2014 ELECTRICITY OUTLOOK

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AGENDA

LEVEL SET
• How Does SCE Make Money?

RATES
• 2014 Forecasted Rate Change

HOT TOPICS
• San Onofre Nuclear Generating Station (SONGS)
• Chino Hills
• 2015 General Rate Case (GRC)
• Solar
• Net Energy Metering (NEM)
• Greenhouse Gas Cap and Trade Update

DYNAMIC PRICING
• Mandatory TOU for Business Customers

IDSM
• Demand Response Programs
HOW DOES SCE MAKE MONEY?

http://youtu.be/D6BCKAaCwF8
OVERVIEW OF REVENUE REQUIREMENT COMPONENTS (JUNE 2013 BUNDLED SYSTEM AVERAGE RATE: 15.6 CENTS/KWH)

**Conclusion**

Half of retail revenues fund generation-related activities: **SCE spends the remaining revenues on non-generation services** such as distribution and transmission system development and reliability, energy efficiency, demand response, and low income assistance programs.

**Generation**
- Investment and O&M for utility owned generation (UOG)
- Fuel and purchased power costs

**DWR Charges/Refunds**
- Cost recovery on contracts entered into on behalf of IOUs during energy crisis (including Bond Charge)

**Public Purpose Programs**
- Legislative mandates (energy efficiency, RD&D, renewables investment, etc.)
- CPUC programs (additional energy efficiency, CARE program, etc.)

**Transmission**
- Investment and O&M in transmission (typically >220 kV)

**Distribution**
- Investment in distribution: poles, wires, substations, service centers, meters, etc.
- California Solar Initiative
- Demand Response Programs
- Edison SmartConnect®

**Other**
- New System Generation: Cost recovery related to improving system reliability during times of peak demand.
- Nuclear Decommissioning: Cost recovery associated with decommissioning nuclear power plants following their retirement and shutdown.

- **50.5%**
- **34.3%**
- **6.6%**
- **4.4%**
- **2.8%**
- **1.3%**
HOT TOPICS
SCE decided to permanently retire SONGS to eliminate uncertainty and facilitate an orderly planning for California’s energy future.

SCE’s top priority will be to ensure a safe and compliant retirement of SONGS and grid reliability.

SCE is vigorously pursuing cost recoveries from Mitsubishi Heavy Industries and insurance.

There may be costs that are not recovered from Mitsubishi and the insurers, and these could be significant.

SCE is now participating in a process before the California Public Utilities Commission to determine just how these remaining costs should be addressed.
The CPUC approved undergrounding a portion of the Tehachapi Renewable Transmission Project that runs through the city of Chino Hills
  - Approximately 3.5 mile stretch of the 173-mile transmission line route

SCE opposed undergrounding, primarily because it would burden California energy users with additional costs that SCE estimates will be approximately $370 million and will delay the project
  - Costs of the entire Tehachapi Project, including underground construction, will be shared by all customers in CAISO territory as determined by the Federal Energy Regulatory Commission (FERC)

We remain concerned about the potential precedent for future transmission line costs, though we respect the CPUC's decision and will move forward to implement it expeditiously

Next steps are to finalize some technical and scope questions with the CPUC and finalize the construction plans and file for rate recovery with FERC based on our estimated capital costs for the project
SCE’s funding request focuses on infrastructure investment and includes the following customer benefits:

- Updated infrastructure and upgrades that create a safer, smarter, more reliable and more secure grid
- Reduced outage impact through implementing new technology, security and telecommunications equipment
- Inspection, maintenance and repair/upgrade of 1.4 million electric poles, 712,605 transformers and 88,207 miles of distribution lines for 4.9 million customers

SCE request is approximately a 2% monthly bill increase, because of multi-year cost cutting and right sizing programs

SCE filed its rate case application in November
SCE’S SUPPORT OF SOLAR

- SCE buys solar energy
  - Clean energy will continue to be a significant part of SCE’s energy portfolio into the future and we are on target to have 33% of renewable energy in our portfolio by the year 2020

