BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Implement the Commission's Procurement Incentive Framework and to Examine the Integration of Greenhouse Gas Emissions Standards into Procurement Policies.	Rulemaking 06-04-009 (Filed April 13, 2006)

REPLY COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON THE DECISION GRANTING IN PART PETITION OF SOUTHERN CALIFORNIA EDISON TO MODIFY DECISION 07-01-039

I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates (DRA) submits these reply comments on the "Proposed Decision Granting in Part Petition of Southern California Edison Company to Modify Decision 07-01-039" (PD). The PD would authorize a partial exemption from the Emissions Performance Standard (EPS) adopted in Decision (D.) 07-01-039 for Southern California Edison's (SCE's) expenditures in the Four Corners Generating Statements Units 4 and 5 (Four Corners) through the end of 2011. DRA's reply comments respond to Southern California Edison's (SCE's) claim that "SCE should measure life extension in five-year increments beginning in 2016."[1] As explained below, the Commission should reject SCE's request to "clarify" that the additional showing of reasonableness for Four Corners capital projects made before January 1, 2012 should be measured in five-year increments beginning from 2016. Instead, the

[1] Comments of SCE on the Proposed Decision of Commissioner Peevey Granting in Part Petition of SCE to Modify D.07-01-039, filed June 16, 2010 (SCE Comments), p. 4.

Commission should adopt the PD's current requirement that SCE justify the reasonableness of capital expenditures made before 2012.

II. DISCUSSION

The PD would require SCE to demonstrate the reasonableness of capital expenditures made pursuant to Four Corners before 2012:

> For each capital project of $5 million or more, SCE's reasonableness showing must identify whether, based on industry standards, the project likely will extend the life of Unit 4 or Unit 5 beyond five years or some additional five-year increment. If life extension by one or more five-year increments is likely, the reasonableness showing for a capital project of $5 million or more also must explain why the project is warranted nonetheless.[2]

SCE requests

> that the PD be modified to more clearly state that the five-year increments are to be measured relative to the plant's current life expectancy of 2016. In other words; the first five-year increment would begin in 2016.[3]

SCE claims that "'industry standards'" are not generally used to determine whether a capital project will extend the life of a power plant, but that instead, the typical practice is to consider whether a capital project is cost-effective and needed to meet the expected life expectancy of the plant.[4]

This is a variation of SCE's earlier argument, when it contended that "[n]one of the requested Four Corners capital expenditures meet the definition of 'new ownership investments' under D.07-01-039, because the expenditures [] are not designed and intended to extend the life of the Four Corners units by five years

[2] PD, Ordering Paragraph 1(b), p. 25; the PD would deny recovery of capital costs for Units 4 and 5 of the Four Corners Generating Station forecasted to be made after January 1, 2012. PD, Ordering Paragraph 1(b), p. 25.

[3] SCE Comments, p. 3.

[4] SCE Comments, p. 3.

or more beyond the term of the current contracts…"[5] SCE argued its Comments on the Assigned Commissioner and Administrative Law Judge's Ruling Entering Additional Information into the Record and Seeking Comments that the Commission did not clearly define the concept of life extension in D.07-01-039, but that "the most reasonable interpretation" was that investments needed to keep Four Corners operating through the life of its contract should not be considered "new ownership investments" for purpose of the EPS. SCE therefore contended that "[i]nvestments necessary to keep Four Corners reliably operating until 2016 would not trigger the EPS."[6]

The PD rejected this approach and would require SCE to justify Four Corners' capital expenditures of $5 million or more made before 2012 as reasonable, by demonstrating whether the expenditures would extend the life of the power plant beyond five years or some additional five-year increment. If the expenditure would extend the life of the power plant beyond five years, SCE must explain why the expenditure is justified given the impact on life extension.[7] The PD's heightened scrutiny for investments that would extend the life of the plant for five years or more correctly recognizes the risk that ratepayers face now for investments that are inconsistent with the EPS's intent to prevent "backsliding" that will make future greenhouse gas reductions more difficult.

SCE's request that the date for measuring whether expenditures extend the life of the plant for five years or longer should be 2016 ignores the fact that the EPS is intended to prevent long-term commitments with high-GHG emitting plants in the interim before the requirements of AB 32 go into effect. The PD correctly recognizes that the correct date for evaluating whether expenditures will

[5] Comments of SCE on Assigned Commissioner and Administrative Law Judge's Ruling Entering Additional Information into the Record and Seeking Comments, November 24, 2008, (SCE Comments on October 23 Ruling), p. 2 (emphasis added).

[6] SCE Comments on October 23 Ruling, p. 4 (emphasis added).

[7] PD, p. 17; OP 1(b), p. 25.

extend the life of the plant for more than five years is at the time the investment is made, not in 2016.

III. CONCLUSION

DRA respectfully requests that the Commission consider its recommendations in its opening and reply comments in adopting the PD.

Respectfully submitted,

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