

**Chairman's speech**  
**Edison International Annual Shareholders Meeting**  
**April 28, 2016; San Gabriel Hilton**  
**FINAL (as delivered)**

Before I begin my formal remarks, I want to thank all of you for coming today. These Annual Shareholder Meetings are an important part of good corporate governance. They also allow us to communicate directly with you about industry trends and our strategy. So again, thank you for making the effort to be with us today.

I'd like to start by sharing with you an experience I had recently. In many ways, it captured for me the profound changes that are gripping our industry.

Last month, I visited Zero Net Energy homes in a housing development out in Fontana, which is in our service territory. Zero Net Energy means that the home produces as much energy as its occupants consume over the course of a year. These homes have things like solar panels, battery storage, water-saving devices, LED lighting and smart appliances.

The project involves 20 houses, and is part of a larger 200 home development called Sierra Crest. Southern California Edison, the Electric Power Research Institute, and others are participating with the homebuilder, Meritage Homes.

One reason I went to Fontana was to talk with the builder about why they were interested in building Zero Net Energy homes. Their reason? It helps differentiate their houses from all the rest on the market.

But, I particularly wanted to hear from the families who recently bought these homes. Why were they willing to spend \$19,000 more for a Zero Net Energy home than the standard house right around the corner? They all said the same thing: they wanted to save money.

One woman excitedly exclaimed, "I only had to pay Edison 65 cents last month!" Now that got my attention! When I told her that I was the CEO of the company she paid so little for her electricity, it didn't dampen her enthusiasm one bit.

Critics like to portray clean energy consumers as staunch environmentalists, or techies in love with new gizmos, or rich people who can afford expensive gadgets. They are often not considered to be particularly practical—not every-day, hard-working folks.

But, there was an important lesson at Sierra Crest. Neither the homebuilder nor the home buyers cited a desire to save the world or to be cool. They ran the numbers. They looked at the total cost of ownership—not just the initial purchase price. They concluded that a Zero Net Energy house would be more economical than a standard house because of the money they would save over the years on energy and water. And, they could include these energy improvements in a tax deductible mortgage.

Imagine the impact if there were hundreds or thousands of housing developments like this being built over the coming years. I believe this will happen. Taken together with many other changes in how energy is consumed, it will have a profound impact on the electric business.

Customers are constantly searching for ways to cut energy costs. And, they are finding an increasing number of options available for doing just that. It is changing what it means to be an electric utility. The old monopoly business model is fading away. Increasingly, we will compete in a new energy environment with the likes of Solar City and Google.

Our business is becoming less and less about selling the commodity called kilowatt hours. More and more, it is about providing the wires network that all these energy technologies connect into—and about providing value added energy services.

Our vision is that the distribution system – that’s the local network of wires that connects every home and business – will be the centerpiece of the power grid. No matter how, where and when power is generated, or what devices customers plug in at their homes or businesses, the distribution network is what efficiently ties it all together.

Nearly every shareholder speech I’ve given has talked about the transformative change we see occurring in our industry. And every speech has concentrated on our strategy for succeeding in this new environment. Our strategy is built on three themes.

The first is *operational and service excellence*. That means operating our existing business with a focus on controlling costs and customer rates, and improving service to our customers.

Second, *building an advanced electric delivery system*. Investing in our core distribution system represents the heart of our growth opportunity.

And the third theme is *expanding our growth potential*. We are systematically exploring new growth opportunities where industry changes are producing unmet customer needs.

### **Operational and service excellence**

So, starting with operational and service excellence, at Southern California Edison we continued to improve efficiency and reduce overhead costs. As a result of these efforts our customers will enjoy a *reduction* in rates. That's right, a *reduction* in rates of 8 percent in 2016 versus 2015. This is a major benefit that we are proud to deliver to our customers.

Keeping increases in electric rates at or below the rate of inflation is an important part of our core mission of safely providing reliable and affordable electric service to our customers.

Delivering on that mission is also how we create value for shareholders. Let me take a minute here to summarize our performance in earnings, stock price and dividends.

In 2015, Edison International's core earnings were \$4.10 per share.

