

**Concurrence of Commissioner Timothy Alan Simon
October 14, 2010 Commission Business Meeting
Item 37, Agenda ID #9734**

As we taper our long term financial commitments with coal-fired generation in accordance with SB 1368, it makes sense that we clarify the rules for the reasonableness of projects associated with any remaining tenancy or co-tenancy agreements for such facilities. I fully support this Proposed Decision as it sets boundaries around the types of projects Edison may recover in rates so as to avoid extending the life of Four Corners by five years or more once the Assembly Bill 32 (Pavley/Nuñez) rules are in effect.¹

Senate Bill 1368

In an effort to maintain the bright line established by the Emissions Performance Standard, set forth in Senate Bill 1368 (Perata), this Proposed Decision appropriately limits Southern California Edison's requested rate recovery for its ownership of Four Corners generating Units 4 and 5. It is important that we define "new ownership investment" as narrowly as possible in order to prevent the sort of regressive procurement practices that would run afoul of the EPS requirements contemplated in D.07-01-039, thereby derailing progress toward our GHG emissions reduction goals. By making recoverable investments subject to feasibility studies, this decision implements this definition in a manner that prevents unnecessary and avoidable GHG compliance costs for our ratepayers.

The framework provided in this decision for determining the reasonableness and necessity of discrete investments of more than \$1 million in SCE's 2012 General Rate Case puts the appropriate regulatory boundaries around their remaining financial interest in Four Corners. Furthermore, I support the four factors delineated by the decision in measuring the "necessity" of such projects, and in particular, whether investments are needed to ensure reliable plant operation and to prevent safety and environmental hazards.²

Finally, it is important to note that the transition to a future in which California eliminates financial interests in generation that exceed the 1100 pounds per Megawatt hour threshold required by SB 1368 must be swift but balanced. When we consider that certain municipal contracts with coal generation will remain in play even as we implement our AB 32 rules, we must be patient and

¹ Decision Granting in Part Petition of Southern California Edison Company to Modify Decision 07-01-039, (D.10-10-016), at 5.

² *Id* at 18.

mindful of the costs of this transition to our ratepayers. Thus, we must exercise discretion as we make new investments in cleaner fossil and renewable resources, in addition to our eventual implementation of a 100% auction for GHG emissions allowances. This requires us to achieve the delicate balance of prudence and expediency while complying with our ambitious environmental mandates.

Embracing Forward-looking Technologies to Address Carbon Emissions

Looking forward, carbon sequestration and storage and other crucial clean technologies loom large as critical solutions that we must emphasize in California's post-coal existence. Natural gas and shale exploration, with full environmental review, will continue to sustain us as clean solutions in the green energy economy, and we will need to continue drilling and producing these natural advantages as a path to increased energy independence.

However, we also should continue to make wise investments in the technologies that can help us to leverage cleaner forms of all fossil fuels rather than abandon them unnecessarily. In addition, California has negligible coal resources, and those that remain are being retrofitted for cleaner uses. Thus, eliminating coal generation would have no immediate impact on California resource development. However, emerging carbon sequestration and storage technologies could have positive impacts for California ratepayers in the future, and therefore should not be summarily dismissed. This decision highlights the need to expedite research and investment in such technologies.

I appreciate the manner in which this decision resolves some of the challenging issues around the implementation of SB 1368, and look forward to the opportunities that lie ahead in a carbon constrained world.

Dated October 19, 2010, at San Francisco, California.

/s/
TIMOTHY ALAN SIMON
Commissioner