

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Integrate  
and Refine Procurement Policies and  
Consider Long-Term Procurement Plans.

Rulemaking 10-05-006 (VSK)  
(Filed May 6, 2010)

**SIERRA CLUB CALIFORNIA'S COMMENTS ON PACIFIC GAS AND ELECTRIC  
COMPANY'S (U 39 E) SUPPLEMENTAL COMMENTS ON RESOURCE PLANNING  
ASSUMPTIONS (PART 1) FILED ON JUNE 21, 2010**

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Dated: July 12, 2010

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Sierra Club makes the following comments on PG&E's Supplemental Comments on Resource Planning Assumptions (Part 1), filed on June 21, 2010.

Sierra Club is opposed to PG&E's recommendation that "resource plans be analyzed over a range of demand growth assumptions that cover historical growth rates. For northern California the historical range over a 10-year period can be as high as 2.5% per year."<sup>1</sup>

PG&E incorrectly characterizes the rate of growth, overstating the historical trend over the past twenty years. The California Energy Demand Forecast shows growth rates that differ significantly, with annual peak demand growth of 1.8% from 1990 to 2000, and 1.3% from 2000 through 2010.<sup>2</sup> (*see* Table 10 below.) The CEC forecast shows similar growth rates of 1.34% from 2010 through 2018. The trends actually show decreasing growth rates.

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<sup>1</sup> Pacific Gas and Electric Company's (U 39 E) Supplemental Comments on Resource Planning Assumptions (Part 1), filed on June 21, 2010, Attachment 1 (Row describing "Need Level").

<sup>2</sup> *See* Table 10: PG&E Planning Area Forecast Comparison, California Energy Demand 2010-2020 Adopted Forecast December 2009, CEC-200-2009-012-CMF at 55.

**Table 10: PG&E Planning Area Forecast Comparison**

Consumption (GWH)					
	<i>CED 2007</i> (Oct. 2007)	<i>CED 2009</i> <i>Draft mid-rate</i> <i>case (June</i> <i>2009)</i>	<i>CED 2009</i> <i>Revised (Oct.</i> <i>2009)</i>	Percent Difference <i>CED 2009 Revised and</i> <i>CED 2007</i>	Percent Difference, <i>CED</i> <i>2009 Revised and CED</i> <i>2009 Draft</i>
1990	86,803	86,803	86,803	0.00%	0.00%
2000	101,331	101,331	101,333	0.00%	0.00%
2008	107,591	106,753	111,128	3.29%	4.10%
2010	110,503	106,240	108,344	-1.95%	1.98%
2015	117,806	110,878	115,828	-1.68%	4.46%
2018	121,873	112,959	119,814	-1.69%	6.07%
Average Annual Growth Rates					
1990-2000	1.56%	1.56%	1.56%		
2000-2008	0.75%	0.65%	1.16%		
2008-2010	1.34%	-0.24%	-1.26%		
2010-2018	1.23%	0.77%	1.27%		
Peak (MW)					
	<i>CED 2007</i> (Oct. 2007)	<i>CED 2009</i> <i>Draft mid-rate</i> <i>case (June</i> <i>2009)</i>	<i>CED 2009</i> <i>Revised (Oct.</i> <i>2009)</i>	Percent Difference, <i>CED 2009 Revised and</i> <i>CED 2007</i>	Percent Difference, <i>CED</i> <i>2009 Revised and CED</i> <i>2009 Draft</i>
1990	17,055	17,013	17,250	1.14%	1.39%
2000	20,716	20,665	20,628	-0.42%	-0.18%
2008	23,413	23,405	23,805	1.67%	1.71%
2010	24,050	23,240	23,479	-2.37%	1.03%
2015	25,760	24,606	25,163	-2.32%	2.26%
2018	26,754	25,341	26,125	-2.35%	3.09%
Average Annual Growth Rates					
1990-2000	1.96%	1.96%	1.80%		
2000-2008	1.54%	1.57%	1.81%		
2008-2010	1.35%	-0.35%	-0.69%		
2010-2018	1.34%	1.09%	1.34%		

Source: California Energy Commission, 2009

In addition, past growth in electricity consumption in California has been primarily driven by population growth. The underlying demographic forecasts<sup>3</sup> do not support PG&E's proposal to use a much higher 2.5% growth rate, since state population growth is expected to be lower in the next decade than in the past, falling from 1.4% to 1.2%.<sup>4</sup>

Sierra Club objects to the use of anomalously high growth rates that are inconsistent with the forecast range established by the CEC. The CPUC has directed utilities in the past to use CEC growth forecasts, and in the decision in the 2006 LTPP specifically rejected a similar proposal by PG&E to use growth rates well above 2%, much higher than even the high growth

<sup>3</sup> See Form 2.2 - Statewide Economic and Demographic Assumptions California Energy Demand 2009-2020 Staff Revised Forecast at 48.

