-2040, compared to 2.1% increase in sales.



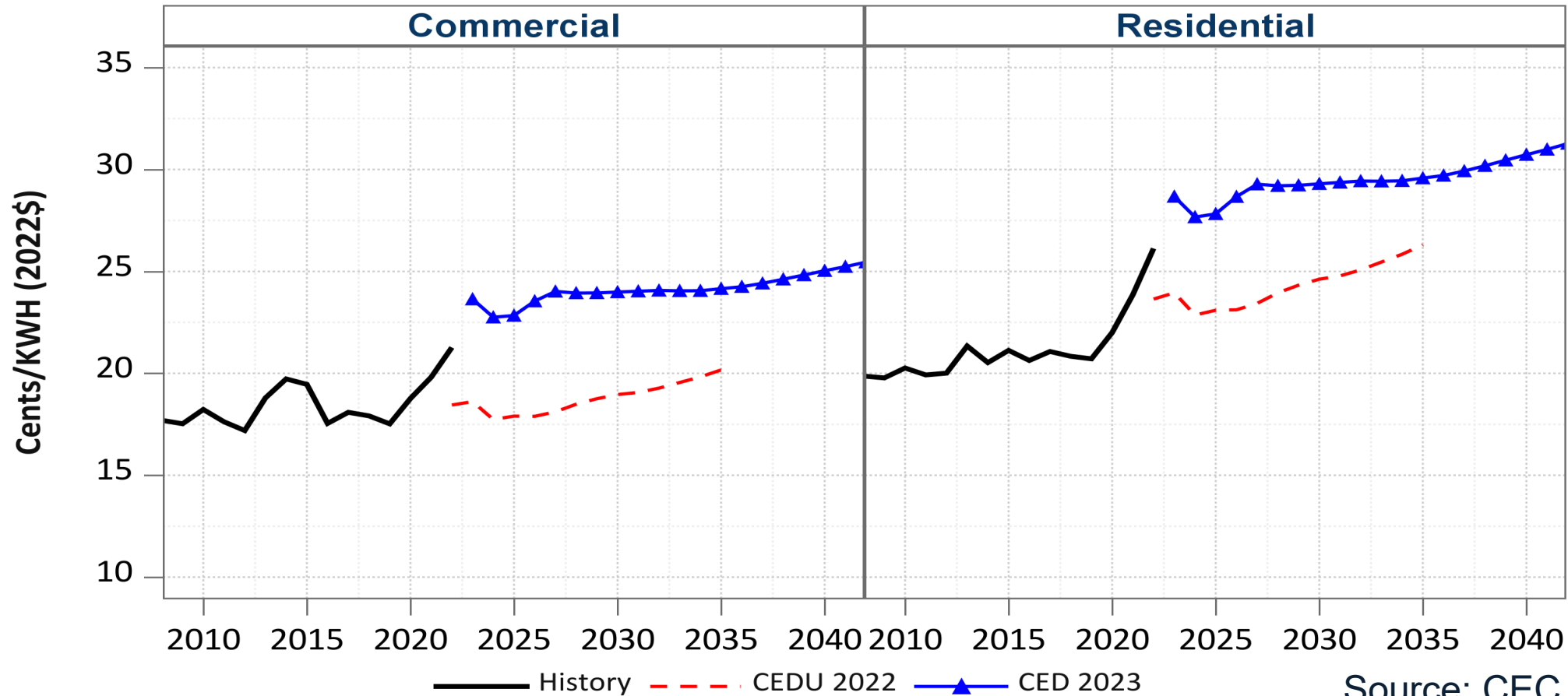
## PG&E Planning Area Rates



- Estimated 2023 rates are higher than previously forecast primarily in part because of \$1 billion interim rate increase to recover costs for various wildfire mitigation activities, response to catastrophic events, and other initiatives.
- High natural gas and energy prices starting in late 2022 increased procurement costs.



