Business Plan for 2C Warming Scenario
2016 – Southern Company

WHEREAS: The 2014 Intergovernmental Panel on Climate Change (IPCC) Synthesis Report warns that global warming will have “severe, pervasive and irreversible impacts for people and ecosystems.” The costs of failing to address climate change are significant and are estimated to have an average value at risk of $4.2 trillion globally. To mitigate the worst impacts of climate change and limit warming to below 2 degrees Centigrade (2°C), as agreed in the Cancun Agreement, the IPCC estimates that a fifty percent reduction in greenhouse gas (GHG) emissions globally is needed by 2050, relative to 1990 levels.

The Southern Company has had a proactive response toward the low-carbon transition by adding more than 3,600 MW of renewable projects since 2012, developing “clean coal” technology, adding nuclear energy generation, and making the first offer by a utility for investment-grade Green Bonds valued at $1 billion.

However, accelerated efforts are necessary: Southern is the third largest Carbon Dioxide (CO2) emitter in the country and ranked 26th out of 32 utility companies for Energy Efficiency Savings in a benchmarking report produced by Ceres in 2014.

Regulatory and technology changes are underway that will profoundly impact the utility business model. The U.S. Environmental Protection Agency (EPA) recently finalized the Clean Power Plan, requiring states to achieve 32% GHG reductions on average nationwide (from 2005 levels). Yet the International Energy Agency (IEA) 2°C Scenario requires a 90% reduction of global average carbon intensity of electricity production by 2050, necessitating significant action beyond the Clean Power Plan. Meanwhile, developments in new technologies are leading to sharply declining costs, increasing competitiveness of renewable energy generation and storage.

Rates must be designed for maximum flexibility to achieve climate objectives while providing just and universal access to electricity services, including affordable services to low-income customers.

Recognizing the unique constraints on innovation for the low-carbon transition in each regulated market, Southern’s subsidiary companies can demonstrate a willingness to work with regulators to develop frameworks to catalyze the low-carbon transition. In Minnesota, utilities, rate-payers, and regulators are collaborating to map the transition to a regulatory model that enables innovation, customer options, and realizes public policy goals.

Proponents offer this supportive but stretching resolution to urge Southern to position itself to thrive for the long-term in a decarbonized energy sector.

RESOLVED: Shareholders request that Southern Company issue a report by November 30, 2016, at reasonable cost and omitting proprietary information, on Southern’s strategy for aligning business operations with the IEA 2°C scenario, while maintaining the provision of safe, affordable, reliable energy.

Supporting Statement: Proponents believe this report may include:

- Plans to integrate technological, regulatory, and business model innovations such as: distributed energy resources (storage and generation), demand response, smart grid technologies, and increased customer energy efficiency, as well as corresponding revenue models and rate designs.
- Information on aligning incentives, research and development, public policy positions, engagement strategy with state regulators, and board governance with Southern’s business plan compatible with this strategy.