Prepared Remarks of Ted Craver
Chairman and Chief Executive Officer, Edison International
First Quarter 2014 Financial Teleconference
April 29, 2014, 2:00 p.m. (PST)

Today Edison International reported solid first quarter results. Core earnings were 90 cents per share, up 17% over last year. These results are consistent with our full-year earnings guidance, which we also reaffirmed today.

In the last few months we made good strides in resolving the two major uncertainties for investors—Edison Mission Energy and San Onofre. I will touch on both, starting with the San Onofre Nuclear Generating Station.

On March 27, a settlement agreement was reached on all of the issues in the cost recovery proceeding before the California Public Utilities Commission related to the shutdown of SONGS. This comprehensive settlement was formally submitted to the CPUC on April 3. The original signatories included the two principal owners of SONGS – Southern California Edison and San Diego Gas & Electric – and the two largest and most active consumer advocacy organizations in the state. These are the CPUC's Office of Ratepayer Advocates and The Utility Reform Network. Since that announcement, two additional groups have joined the settlement. The first is Friends of the Earth, a prominent environmental group and the most active advocate for closing SONGS in the Nuclear Regulatory Commission proceedings. The second is the Coalition of California Utility Employees, the only organized labor group intervening in the SONGS OII. As a result, the settlement is supported by representatives from four key constituencies – consumers, environmentalists, labor and the owners. All of the parties have agreed to work to obtain timely consideration and approval of the settlement by the CPUC.

On April 14, the settling parties held a series of briefings on the settlement for CPUC representatives. On April 24, the administrative law judge for the SONGS OII published a schedule to review the settlement. The ruling plans one evidentiary hearing in mid-May and a public participation hearing in early June. The CPUC will receive written comments from the other parties to the proceeding on May 5, with reply briefs due on May 27. While the ruling does not have a proposed decision date, this timeline could accommodate a proposed and final decision this summer, although we can't predict the timing of any decision. The ruling notes that only two objections have been served on the settlement, one from an individual and one from an anti-nuclear group. With strong support for the settlement and minimal opposition, the settling parties continue to encourage prompt approval.

As we discussed during our March 27th investor call when we announced the settlement, most refunds related to the settlement will be credited against the current undercollections in SCE's fuel and purchased power balancing account, known as ERRA. A favorable decision on the settlement and timely CPUC decisions on the 2014 and 2015 ERRA forecast proceedings, should substantially reduce the undercollections by the end of next year. The March 25th proposed decision on the 2014 ERRA forecast proceeding is consistent with this outcome. And on April 1st, SCE received a proposed decision that would grant its request to accelerate the timeframe for filing its 2015 ERRA forecast proceeding. This would allow SCE to complete its 2015 ERRA proceeding well before year-end and implement it in rates next year. These are constructive developments and we are hopeful that both will be approved by the CPUC at their May 1 meeting. While these developments are not material to earnings, they are important to SCE liquidity.

Let me move to Edison Mission Energy. EME's bankruptcy has now been completed with the sale of substantially all of EME's assets to NRG Energy. On April 1st, we closed on the settlement agreement transaction with EME's note holders. EME remains a subsidiary of Edison International free of all bankruptcy claims and consolidated for tax purposes. We made the first of three scheduled payments, for $225 million, to a newly-established Trust on April 1. The remaining payments are due in September of 2015 and September of 2016. The exact amounts of these last two payments will be finalized once EME's tax attributes, currently estimated to be $1.2 billion, are finally determined. This work will be concluded in the next several months.

As we move beyond these uncertainties, we continue to make progress on our 2015 General Rate Case. The schedule adopted by the CPUC calls for public participation hearings in late May-early June, evidentiary hearings in July and August, and the hearing record being completed in October. While no date has been set for a proposed decision, we intend to meet all of the SCE deadlines to support a timely decision, although we can't predict that there will be one by the end of the year.

The significant progress made in resolving SONGS and EME should allow investors to focus on Edison International’s long-term earnings and dividend growth. We see forecasted capital investment producing a 7 to 9 percent compound annual growth rate in SCE’s rate base through 2017.

Beyond 2017, we see the need for annual capital expenditures in electric infrastructure to support reliability at levels similar to those we are proposing in our 2015 GRC. A central tenet of our strategy is that we should lead in modernizing the distribution system. Building this next generation grid requires significant technical know-how and capital investment. This is something Edison is particularly well positioned to do.

The foundation of our investment case is the strong growth prospects for SCE. We also recognize the need to have a strategic eye on the transformative changes occurring in our industry that extend even beyond California. With this in mind, we are selectively pursuing other growth initiatives, both within SCE and in competitive businesses.

The last several years of investment has built a rate base that is now generating substantial earnings and cash flows. We believe this additional cash will support both strong future growth and larger dividend increases. I have said before, and reiterate here, that we plan to return, in steps over time, to our target of paying out 45-55 percent of SCE’s earnings in dividends.

Finally, to help achieve our mission of providing safe, reliable and affordable electric service to our customers, we need to increase our focus on rate design and operational excellence. The improved rate design called for with the passage of Assembly Bill 327 is central to managing rates and customer satisfaction in a period when critical infrastructure improvements have to be undertaken. In the same vein, to be a best-in-class utility, we must continuously identify new cost efficiencies. The principal metrics we are using to guide our efforts to achieve affordable electric service for our customers are: system average rates, operation and maintenance cost per customer, and unit energy cost per megawatt hour. Using these high-level metrics, we are able to create a range of initiatives to improve efficiency.

The more SCE can provide customers with the benefits of these productivity improvements, the more we can maintain reliability and keep rates reasonable, and also deliver on our growth opportunities.