## SCE Planning Area Rates

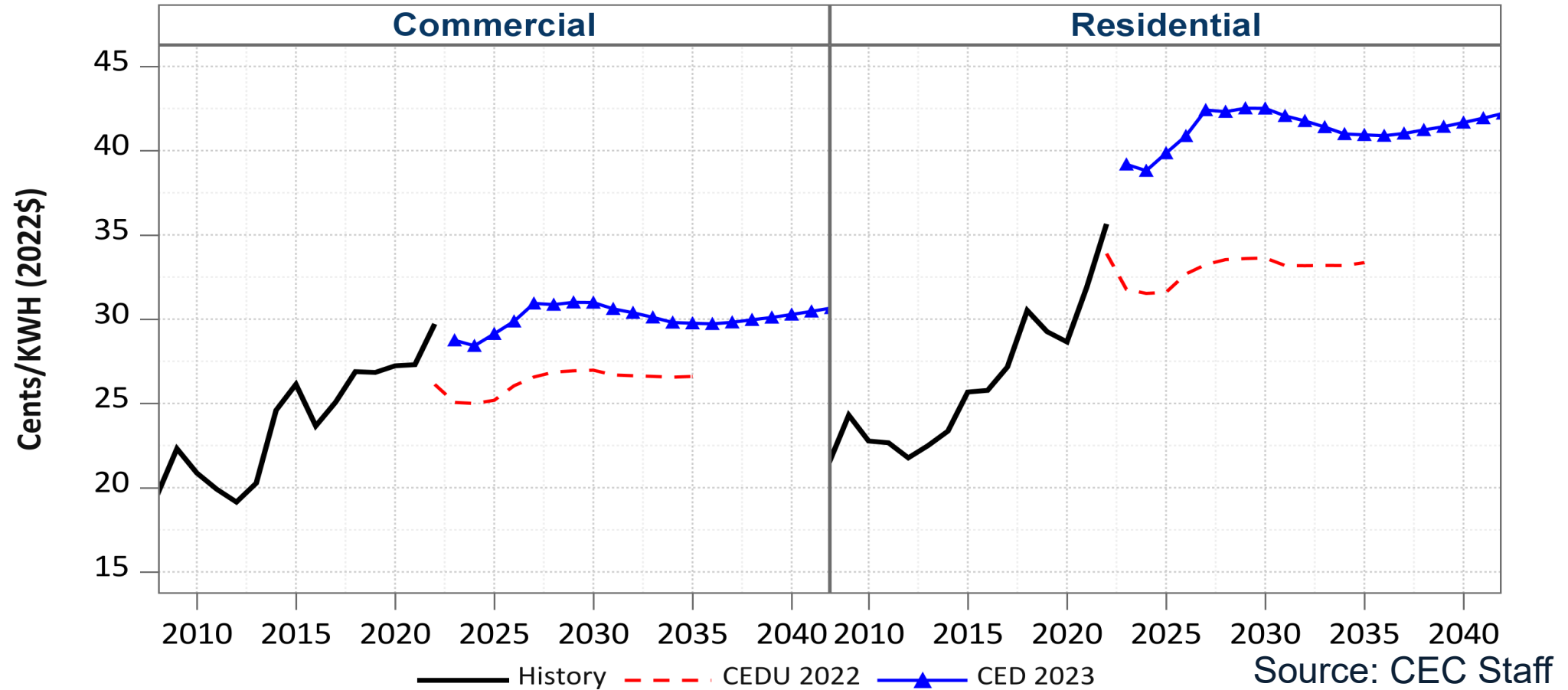


Source: CEC Staff

- Procurement costs increased 30% in 2023 but are expected to decline for 2024.
- Rates increase .7% annually through 2040.



