

**Prepared Remarks of Ted Craver
Chairman and Chief Executive Officer, Edison International
Second Quarter 2014 Financial Teleconference
July 31, 2014, 2:00 p.m. (PDT)**

Before we begin, I would like to welcome Maria Rigatti, who joined us this week as Senior Vice President and Chief Financial Officer of Southern California Edison. Many of you know Maria from her prior role as Chief Financial Officer of Edison Mission Energy. We are pleased to have Maria's depth of experience and leadership. I'd also like to welcome Connie Erickson to her first earnings call. Connie is Southern California Edison's new Controller, and joined us in May from a utility in the Southeast.

Okay. Let's get down to the business at hand.

Edison International today reported second quarter core earnings per share of a dollar and 8 cents (\$1.08). This is a 37% increase over core earnings per share in last year's second quarter. This strong performance reflects continued earnings growth from investing in modernizing and expanding our core wires infrastructure, managing our costs, and benefiting from favorable tax items.

Based on our year-to-date results, we expect full-year earnings for EIX to be **well above** the high end of our core earnings guidance range--that is, above \$3.80 core earnings per share. There are several components driving this expectation, which Jim will discuss in his remarks. Obviously, this effectively moots our current earnings guidance. We are not providing new earnings guidance at this time. We want to at least get through the summer, since our earnings are weighted most heavily to the third quarter, and may provide new guidance when we release 3rd quarter earnings.

Of course we are also focused on completing the remaining steps for getting the SONGS OII settlement approved. The record of the proceeding is now complete. We are currently awaiting a proposed decision from the administrative law judge. As we previously reported, the Settlement has a diverse group of signatories representing all the major groups of intervenors in the SONGS OII proceeding—utilities, consumer groups, labor and environmentalists. Beyond the signatories, several other groups expressed support for the settlement in testimony with

relatively little opposition. The next step is to receive a proposed decision from the ALJ, which we hope to see shortly.

We are also moving ahead on the decommissioning planning process. SCE anticipates filing an initial decommissioning plan with the Nuclear Regulatory Commission later this year outlining the scope, schedule and budget for decommissioning.

Based on a recently completed site-specific study, we now forecast SCE's share of SONGS decommissioning costs to be \$3.3 billion in 2014 dollars. When we take that number and escalate costs over the decommissioning period and then present value it, SCE's share of costs is \$2.9 billion. On the other side of the equation, the current market value of SCE's decommissioning trust funds for SONGS Units 2 and 3 total \$3.1 billion after estimated taxes as of June 30, 2014. The bottom line is that we have \$2.9 billion in present value costs versus \$3.1 billion in present value of the trust funds, which leads us to conclude that San Onofre decommissioning is now **fully funded** and future contributions are **not** needed.

We are awaiting approval from the CPUC to use decommissioning trust monies to pay for the early decommissioning planning work we have been doing as well as ongoing operating costs since the plant was shut down in June of last year.

On a related item, on May 1 the CPUC approved SCE's 2014 forecast for fuel and purchased power, or the ERRRA account. SCE incorporated this decision in customer rates in June. SCE also filed its 2015 ERRRA forecast application in June. These are important steps in reducing the under-collection in the ERRRA account.

Turning to the general rate case, we made our supplemental filing on safety and reliability risks as required by the Assigned Commissioner Ruling. The Administrative Law Judge issued a revised GRC schedule for testimony, hearings, and briefs. Hearings begin in late September representing approximately a two month delay. The schedule does not have a target date for a proposed decision, but it clearly will not be issued until sometime in 2015. The Commission has already approved making the final GRC decision –whenever that may occur—retroactive in rates to January 1st of next year. While we have to accept the realities of this delay, we continue

to support the separate efforts Commissioner Picker is leading to streamline decision processes at the Commission, which is needed.

The last regulatory topic I want to touch on is rate design. We and the other investor owned utilities continue to work with the CPUC on their efforts to implement the constructive changes in residential rate design authorized under Assembly Bill 327 signed into law last October. We are well into the procedural schedule for the phase dealing with fixed charges and compressing rate tiers to bring the rate structure closer to true costs. A decision on this is scheduled in the spring of next year. On July 10, the CPUC established a separate docket and approved the procedural schedule for the last phase. This includes creating a new net energy metering tariff to better reflect the cost effects of net metered, customer-installed, solar on the system. This is to be finalized by the fall of next year.

I'll close with a few comments on our longer-term growth potential and dividend policy. As I've met with investors over the past few months, I've made clear that we see sustained growth opportunities at SCE even beyond the current 2015-2017 forecast period. On our last earnings call, I talked about the need for annual capital expenditures in electric infrastructure at similar levels to those proposed in the current rate case.

We continue to believe that for the foreseeable future the electric grid is critical to facilitating public policy goals, including those to reduce greenhouse gases. That said, the distribution grid needs additional capital expenditure to support two-way flows of electricity created by distributed generation as well as new technologies such as electric vehicles and energy storage. This is by far the largest additional future investment in the grid not currently contemplated by the general rate case process. We will submit our Distribution Resource Plan outlining these investments in 2015 as required by Assembly Bill 327.

We have three large transmission projects that are part of the approved California ISO Transmission Plan that are expected to go into service between 2018 and 2020. We are also interested in the Delaney-Colorado River transmission project, which was recently approved by the California ISO as an economic, and therefore a competitive project. We feel our competitive position is enhanced from SCE owning an existing corridor. Together with electric vehicle infrastructure and energy storage, all these potential projects will complement SCE's continued

focus on growth in electric infrastructure investment. We are not prepared at this time to attach specific numbers to these categories, but believe it is important for investors to understand why we are bullish about our long-term growth opportunities for some time to come. And importantly, none of this growth relies on additional investment in new generation.

Regarding our dividend policy, we fully recognize that our dividend is well below the industry. I have reiterated several times in these calls that we intend to address this situation by taking more meaningful steps in returning our dividend to our target payout ratio of 45 to 55% of SCE's earnings, in steps over time. I consider delivering on this as job #1 for our investors; just as delivering on providing safe, reliable and affordable electric service is job #1 for our customers.