SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) COMMENTS REGARDING DRAFT SURVEY OF UTILITY RESOURCE PLANNING PRACTICES FOR APPLICATION TO LONG-TERM PROCUREMENT PLANNING IN CALIFORNIA

In response to the e-mailed request for comments received by Energy and Environmental Economics (E3) on September 17, 2008, SCE submits the following comments on Aspen Environmental Group’s (Aspen) and E3’s Draft Survey of Utility Resource Planning Practices for Application to Long-Term Procurement Planning in California (the Survey).

I. COMMENTS ON AND PROPOSED CORRECTIONS TO THE CHARACTERIZATION OF THE 2006 CALIFORNIA IOU LTPPS

A. Section 4.2 Range of approaches to resource planning

Table 7: Summary of selected utility planning practices on page seven contains a column that purports to summarize SCE’s utility planning practices. However, the column is blank under three categories. To complete the summary of SCE’s utility
planning practices, SCE proposes that the following information be added to the table. In the Needs Assessment row for SCE, the table should indicate “15% PRM.” In the Cost Metric row for SCE, the table should indicate “PVRR.” In the Risk Assessment row for SCE, the table should indicate “2.”

B. **Section 4.10.2 Treatment of Market Price Uncertainty: 2006 California LTPP Practice**

   In Table 15 Market Price Risk Assessment Methodologies on page 72, the Survey implies that SCE used a different TeVaR calculation than the other IOUs, because it states that “SCE calculates TeVaR at the 99th percentile for power price, gas price, load, and supply availability,” while the other IOUs use a “TeVaR95 metric.” This is misleading, because all three IOUs were required to use the 99th percentile for TeVaR until December 2007. In the 2006 LTPP proceeding, the Commission addressed the issue of whether to modify this TeVaR risk reporting requirement and adopted a 95th percentile requirement on a prospective basis in D.07-12-052. Thus, on a going forward basis, all three IOUs will use a TeVaR95 metric, but all three IOUs were required to use the TeVaR99 metric prior to December 2007.

C. **Section 4.11 Treatment of Uncertainty in GHG Regulation and Other Environmental Considerations**

   On page 77 in Table 16: Methods of Accounting for GHG Regulation Risk and Consideration of Other Environmental Effects, the Survey indicates with respect to SCE that “Pursuant to Commission order, a GHG adder is included in Long-Term Request for Offer (LTRFO) bids ($8/ton in 2004, escalating at 5% per year).” The Survey should be edited to include the additional fact that SCE provided GHG tons and tons per MWh by portfolio in its 2006 LTPP to address GHG regulation risk.
D. Section 4.13.2: Portfolio Analysis and Selection Criteria: 2006 California LTPP Practice

Page 84 of the Survey currently provides:

By taking cost into consideration, but making a final decision based on other factors, Puget Sound Energy and Public Service Colorado were not terribly different from PG&E and San Diego Gas & Electric. Both of these California utilities chose plans that were not least cost under the expected case, but that had other benefits (reliability, environmental benefits) at only slightly higher cost. Southern California Edison, in contrast, chose a preferred plan that was expected to result in lowest cost.

However, this statement as currently drafted is misleading because, as did the other California IOUs, SCE selected a plan based on least cost and best fit, which necessarily incorporated consideration of reliability, environmental and other factors in addition to cost. Therefore, SCE proposes that the above language in the draft Survey be corrected as follows:

By taking cost into consideration, but making a final decision based on other factors, Puget Sound Energy and Public Service Colorado were not terribly different from PG&E, SCE and San Diego Gas & Electric. All of these California utilities chose plans that were not least cost under the expected case, but that had other benefits (reliability, environmental benefits) at only slightly higher cost. Southern California Edison, in contrast, chose a preferred plan that was expected to result in lowest cost.
II. COMMENTS ON AND PROPOSED CORRECTIONS TO THE CHARACTERIZATION OF THE CALIFORNIA POLICY AND REGULATORY CONTEXT OF THE LTPPS.

