Prepared Remarks of Ted Craver
Chairman and Chief Executive Officer, Edison International
Third Quarter 2014 Financial Teleconference
October 28, 2014, 2:00 p.m. (PDT)

I am pleased to report that Edison International has delivered another quarter of strong financial results, with third quarter core earnings of $1.52 per share, up 7% from last year. I am particularly pleased to note that we have also increased our full-year earnings guidance. We now anticipate 2014 core earnings will be in the range of $4.25 to $4.35 per share. This is an increase of 60 cents per share over the midpoint of guidance we provided last February. We continue to deliver solid growth and returns from investing in needed infrastructure to support public safety and reliability as well as California's public policy objectives of creating a low carbon economy and technological innovation.

We should note that some of the increase in our core earnings outlook for the year is made up of items (such as taxes) that we cannot expect will reoccur each year. These items create a higher base against which earnings growth in future years will look less impressive in year over year comparisons. However, these additional earnings increase equity, which allows us to make more substantial investments in needed electric infrastructure in the future without needing to issue stock.

The high level of investment we have made over the last several years in electric infrastructure, coupled with our firm belief that it was not financially prudent to issue equity to manufacture larger dividend increases, has caused our dividend to fall below the industry averages for yield and earnings payout ratio. To repeat what I have said before, we are committed to bringing our dividend back into our targeted payout ratio of 45-55% of SCE's earnings in steps over time. We understand that redressing this imbalance is job #1 for many of our investors. The higher earnings outlook we announced today also makes it easier to deliver on this objective.

We've made important progress since our last investor call in resolving key uncertainties that have detracted from our longer-term potential.

On October 9th, the administrative law judges recommended adoption of the amended SONGS settlement. Their proposed decision found that the settlement met all of the legal requirements for comprehensive settlement, and that it was reasonable in light of the whole record, consistent with law and in the public interest. There will also be oral arguments this Friday. All of the settling parties remain in support of the settlement. Although we do not know the timing of CPUC action, the proposed decision could be considered as early as the CPUC's November 20 meeting. The Commission posts agendas 10 days prior to its meeting.

The amended SONGS settlement includes several modifications requested by the administrative law judges and the assigned commissioner. The principal change agreed to by the settling parties involved the formula for sharing any future recoveries from insurance and Mitsubishi Heavy Industries. Another change added a 50-50 sharing of any financing arbitrage between the authorized 2.62% rate of return on the SONGS regulatory assets and actual financing costs. The utilities were also asked to fund $25 million over five years for carbon-related research initiatives. Our share of this will be $20 million and will be funded with shareholder dollars through our corporate philanthropy program.

I want to give a quick update on the NEIL insurance claims process. Under the amended settlement, customers will, net of recovery costs, receive 95 percent of any insurance proceeds related to purchased power under what's called the Outage Policy. Edison shareholders will receive five percent. SCE has currently filed $334 million in outage insurance claims. We don't expect to receive a first determination of coverage by the insurer until late in the year or perhaps early next. If we disagree with NEIL's determination, the policy provides for a dispute resolution process.

Under the amended settlement, MHI claims would be shared 50-50 between customers and shareholders, net of costs of recovery. Our contract with Mitsubishi calls for international arbitration of disputes. The three arbitrators have now been selected and the process for organizing and scheduling the arbitration has begun. We don't intend to provide ongoing progress reports unless and until we can report material developments. We continue to expect this to be a lengthy process. We are committed to representing our customers and our shareholders forcefully during this proceeding.

During the quarter we also completed the final steps in our settlement related to the Edison Mission Energy bankruptcy. In late August, we finalized the 2015 and 2016 payment amounts to the EME Reorganization Trust consistent with the settlement reached earlier this year. The final payment increased by $9 million above our prior estimates due to an increase in the estimated tax benefits retained.

I'd like to turn finally to the status of SCE's general rate case. Evidentiary hearings have now concluded as scheduled. Intervenor testimony called for material reductions in electric system investment from what we filed. In our policy and rebuttal testimony and in the hearings, we continued to assert – as the Commission has supported in the past – that preventive maintenance and investment in the grid maximizes customer reliability and public safety. The current schedule continues to foreshadow a GRC decision sometime in 2015.