Prepared Remarks of Jim Scilacci
Executive Vice President and Chief Financial Officer, Edison International
Second Quarter 2014 Financial Teleconference
July 31, 2014, 2:00 p.m. (PDT)

Thanks Ted and good afternoon everyone and I'd like to add my congratulations to Maria and Connie on their new roles. I would also like to thank Stu Hemphill for being the acting CFO, bridging the time period between Linda Sullivan's departure and Maria's arrival. Well done Stu.

My comments cover the following topics – second quarter earnings, capital spending and rate base forecast, the regulatory calendar, and earnings guidance. Please turn to page 3 of the presentation.

As Ted already mentioned, EIX's core earnings for the second quarter of 2014 are $1.08 per share, or 29 cents ahead of last year. Higher revenues include 17 cents per share in authorized CPUC and FERC revenue increases that support rate base growth as well as higher costs. Three cents of this increase is from a revision to estimated revenue under the FERC formula rate mechanism and the 2008 FERC construction work in process proceeding. These 3 cents were not included in our original guidance.

The net SONGS impact is a positive 3 cents per share compared to last year mainly related to severance costs that impacted earnings in the second quarter of last year and a small property tax refund this quarter.

O&M costs increased by 2 cents per share and include 1 cent of non-SONGS severance compared to 2 cents in the second quarter of last year. Most of this O&M variance is timing-related. Higher depreciation and financing costs reflect the growth in rate base and the capital structure supporting rate base.

Income tax benefits are a significant contributor to earnings during the quarter. We recorded a 9-cent per share tax benefit from changes in estimates of the uncertain tax positions. This primarily relates to progress made by the Company and IRS Appeals in settling the 2003 through 2006 audit cycle. This also had a spill-over effect into subsequent tax years. This 9-cent benefit was not included in our 2014 earnings guidance.

In our original guidance, we assumed that full-year tax benefits would amount to 14 cents per share. Through June 30, there are 8 cents of additional tax benefits that were not included in our original guidance mainly related to higher repair and cost of removal deductions.

Also included in other income are 3 cents for California energy crisis litigation settlements with generators that were finalized this quarter. You may recall that we have a CPUC-approved incentive sharing mechanism for resolution of these claims.

Taken together, this accounts for the 27 cent increase in SCE core earnings as shown in the slide. For the Edison International holding company, costs are 2 cents per share lower than last year largely due to consolidated state income tax benefits this year.

Included in discontinued operations and non-core earnings is a 56 cent per share benefit related to the EME settlement. The settlement and the sale of EME assets closed on April 1 as we previously disclosed and was accounted for as a second quarter transaction. The amount recorded in discontinued operations in the second quarter was $184 million, slightly higher than our prior estimate of $152 million. We expect to finalize the EME tax attributes and the amount of the EME payments by the end this year.

In addition to our earnings discussion, let me summarize a couple of items that impacted EIX liquidity in the quarter.

- First, Edison International made the first payment of $225 million to the EME creditors in April, drawing from its credit line as we planned.
- Second, Edison International made deposits with the IRS of $189 million related to Federal income tax disputes related to EME. You may recall that EIX agreed to accept this liability as part of the EME bankruptcy settlement.

These items, together with timing differences between dividends received from SCE and paid to common stock shareholders, increased EIX's short-term borrowings to $666 million on June 30. Also during the quarter, both SCE and EIX extended their credit facilities for an additional year, to July 2019. There were no changes in terms and conditions.

Page 4 of the presentation has the year-to-date financial story, which I won't review, but the earnings analysis is consistent with the second quarter.

Turning to page 5, SCE's capital spending forecast through 2017 continues to be the same. For the first six months of the year, total SCE capital expenditures are $1.6 billion, compared to our full-year forecast of $3.6 to $4.1 billion.

On page 6, we continue to forecast compound annual growth rates of 7 to 9% for rate base through 2017.

Page 7 highlights the points on longer-term growth drivers that Ted mentioned in his comments.

Turning to page 8, based on investor feedback, we have reintroduced a key regulatory calendar that we will update quarterly with the most important proceedings impacting the utility. More detailed slides on each of these topics and appropriate updates are included in the appendix.

The final topic is guidance. Please turn to page 9.

Ted has already updated you on our plans for guidance. We have added into the chart a total of 23 cents per share of core items not in our original guidance. To recap, they are the 9 cent income tax benefit from uncertain tax positions, 8 cents from additional tax benefits, 3 cents from additional FERC revenue, and 3 cents from generator refunds.

I'll finish with slide 10, which we continue to use to frame the investment story for Edison International. We are looking to close the final chapters on the SONGS regulatory review and the last steps in implementing the EME bankruptcy in the coming months. As we've noted at the lower left of the slide, being able to monetize EME tax benefits is dependent on Federal income tax policy. We're aware of the potential for extension of bonus depreciation. On balance we would see such an extension as a net positive for Edison International, with important cash flow benefits from lower cash taxes at SCE, although it would admittedly delay monetization of EME tax benefits.

Our strategy remains focused on reducing uncertainties, delivering on the current and longer-term earnings and dividend growth opportunities we see, and positioning the company for the transformative changes that we're seeing unfold around us.

Thank you and I'll now turn the call over to the operator to moderate Q&A.