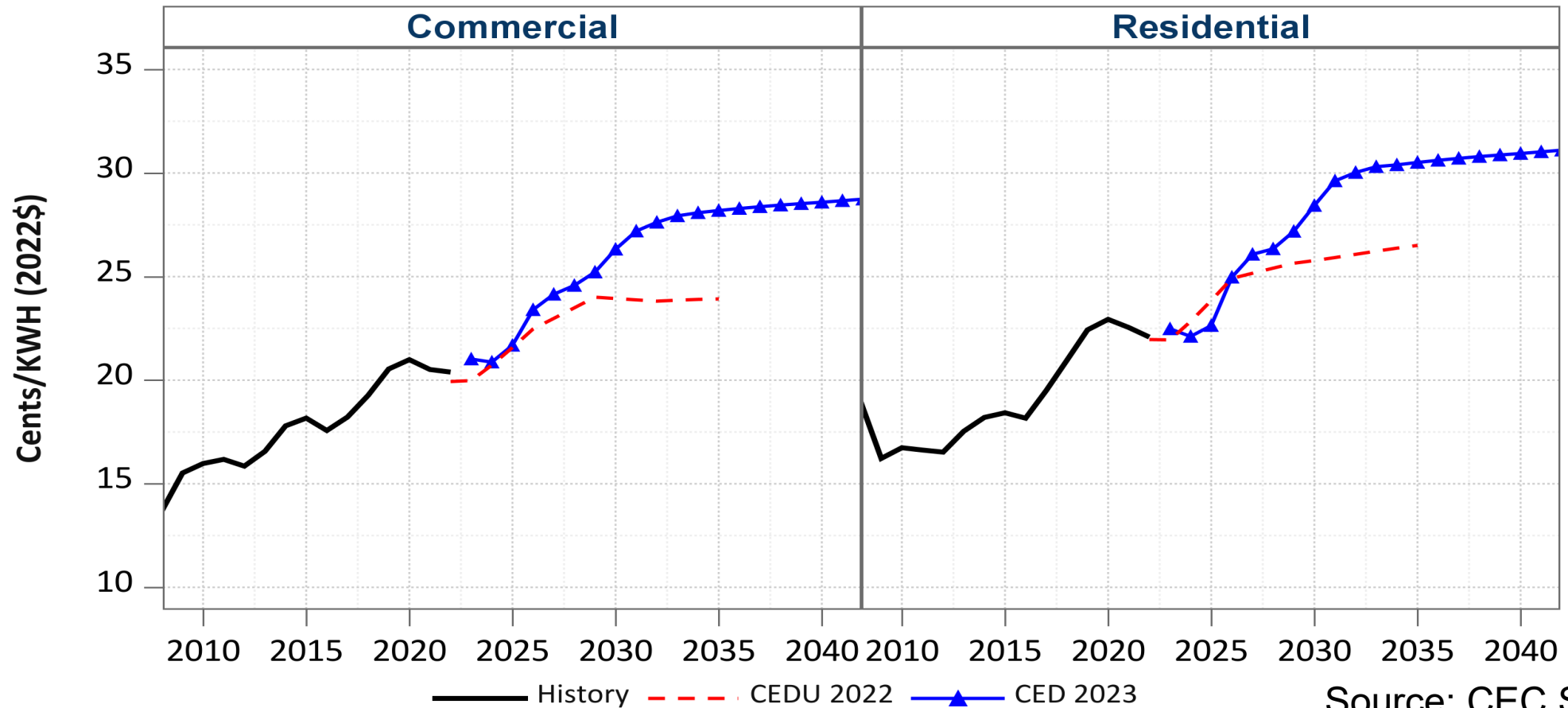
## SDG&E Planning Area Rates



- Rates increase 1% annually through 2030, then decline as sales grows faster than revenue requirements.



