Southern California Edison
Rate Updates and Initiatives

January 8, 2015

Presented by Michael Williams
Principal Manager, Key and National Accounts
Commercial & Industrial Segment
Business Customer Division
Agenda

- Rate Update
- Infrastructure Replacement
- Greenhouse Gas Initiative
- Charge Ready Program
- Preferred Resource Pilot
- Q&A
In Q2 2014, SCE implemented two major rate changes with no further rate changes anticipated for the remainder of the year:
- GHG (greenhouse gas) Cap-and-Trade Costs and Revenues in April
- 2014 ERRA (fuel and purchased power) in June

In 2015, SCE forecasts three major rate implementations by year end:
- SONGS (San Onofre Nuclear Generating Station) Settlement
- 2015 ERRA (Energy Resource Recovery Account)
- 2015 GRC (General Rate Case) Phase 1
2015 System Average Rate – Bundled Service
(cents/kWh)

As of December 12, 2014

≈ 2% increase - 2014 to Q1 2015
≈ 1% increase – 2014 to Q4 2015
San Onofre Nuclear Generating Station (SONGS)

What is the SONGS Settlement?

The proposed SONGS Settlement:

- Customers won’t pay for the steam generator project after the tube leak at SONGS
- Customers will pay for replacement power they received
- Provides certainty regarding the appropriate cost recovery for the remaining investment in the SONGS plant, replacement power costs and authorized revenues
- Includes a sharing mechanism between SCE and customers should financial recoveries come from insurance or Mitsubishi

**SONGS Settlement**

- Estimated rate impact:
  - 1.2 cents/kWh decrease
- Expected effective date: Q1 2015
- Current status:
  - CPUC issued Final Decision on November 20
Energy Resource Recovery Account (ERRA)

What is ERRA?

In an ERRA forecast application, SCE forecasts the costs of fuel that it needs to generate electricity, and the costs of additional power it purchases for its customers for the upcoming year.

The ERRA application also includes:

- Some miscellaneous expenses such as Greenhouse Gas costs
- Consolidation and recovery of balances in various balancing and memorandum accounts, such as the ERRA balancing account

2015 ERRA

- Estimated rate impact: 1.5 cents/kWh increase
- Expected effective date: Q1 2015
- Increase mainly due to:
  - 2014 ERRA Under collection ($1.4 billion)
  - Increase in natural gas & power prices
  - New Combined Heat & Power (CHP) & renewable power contracts coming on-line
What is FERC?

FERC is the federal agency with responsibility for regulating the transmission of electricity, natural gas, and oil. It has jurisdiction over interstate electricity sales, wholesale electric rates, hydroelectric licensing, natural gas pricing, and oil pipeline rates.

FERC Transmission Revenue recovers the costs of providing transmission service, as well as, a return on the associated capital investment.

FERC

- Estimated rate impact:
  - 0.1 cents/kWh increase
- Expected effective date: Q1 2015
General Rate Case (GRC) Phase 1

What is GRC Phase 1?

SCE forecasts its operations and maintenance expenses as well as capital expenditures needed over a 3-year period.

SCE’s 2015 GRC Phase 1 application includes a revenue increase to:

- Inspect, maintain and upgrade 1.5 million electric poles, 700,000 transformers and 90,000 miles of distribution lines
- Increase grid security
- Add smart grid components to integrate more renewable energy

Note: a reduction in generation-related capital costs is included

2015 GRC Phase 1

- Estimated rate impact:
  - 0.3 cents/kWh increase
- Expected Effective date: Q4 2015
- Requested increases of about $93 million in 2015, $255 million in 2016, and $286 million in 2017
What is the Nuclear Decommissioning Trust Access?

The Decommissioning Trust Access is SCE’s request to draw down prior collections over the past 30 years for SONGS decommissioning.

Nuclear Decommissioning Trust Access

- Estimated rate impact: 0.4 cents/kWh decrease
- Expected effective date: Q4 2015
- Current status:
  - Awaiting Commission action
## 2015 Class Average Rates – Bundled Service (cents/kWh)

(without EITE Climate Credits)