- SCE invests in solar energy
  - Edison International, SCE’s parent company, recently acquired a solar company that installs solar PV on rooftops of large commercial buildings. Edison also bought a stake in Finance company to help the company expand its online financing service for residential solar energy systems

- SCE helps customers go solar
  - SCE has facilitated $725 million to more than 51,000 residential and non-residential solar installations representing 597 megawatts of clean power (that’s enough to power approximately 390,000 homes)
SCE’s rate principles include making sure our rates reflect the true cost of service.

SCE opposes the NEM rate because costs are being shifted to non-solar customers.

Under NEM, customers receive the full retail rate credit for the power they generate:
- The NEM credit includes not only generation charges but also all delivery charges which are made up transmission & distribution grid system operations, maintenance & upgrades, and a variety of fixed costs that do not decrease when the customer is generating.

As a result, NEM customers are being over-compensated for the power they generate.

SCE estimates the 2012 NEM over-compensation at about $90 million, which are costs that were shifted to non-solar customers.
Under California’s cap-and-trade program, SCE must own one allowance—similar to an emissions permit—for every ton of greenhouse gas it emits.

To cover each year’s compliance requirements and to protect customers from increased costs, SCE will annually receive 25-30 million free allowances.

However, SCE is required to sell these allowances into the Auction (and then is able to buy them back for compliance).

Revenue earned from this sale is under the jurisdiction of the CPUC, who has opened Proceeding R.11-03-012 to decide how this value should be used.

Until the CPUC has finalized the rules for using this revenue, SCE has held off on distributing all GHG costs and revenues.
MANDATORY TOU RATES FOR BUSINESS CUSTOMERS
- Mandatory TOU is statewide mandate
  - Aims to ensure greater reliability
  - More accurately reflects SCE’s cost to serve customers
- Eligible accounts will transition to the following rates:

<table>
<thead>
<tr>
<th>Current Rate</th>
<th>Default Rate</th>
<th>Optional Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>GS-1</td>
<td>TOU-GS-1-A</td>
<td>TOU-GS-1-B</td>
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<tr>
<td>GS-2</td>
<td>TOU-GS-2-B</td>
<td>TOU-GS-2-A</td>
</tr>
<tr>
<td>PA-1</td>
<td>TOU-PA-2-B</td>
<td>TOU-PA-2-A</td>
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<tr>
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</tbody>
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CONTACT US!

Energy Efficiency & Demand Response Programs
Optional Rates
Detailed Rate Analysis
Economic Development Services
Other Products and Services

Contact your Account Manager or visit www.sce.com/TOU
Email: TouSolutions@sce.com
800 Number: 1-800-990-7788
INTERGRADED
DEMAND SIDE MANAGEMENT
PROGRAMS

Programs are funded by California utility customers and administered by SCE under the auspices of the California Public Utilities Commission. Programs are offered on a first-come, first-served basis are effective until funding is expended or the program is discontinued. Programs may be modified or terminated without prior notice.
Annual Review of Non-Performing Customers (1st Quarter 2014)

- Customers enrolled for a minimum of 1 calendar year
- Customers who do not submit a bid for any event during the year in review or do not reduce a minimum of 50% of energy bid for any hour of any event, will be removed from the program
- Customers notified of non-performance and potential removal have the option to remain or be removed from the program if they do not respond within 30 days of notification
- If removed due to nonperformance, they may elect another DR program or re-enroll on DBP
Express Solutions program offers incentives for replacement or upgrades of existing equipment to more efficient options and are available to all business customers, regardless of size or energy use. You’ll be paid on a per-unit basis, up to 100% of the project’s cost for qualified improvements to lighting, climate control, office equipment, refrigeration, food-service equipment, and water heating...and you’ll see energy savings for years to come.