2015 was a difficult year for the stock market overall, and especially for utilities. Edison International's stock price closed down 9.5 percent for the year. We slightly outperformed our primary benchmark, the Philadelphia Utilities Index, which fell 9.8 percent. The overall stock market, as measured by the S&P 500 Index, declined 0.7 percent.

I am pleased to report that our stock has performed very well so far this year. In fact, I saw this morning that it was up to over \$70. Edison International is up over 18 percent year-to-date. This is substantially better than the Utilities Index, which is up 11.5 percent, and the S&P 500, which is up only 3.5 percent.

In December, we increased our dividend for the twelfth consecutive year to an annual rate of \$1.92 per share. That was a 15 percent increase from the previous year. It was our second year of double digit dividend increases. It reflects our commitment to moving our dividend up within our target payout ratio of 45 to 55 percent of Southern California Edison's earnings, in steps over time.

### **Building an advanced electric delivery system**

Let's turn to our second strategic theme, building an advanced electric delivery system. Last year, Southern California Edison outlined our vision of the next generation power system to regulators in its Distribution Resources Plan. Part of the Plan described the investments needed to accommodate growth in distributed energy resources, such as rooftop solar, batteries and electric vehicles.

The Plan outlined areas in the Distribution system needing reinforcement and upgrades. It also identified the need to incorporate into the network more data analytics, digital communications and automation. These modernization efforts will allow us to efficiently operate a more dynamic and substantially more complex electric system.

We expect SCE will include some of these grid modernization elements in its 2018 General Rate Case, which we will submit this September.

California continues to lead the nation in developing policies to create a low carbon economy. Our strategy of building the clean energy grid of the future is very much aligned.

For example, California legislation passed last year increases the target for renewable power to 50 percent by 2030. The law also provides support for utility investment in transportation electrification, which we view as a long-term growth opportunity for Southern California Edison. We see investments in electric vehicle charging infrastructure and energy storage as complements to SCE's wires-focused strategy.

## **Expanding growth potential**

Our third strategic effort involves *expanding our growth potential*. We are focused on developing businesses that address unmet customer needs. To be attractive to us, these businesses must utilize our competitive advantages and have good potential to meaningfully contribute to our earnings.

In one such effort, our market research determined commercial and industrial customers across the country are underserved and want help managing their energy needs. They struggle to deal with over 3,000 different utilities across the country, multiple tariff changes from each of them, and a growing tangle of new technology providers.

Similar to those homeowners in Sierra Crest, these companies mostly want to reduce their energy costs. They also want reliable electric service. More companies want help delivering on ambitious sustainability commitments, too.

We bring several competitive advantages to bear. We have extensive technical, commercial, and regulatory experience. We have deep knowledge of the power system. And, our brand and size contrast with the dizzying array of untested start-ups.

We launched Edison Energy to serve commercial and industrial customers with an integrated energy services platform. Edison Energy currently serves a quarter of the Fortune 500 companies. We also see opportunities to serve other large-scale customers such as college campuses, military bases, and entire economic development zones.

Let me give you a real-life example. A commercial real-estate developer has asked us to bid on providing their \$8 billion project with a private, self-contained energy service. They want a micro-grid that supplies electricity and recycled water with a zero net energy footprint. This project would provide on-site: generation, storage, energy efficiency products, electric vehicle charging stations and a water treatment and recycling system. Edison Energy would design, build, and manage this fully integrated and engineered solution, and they would own and operate portions of it as well. We are one of two finalists in the bidding. We expect to see more projects like this, which should support growth at Edison Energy.

Today, competitive businesses are a small part of Edison International. But we are gaining confidence that there is a growing market for them, and that they can be profitable. If performance warrants, we are in the position to increase our commitment.

We believe there are significant opportunities to grow Edison International. We see a future where investments in modernizing the grid form the foundation of a new energy future for our customers, and support a vibrant, low-carbon economy.

We at Edison International are eager to provide the creative leadership needed to make this vision a reality. Doing so, we will serve our customers and our communities, and we will build value for our shareholders.

Thank you.