<table>
<thead>
<tr>
<th>Rate Class</th>
<th>2014</th>
<th>Q1 2015</th>
<th>% Change</th>
<th>Q4 2015</th>
<th>% Change from 2014 (cumulative)</th>
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<tbody>
<tr>
<td>Domestic</td>
<td>17.6</td>
<td>17.9</td>
<td>1.7%</td>
<td>18.0</td>
<td>2.0%</td>
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<td>TOU-GS-1</td>
<td>19.7</td>
<td>20.3</td>
<td>3.2%</td>
<td>20.2</td>
<td>2.6%</td>
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<tr>
<td>TC-1</td>
<td>19.4</td>
<td>20.0</td>
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<tr>
<td>TOU-GS-2</td>
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<td>19.2</td>
<td>2.8%</td>
<td>19.1</td>
<td>2.5%</td>
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<tr>
<td>TOU-GS-3</td>
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<td>17.0</td>
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<td>Total LSMP</td>
<td>18.3</td>
<td>18.8</td>
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<td>18.8</td>
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</tr>
<tr>
<td>TOU-8-Sec</td>
<td>15.2</td>
<td>15.5</td>
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<td>15.2</td>
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<tr>
<td>TOU-8-Pri</td>
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<td>2.5%</td>
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<td>Total Large Power</td>
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<td>13.1</td>
<td>-0.6%</td>
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<tr>
<td>TOU-PA-2</td>
<td>16.2</td>
<td>16.6</td>
<td>3.0%</td>
<td>16.4</td>
<td>1.4%</td>
</tr>
<tr>
<td>TOU-PA-3</td>
<td>12.7</td>
<td>13.0</td>
<td>2.4%</td>
<td>12.8</td>
<td>0.8%</td>
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<tr>
<td>Total Ag &amp; Pumping</td>
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<td>15.2</td>
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<td>14.9</td>
<td>1.2%</td>
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<tr>
<td>Street Lighting</td>
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<td>19.2</td>
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<tr>
<td>TOU-8-S-Sec</td>
<td>14.2</td>
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<td>2.6%</td>
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<td>0.1%</td>
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<tr>
<td>TOU-8-S-Pri</td>
<td>13.9</td>
<td>14.3</td>
<td>2.4%</td>
<td>13.9</td>
<td>0.0%</td>
</tr>
<tr>
<td>TOU-8-S-Sub</td>
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<td>9.9</td>
<td>2.3%</td>
<td>9.4</td>
<td>-3.1%</td>
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<td>Total Standby</td>
<td>11.0</td>
<td>11.2</td>
<td>2.3%</td>
<td>10.8</td>
<td>-1.9%</td>
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<td>TOTAL BUNDLED</td>
<td>16.7</td>
<td>17.0</td>
<td>2.1%</td>
<td>16.9</td>
<td>1.4%</td>
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**NOTE:** These preliminary 2015 average rate levels are estimated based on SCE’s latest forecast & are subject to change based on future CPUC decisions in various proceedings.
SCE System Infrastructure Upgrades

Infrastructure Upgrades: Powering the Future

Working with You

Some of our infrastructure projects may impact surrounding communities. We believe in open and active communication with you and your community, and we start this early in the project-planning process and continue it throughout the construction process. We’re interested in listening to your feedback, learning from your perspective, and considering your input in future infrastructure plans.

Learn more about our current infrastructure projects. They’re ordered by county, and contact information is provided for each.

SCE.com/Home/About Us/Reliability/Projects in Progress
Short-Term Reliability: Infrastructure Replacement

$1 billion in infrastructure replacement for 2013-14.

SCE’s 2015 GRC proposed investment programs will continue to address the reality of an increasingly aging infrastructure:

- Pole Loading Program to test 1.4 million poles over a seven-year period
- Inspection and maintenance programs - designed to identify and repair emerging problems
- Infrastructure replacement program - designed to replace aging infrastructure

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<td>Pole Replacements</td>
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<td>8,291</td>
<td>7,194</td>
<td>8,399</td>
<td>8,794</td>
<td>17,496</td>
<td>28,000</td>
<td>35,000</td>
<td>35,000</td>
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<td>Cable Replacement (miles)</td>
<td>99</td>
<td>272</td>
<td>256</td>
<td>262</td>
<td>177</td>
<td>356</td>
<td>375</td>
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<td>500</td>
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<tr>
<td>Underground Structures</td>
<td>2</td>
<td>10</td>
<td>16</td>
<td>31</td>
<td>17</td>
<td>134</td>
<td>250</td>
<td>225</td>
<td>225</td>
<td>205</td>
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California’s Cap-and-Trade Program
Create a Market for GHG Emissions

- CA Global Warming Solutions Act requires the California Air Resources Board (ARB) to develop regulations and market mechanisms to reduce CA’s greenhouse gas (GHG) emissions to 1990 levels by 2020