### Express Solutions

<table>
<thead>
<tr>
<th>Process</th>
<th>Office Equipment</th>
<th>Refrigeration</th>
<th>HVAC</th>
<th>Lighting</th>
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</thead>
<tbody>
<tr>
<td>• Fans</td>
<td>• Computers</td>
<td>• Condensers</td>
<td>• Evaporative</td>
<td>• Induction</td>
</tr>
<tr>
<td>• Compressed Air</td>
<td>• Controls</td>
<td>• Compressors</td>
<td>Coolers</td>
<td>• LED</td>
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<tr>
<td></td>
<td></td>
<td>• Controls</td>
<td>• Chillers</td>
<td>• Controls</td>
</tr>
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</table>

Actual eligibility and incentives will be determined on a case-by-case basis, per individual program guidelines.
**CUSTOMIZED SOLUTIONS AND COMPREHENSIVE BONUS**

**Customized Solutions** program offers calculated incentives for tailored equipment upgrades that reduce energy consumption and optimize operational efficiency.

- Incentives available to all business customers, based on energy saved over a 12-month period, not to exceed 50% of the total project cost
- Express and Customized Solutions can be combined under the scope of a single upgrade project

**Comprehensive Project Bonus** pays 20% of the application’s total approved incentives (not to exceed $25,000 per billing address) for Express and/or Customized Solutions

- Estimated incentive for each technology per billing address must equal at least 10% of project’s total estimated incentives
- Each billing address in a project application must have at least three of the following technologies and/or programs:
  - Technologies- Controls, HVAC, Lighting, Process, Refrigeration
  - Programs- Retrocommissioning Program, Price Response Demand Program

Actual eligibility and incentives will be determined on a case-by-case basis, per individual program guidelines.
Savings By Design and On-Bill Financing

SCE’s Savings By Design program offers cash incentives and technical assistance to help you maximize energy performance in your new commercial construction projects, including:

- Up to $150,000 in building owner incentives
- Three 10% bonus incentive opportunities in addition to the building owner incentive
- Up to $50,000 in design team incentives
- Up to $5,000 for a design team stipend to encourage early collaboration by all participants
- Design assistance services and resources matched to the project needs

On-Bill Financing (OBF) helps your business finance qualifying energy efficiency projects:

- If you qualify, you would repay the loan in monthly installments which would be added as a line item on your bill
- Through On-Bill Financing, you can fund your qualified energy efficiency project for zero interest and no fees, reduce your monthly electricity usage, and receive financial incentives for installing qualifying energy efficient equipment

On-Bill Repayment (OBR) - Scheduled to launch in 2014, SCE will offer loan payment service on your energy bill for 3rd party financed energy efficiency loans on qualifying energy efficiency projects

Actual eligibility and incentives will be determined on a case-by-case basis, per individual program guidelines
ENERGY EFFICIENCY SERVICES

- **Audits**
  - Gain insights into how your business uses energy and learn how you can reduce the cost of using common commercial equipment with customized and easy-to-implement recommendations

- **Direct Install**
  - We send trained energy-efficiency contractors to help small businesses identify ways to save electricity. Your outdated, inefficient lighting, signage, and refrigeration equipment may be replaced free with new energy-efficient models

- **Energy Benchmarking**
  - Assess your building’s energy performance to understand and reduce energy consumption and the building’s carbon footprint

- **HVAC Optimization**
  - Benefit from lower unplanned repair costs, cost-covering incentives, lower energy bills, improved air quality and system reliability through regular planned HVAC maintenance

- **Industry Expertise**
  - Third-Party vendors under contract with SCE provide energy management solutions and industry expertise

- **Seminars, Workshops and Tours**
  - SCE’s **Energy Education Centers** in Irwindale and Tulare provide free seminars, workshops, tours and hands-on exhibits to help customers make informed decisions

- **New Ideas Submittal**
  - The need for the introduction of new measures is vital to help meet goals. Submit your ideas to the Idea Management Team at: DSMideas@sce.com