A. Section 3.5.5 California ISO (CAISO)

Page 34 of the Survey states:

“To ensure that the state has enough generation to meet load in a given year, the CAISO uses short-term contracts to “lock-in” strategic generation through Reliability Must Run (‘RMR’) contracts, the Reliability Capacity Services Tariff, and the Must Offer Obligation provisions of the CAISO tariff.”

However, the CAISO’s Reliability Capacity Services Tariff expired May 31, 2008 and was replaced by the Transitional Capacity Procurement Mechanism Tariff. The “Reliability Capacity Services Tariff” reference in the above sentence should accordingly be changed to “Transitional Capacity Procurement Mechanism Tariff.”

SCE also notes, as a supplement to the discussion on page A-17 pertaining to the upcoming implementation of the Market Redesign and Technology Upgrade (MRTU), that the Transitional Capacity Procurement Mechanism and the Must Offer Obligation provisions within the current CAISO Tariff will expire and, as applicable, be superseded by language within the MRTU Tariff upon the MRTU “going live.”

B. Section 4.3: Load Forecasting

As currently drafted, the Survey does not address the differentiation of committed versus uncommitted energy efficiency in the California Energy Commission’s (CEC) demand forecast.

In developing its demand forecasts, the CEC differentiates two types of energy efficiency programs: committed and uncommitted. The CEC describes committed
energy efficiency programs, as those that are either implemented or have approved funding, as well as savings resulting from market effects such as energy price increases. The CEC’s demand forecast attempts to account for savings from these committed energy efficiency programs.\(^1\) By comparison, uncommitted energy efficiency programs are programs that are not funded or implemented. CEC Staff currently treat impacts from uncommitted programs as being incremental to the demand forecast.\(^2\)

The fact that the committed and uncommitted energy efficiency programs are treated differently has a significant impact on the demand forecast. Consequently this practice should be noted in the Survey. Furthermore, the CEC’s methodologies for energy efficiency and demand forecasting are under review in the 2008 IEPR Update and 2009 IEPR, and will directly influence the 2010 LTPP process.

C. **Section 4.9: Treatment of Energy Efficiency**

The draft Survey is inconsistent in its use of the term demand-side management (DSM). For example, on page 63 the Survey properly recognizes that energy efficiency is one type of DSM when it refers to “energy efficiency and other DSM.” However, on pages 64 - 67 the Survey seems to use DSM to represent demand response by repeatedly referring to “energy efficiency and DSM.”

The California Energy Commission provides the following description of DSM:

> “This term encompasses several energy demand reducing activities: energy efficiency, conservation, and demand responsive actions such as load management or load shifting. DSM programs are designed to achieve two basic objectives: reduce overall energy consumption by promoting high-efficiency equipment and building design, and achieve load reductions by changing the patterns of energy use, primarily at times of peak demand.”\(^3\)
If the Survey is to accomplish its stated purpose to “establish a common understanding of the processes and approaches used in long-term planning and procurement by electric utilities in North America to help guide parties’ participation in the California Public Utilities Commission’s (“CPUC”) 2010 Long-Term Procurement Plan (“LTPP”) proceeding,”⁴ then DSM should be defined clearly, precisely, and consistently throughout the document.

III.

ADDITIONAL MINOR CORRECTIONS/COMMENTS

In addition, SCE submits the following comments and/or proposes the following minor edits to the Report:

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<tr>
<td>10</td>
<td>“Under current statute, retail access is to remain suspended until the last DWR contract expires, expected in 2015.”</td>
<td>“Under current statute, retail access is to remain suspended until the last DWR contract expires, expected in 2015. However, the CPUC is currently considering options for lifting the suspension of direct access on an expedited basis.”</td>
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<td>14</td>
<td>“... and the Power Exchange closed in February 2001 due to lack of trading.”</td>
<td>As written, this statement is misleading. The Power Exchange did not close due to lack of trading. It closed when the Federal Energy Regulatory Commission terminated its wholesale rate schedules.⁵</td>
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<td>17</td>
<td>Currently, the CPUC ensures that the IOUs procure sufficient capacity to maintain service reliability through a resource adequacy requirement equal to 15 – 17 percent of an IOU’s peak load. The CPUC also requires that IOUs maintain forward contracting of 90 percent of the IOU’s retail sales.</td>
<td>Currently, the CPUC ensures that all LSEs procure sufficient capacity to maintain service reliability through a resource adequacy requireent equal to 15 – 17 percent of an LSE’s peak load. The CPUC also requires that LSEs maintain forward contracting of 90 percent of the LSE’s retail sales.</td>
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<td>24</td>
<td>“All of the deregulated jurisdictions continue to have POLR service, generally provided by the regulated utilities (referred to as ‘local distribution companies’ (‘LDCs’).”</td>
<td>The statement as currently written is inconsistent with the more detailed discussion that follows, which indicates that in only three of the seven states surveyed does the regulated utility provide POLR service. To correct this inaccuracy, this statement in the Survey could be modified as follows: “All of the deregulated jurisdictions continue to have POLR service. In some states, POLR service is provided by the regulated utilities (referred to as ‘local distribution companies’ (‘LDCs’).”</td>
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⁵ See 93 FERC ¶ 61,294, p. 4 (“The Commission will terminate the PX’s wholesale rate schedules which enable it to continue to operate as a mandatory power exchange. Termination will be effective as of the close of the April 30, 2001 trading day.”)
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<td>36</td>
<td>“Second, the California IOUs operate within a single regulatory jurisdiction, and the California ISO encompasses the same geography. Thus, state policy-makers may have the opportunity to wield greater influence here than in regions where RTOs span multiple states.”</td>
<td>“Second, the California IOUs operate within a single regulatory jurisdiction, and the California ISO encompasses the same geography. The state does, however, have several active community choice aggregator (CCA) and municipal electric service providers that operate outside the jurisdiction of state regulators. Nevertheless, state policy-makers may have the opportunity to wield greater influence here than in regions where RTOs span multiple states.”</td>
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<td>45</td>
<td>“SCE develops its own low and high forecasts.”</td>
<td>“SDG&amp;E develops its own low and high forecasts.”</td>
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<td>55</td>
<td>“[T]he CEC recommends in its 2007 Integrated Energy Policy Report (p. 64) that utilities’ future fuel costs be discounted ‘at the 3 percent social discount rate used by the Energy Commission in its standard-setting activities, unless the investor-owned utilities can demonstrate that these costs should be assigned to shareholders.’”</td>
<td>It should be noted that after additional consideration of this issue in the 2008 IEPR update proceeding, the CEC issued a draft report recommending that long-term natural gas price risk should be explicitly considered in construction of utility resource plan portfolios rather than indirectly by means of a social discount rate.</td>
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<td>59</td>
<td>“Electric prices are determined from a dispatch model of the WECC area.”</td>
<td>“For electricity, NYMEX forward prices are blended with long-term electric prices determined from a dispatch model of the WECC area.”</td>
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<td>67</td>
<td>“. . .other potential costs such GHG emissions costs. . .”</td>
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<td>95</td>
<td>“PG&amp;E follows a confidentiality framework established through Rulemaking in 2003. . .”</td>
<td>This entire discussion of confidentiality is outdated. In 2005, the Commission opened a confidentiality rulemaking (R.05-04-060) and adopted strict confidentiality rules that limit the ability of the utilities to designate procurement-related information as confidential. The Rulemaking also requires that the utilities provide market sensitive information to market participant “Reviewing Representatives.”</td>
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<td>A-9</td>
<td>“The also means that it is not likely that nuclear power will be a procurement option for IOUs in their LTPPs.”</td>
<td>“The also means that it is not likely that nuclear power will be an in-state procurement option for IOUs in their LTPPs.”</td>
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<td>B-123</td>
<td>“Electric prices from a simulation dispatch model of the WECC area.”</td>
<td>“In the case of electricity, the long-term electric prices are determined from a dispatch model of the WECC area.”</td>
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Respectfully submitted,

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