## LADWP Planning Area Rates



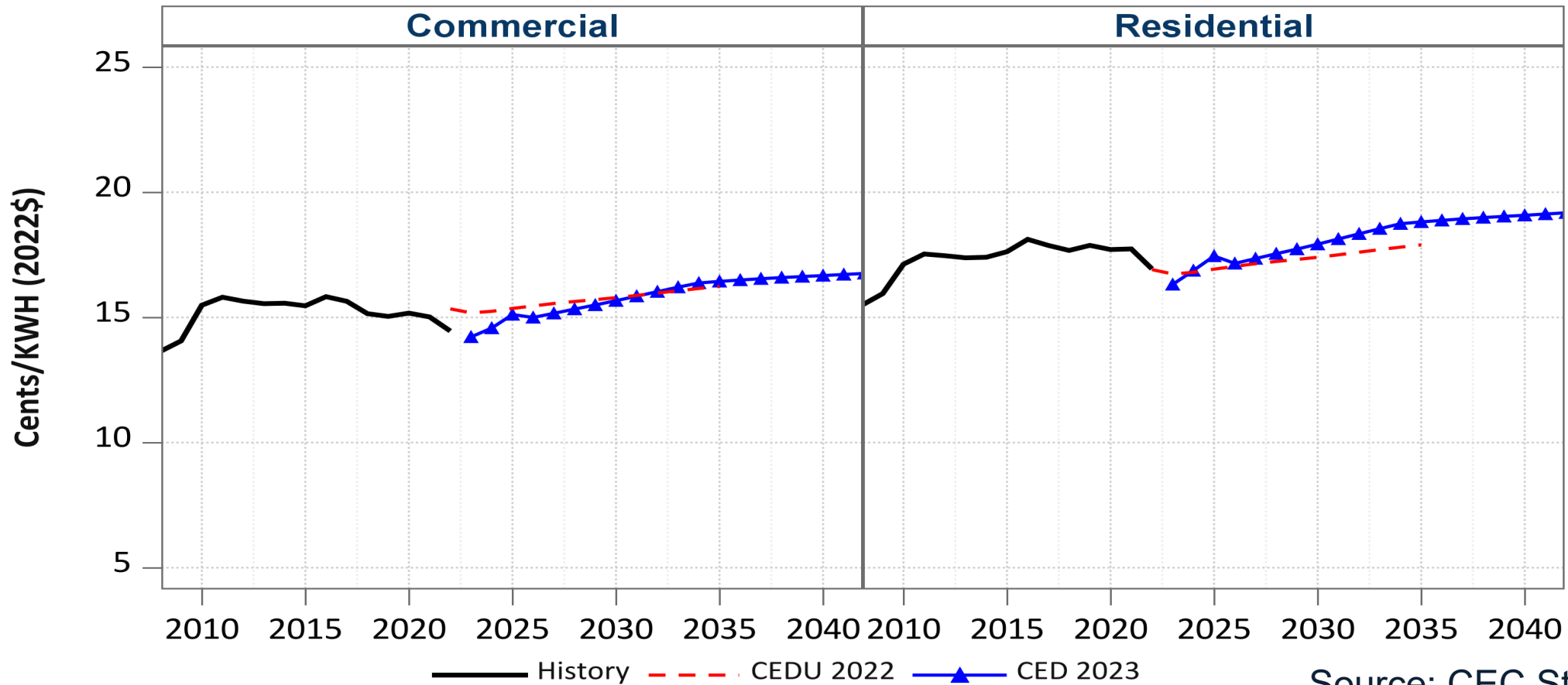
Source: CEC Staff

- When a rate action plan to support LA100 pathways to 100% clean energy is implemented, rates are likely to increase about 4% annually through 2030.
- Meanwhile, cost adjustment factors maintain adequate revenues.





## NCNC Planning Area Rates

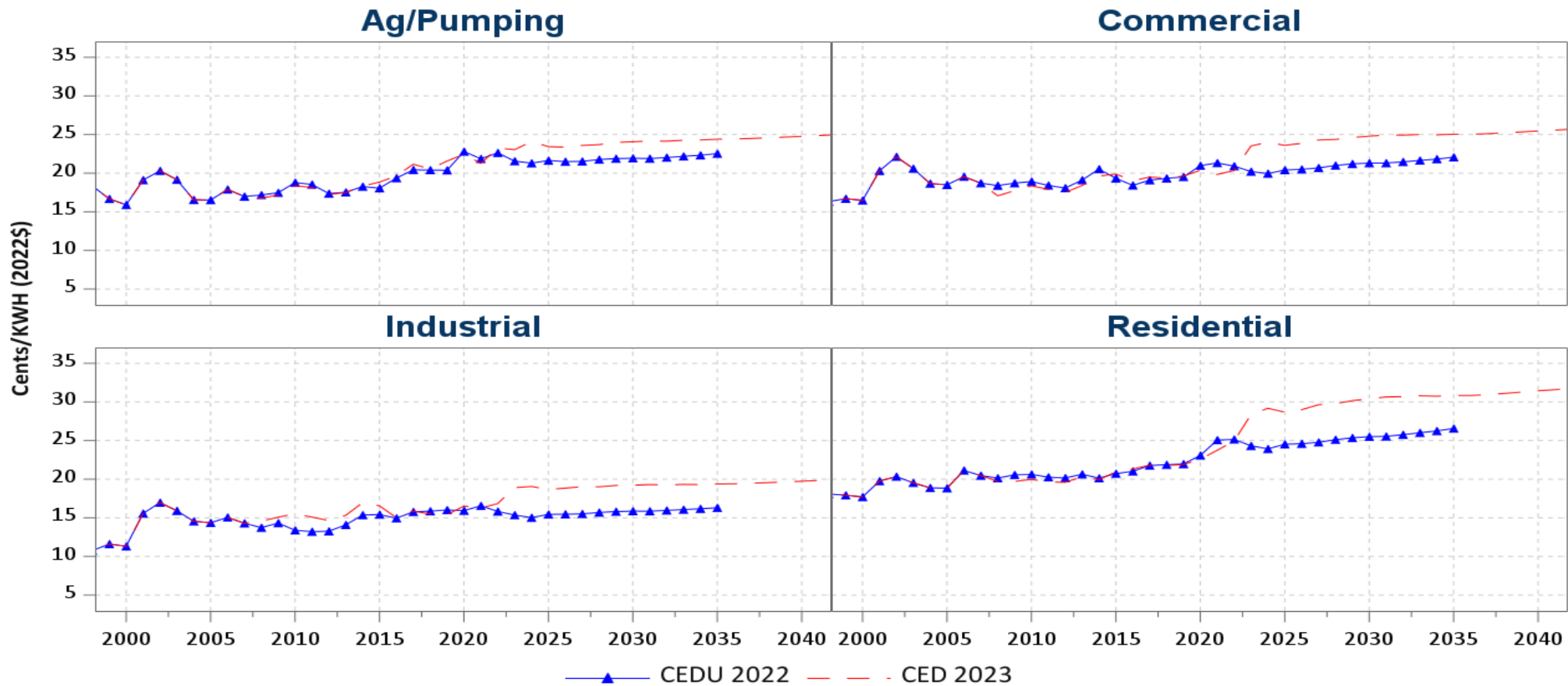


Source: CEC Staff

- SMUD plans nominal rate increases of 5.5% in 2024 and 2025 to cover increased procurement and borrowing costs and to support their 2030 Zero Carbon Plan goals
- Board policy is to maintain rate increases consistent with inflation.



# Statewide Average Rates by Sector



Source: CEC Staff

- Transportation demand models use statewide average rates.
- Planning area rates are weighted by sales.



# Thank You!