<sup>4</sup> California Energy Demand 2010-2020 Adopted Forecast December 2009, CEC-200-2009-012-CMF at 23.

scenario of the CEC. Utilities at that time were directed to use CEC’s base case growth, and we urge the commission to apply its rulings on load forecast consistently in this LTPP.

PG&E would dramatically increase its forecast procurement needs if it were granted the use of a 2.5% growth rate. We estimate that this higher growth rate would add about 3,200 megawatts, as modeled in the following table that approximates the CEC existing forecast and compares it to PG&E’s proposed growth rates. Note that these tables use a simple linear growth rate that gives correct start and end values simply to illustrate the difference of the two rates of growth; the actual CEC forecast for PG&E is given afterwards:

<b>PG&amp;E Peak Demand</b>			
Sierra Club Basic Growth Model			
<b>year</b>	<b>CEC forecast peak</b>	<b>PG&amp;E "alternative" peak</b>	<b>difference</b>
	mw	mw	mw
2010	23,479	23,479	0
2011	23,794	24,066	272
2012	24,112	24,668	555
2013	24,436	25,284	849
2014	24,763	25,916	1,153
2015	25,095	26,564	1,470
2016	25,431	27,228	1,797
2017	25,772	27,909	2,137
2018	26,117	28,607	2,490
2019	26,467	29,322	2,855
2020	26,822	30,055	3,233
growth rate	1.34%	2.50%	

If this same anomalously high growth rate had been applied in the past decade, it would have lead to over-procurement by about 3,000 megawatts.

PG&E Peak Demand			
Sierra Club Basic Growth Model			
year	CEC forecast	PG&E	difference
	peak	"alternative"	
	mw	mw	mw
2000	20,628	20,628	0
2001	20,897	21,144	247
2002	21,169	21,672	503
2003	21,445	22,214	769
2004	21,724	22,769	1,045
2005	22,007	23,339	1,331
2006	22,294	23,922	1,628
2007	22,585	24,520	1,936
2008	22,879	25,133	2,254
2009	23,177	25,762	2,585
2010	23,479	26,406	2,927
growth rate	1.30%	2.50%	

With respect to renewable technology cost, PG&E proposes testing higher and lower costs as scenarios which could produce an interesting analysis, but this analysis should *not* move the entire supply curve up and down for each sensitivity. The application of the assumptions in this analysis should be applied consistently on how each affects the supply curve, including the degree to which projects would be reshuffled on the supply curve. In fact, this in itself is one of the most important elements of changing prices, that project development would in fact be affected. In addition, if the entire supply curve is moved up, as could occur under PG&E's recommendation, this would be rather arbitrary. Either all technology prices are assumed to move in parallel, which seems unlikely, or alternatively, if the entire supply curve is adjusted without changing all prices, then this would create an artificial supply curve which defeats one of the main purposes of a supply curve, to reflect price.

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Respectfully submitted,

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SIERRA CLUB CALIFORNIA

Dated: July 12, 2010

**CERTIFICATE OF SERVICE BY ELECTRONIC MAIL**

I, the undersigned, state that I am a citizen of the United States and am employed in the City of Oakland, County of Alameda; that I am over the age of eighteen (18) years and not a party to the within cause; and that my business address is Earthjustice, 426 17<sup>th</sup> Street, 5<sup>th</sup> Floor, Oakland, CA 94612.

On the 12th day of July, 2010, I caused to be served a true copy of:

**SIERRA CLUB CALIFORNIA'S COMMENTS ON PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E) SUPPLEMENTAL COMMENTS ON RESOURCE PLANNING ASSUMPTIONS (PART 1) FILED ON JUNE 21, 2010**

By Electronic Mail – serving the enclosed via e-mail transmission to each of the parties listed on the official service list for R.10-05-006.

I certify and declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on this 12th day of July, 2010 at Oakland, California.

/s/ JESSIE BAIRD  
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