Prepared Remarks of Jim Scilacci
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Third Quarter 2014 Financial Teleconference
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My comments will cover third quarter and year-to-date earnings; our reaffirmed 7 to 9% rate base growth forecast; our increased earnings guidance; and our plans for 2015 earnings guidance. Please turn to page 3 of the presentation.

EIX's third quarter core earnings per share are $1.52 per share, or 10 cents above last year. SCE's third quarter core earnings increased 8 cents per share, to $1.54 per share largely driven by higher revenues for rate base growth. This increase was partially offset by lower income tax benefits. In the third quarter last year, SCE recorded tax benefits of 6 cents per share related to IRS guidance for generation repair deductions.

The earnings drivers shown on the right of the slide are consistent with this year's trend of core utility results. Higher CPUC and FERC authorized revenues provide for escalation of O&M, return, depreciation, financing and taxes. Much of this is consistent with ongoing rate base growth. SONGS results are three cents per share lower than the third quarter of last year.

As we look ahead to 2015, we expect to recover our actual SONGS costs from the Nuclear Decommissioning Trusts. We have submitted an Advice Letter to the CPUC to access the trusts and have filed our decommissioning plans with the NRC. Assuming the amended settlement agreement is approved by the CPUC, it provides a return on long-term debt and preferred stock which should be roughly comparable to our cost of financing the SONGS regulatory asset. We will also share with ratepayers the cost savings of refinancing the SONGS regulatory asset at a rate lower than the settlement's authorized rate of 2.62 percent. At this point in time, we are not forecasting any savings between the 2.62 percent and expected refinancing cost.

One thing to note is that we continue to contain our O&M costs which are pretty much flat with the third quarter last year, after eliminating O&M related to SONGS and Four Corners. Our 2015 general rate case filing incorporates all savings from 2012 through 2014. Going forward, we have proposed sharing 50 percent of any 2015 savings from in-flight IT and Customer Service cost initiatives. Beyond these initiatives, we will continue to constantly seek to improve our cost and service performance.

Turning to Edison International parent and other, as a reminder this includes the core holding company costs, the new business costs under Edison Energy, the remaining investments from Edison Capital, which continue to wind down, and two small investments at Edison Mission Energy. Edison Capital and EME are subsidiaries of Edison Mission Group.

During the third quarter, Edison Mission Group contributed 3 cents per share from affordable housing projects. The Holding Company and Edison Energy costs were higher by 2 cents while we had additional tax benefits of 1 cent per share bringing the total impact for EIX Parent & Other to a positive 2 cents per share variance.

The non-core item this quarter relates to recording the completion of the EME settlement.

Please turn to page 4. The year-to-date increase in earnings over last year is driven by higher authorized revenues for escalation of O&M, return, depreciation, financing and taxes. Our year-to-date earnings increase also reflects reduced O&M mainly from lower severance costs and higher tax benefits. As we discussed in our second quarter call, we recorded a 9 cent per share tax benefit from the change in estimate of uncertain tax positions. This primarily relates to progress made with the IRS in settling the 2003 through 2006 audit cycle. During the second quarter call, we also mentioned that SCE had earned 3 cents per share from California energy crisis litigation settlements. Other minor factors bring year-to-date SCE core earnings to $3.58 per share. Net of holding company costs, EIX core earnings year-to-date increased 52 cents to $3.50 per share.

Turning to page 5, we updated SCE's capital expenditure forecast through 2017. The three-year forecast is about $200 million higher. As you can see in the chart, spending is forecast to be down about $300 million in 2015 from updated CPUC spending and timing of FERC transmission projects. However, an additional $300 million of FERC transmission spending is now included in 2016 and 2017 for the Coolwater-Lugo and Mesa Loop-In projects.

Moreover, our forecast now includes over $200 million of new spending, roughly split between 2016 and 2017, to begin converting certain mobile home parks from a master meter to individually metered mobile homes. This comes as a result of a March CPUC decision that ordered a pilot program to convert ten percent of mobile parks for safety and reliability reasons. This pilot program is being handled outside of the general rate case process. At this point in time, it is not possible to predict if the CPUC will extend this program beyond the pilot phase.

On page 6, we have also reaffirmed SCE's 7 to 9 percent annual rate base growth forecast. As we've discussed previously, the rate of rate base growth is dependent upon the CPUC's decision on SCE's 2015 general rate case. Some interveners in the case have suggested reductions in capital expenditures that would result in lower rate base growth. However we have aggressively responded during the general rate case hearings on the need for continuing and in fact increasing infrastructure spending consistent with the Commission's focus on public safety and reliability. We therefore believe the forecast range remains a reasonable one. More information on intervener positions is included in the presentation appendix.

The final topic is guidance. Please turn to page 7.

We've continued with the same approach to guidance that we showed you in February and again in April. We start with an SCE rate-base driven earnings estimate of $3.40 per share based on the midpoint of the rate base forecast.

Looking across the bottom of the slide we have updated our guidance to reflect our current outlook for earnings and we have also assumed that the amended SONGS settlement is adopted this year.

Our original guidance assumed a 7 cent per share negative impact related to SONGS. This is primarily from the lack of authorized revenues to cover the cost of debt and preferred stock. The settlement allows a partial return on the SONGS regulatory asset of 2.62 percent, thus providing 3 cents of incremental earnings. The amended settlement includes a five-year philanthropic contribution to the University of California that totals $20 million. Our updated guidance accrues for this five-year charitable contribution, or 4 cents per share. There are other small items that net to a positive one cent. The net effect of all these items is again a negative 7 cents per share.

The major positive items to our guidance relate to higher income tax benefits, cost savings and the other items that we've previously reported in our year-to-date results. Cost savings and other remain the largest element, and have increased from 35 cents per share in our original guidance to 69 cents per share. Income tax benefits are now forecasted at 41 cents per share, compared to the 14 cents previously.

We have also removed the 2014 energy efficiency earnings of 3 cents per share, based on the CPUC's action to delay processing of utilities' energy efficiency award requests. As a result, we would expect energy efficiency awards in 2015 will include multiple years.

The combined impact of these benefits is now $1.10 cents per share, up 58 cents per share from the original 52 cent per share estimate.

We have also updated the Edison International parent and other cost estimate from 15 cents per share previously to 13 cents per share, reflecting year-to-date results.

This gets us to a new core earnings midpoint of $4.30 per share and a new core earnings range of $4.25 to $4.35 per share for the year.

I'll finish up with a comment on 2015 guidance. Please turn to page 8.

Based on the current GRC schedule, it is not likely that SCE will receive a final GRC decision by the time we report full-year results in late February. We intend to follow our prior practice of not providing 2015 earnings guidance until we receive a GRC decision. We are mindful of the importance of helping investors model their earnings outlook even in the absence of a decision. We believe that our rate base forecast continues to be the best indicator of ongoing earnings power.