- Primary impact, in addition to lowering state-wide emissions, will be to increase the cost of most commodities whose production releases GHG – including electricity

Source: Environmental Defense Fund
Under California’s cap-and-trade program, SCE must own one allowance—similar to an emissions permit—for every ton of GHG 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 will be returned to residential, small business, and emissions-intensive trade-exposed (EITE) customers, per CPUC requirements.
Decision D.14-12-037 on Emissions-intensive and trade-exposed (EITE) GHG Revenue Return addresses issues related to the distribution of GHG revenue to EITE customers including:

- **Methodology to calculate the amount of distribution** – Energy Division staff will determine the amount of EITE GHG revenue to each entity with calculations very similar to those used by the Air Resources Board (with a few minor alterations).

- **Timing of distribution** – The first distribution should occur by April 2015 “if practicable” or by October 2015 at the latest then annually with the California Climate Credit in April.

- **Method of distribution** – The utilities will be responsible for returning the revenue as an on-bill credit (entities with direct emissions above 25,000 MT may request that the utility distribute the facility’s revenue as a check).

- **Confidentiality provisions** – Only the CPUC will have access to confidential product output information. The CPUC will provide the utilities with entity-specific totals for GHG revenue to be returned, which should be kept confidential as it can offer insight into product output information.
Expanded definition of EITE –

- Facilities that operate in industries that match the six-digit NAICS Codes included in ARB’s Table 8-1 may also be considered EITE, though they may be required to return the revenue if a future study suggests that their industry does not have leakage risk
- Entities that emit less than 25,000 MT no longer have to opt-into the Cap-and-Trade Program to be eligible to receive EITE revenue
California Zero-Emission Vision

1.5 million zero-emission vehicle on roads by 2025

Not on track to meet goal. Key challenge – lack of charging station outside single-family homes for plug-in and electric vehicles.
Charge Ready Program

Boost the Availability of EV Chargers

- Offer customers a rebate for the qualified charging stations
- Build, own and maintain the electric infrastructure needed to serve the qualified charging stations at participating customer locations
- Increase the availability of electric vehicle charging stations – up to 30,000
- Customers will work directly with charging equipment manufacturers and own, operate and maintain the qualified charging stations of their choice
- Begin with a $22-million pilot for installation of up to 1,500 chargers and a supporting market education effort, which is expected to cost an additional $333 million over the next 5 years.
- Support economic development and construction jobs benefiting the entire Southern California region.

Support economic development and construction jobs benefiting the entire Southern California region.
SCE’s Preferred Resources Pilot (PRP)

http://on.sce.com/preferredresources

http://edison.com/preferredresources
Purpose of the PRP

• To investigate and demonstrate how the integrated use of preferred resources* may simultaneously offset growth in the pilot project region’s electricity demand and reduce or eliminate the need for additional natural gas power plants through at least 2022

• To assess the capabilities of preferred resources and inform the development of the grid of the future, contributing toward California’s environmental and renewable energy goals

The PRP will test if preferred resources are available when called upon (dependability), can deliver an expected load reduction or production (predictability), and can deliver in future years (persistence)

*For the PRP, “preferred resources” include energy efficiency, demand response, renewable generation, and energy storage
The PRP has two major milestones and is being implemented in three phases

**Phase 1: Lay the Foundation**

- **Nov 2013 - 2014**
  - **Portfolio Design**: defined the customer electricity needs in the PRP region and designed a diverse portfolio with types and quantities of preferred resources to meet the need attributes accordingly
  - **Acquiring Resources**: developed and began implementing plan for acquiring resources through existing customer programs*, existing solicitation processes, and new solicitations to fill gaps
  - **Measuring Performance**: established measurement processes to assess dependability and predictability

**Phase 2: Demonstration and Proof**

- **2015 - 2017**
  - Evaluate effectiveness of acquiring preferred resources to meet attributes and measure impact at the grid level
  - Re-evaluate the mix of preferred resources to deploy based on initial PRP acquisition and performance experience
  - Test advanced automation, enhanced communication networks, and grid-management systems enabling the integration of preferred resources

**2017 Milestone**: Demonstrate ability to acquire and measure mix of preferred resources that meet local needs (and make determination on need for new gas-fired generation in PRP region)

**Phase 3: Sustainability**

- **2018 - 2022**
  - Implement changes as required to acquire sufficient preferred resources to meet 2022 needs
  - Develop and implement program and process changes to support using preferred resources to meet local capacity requirements

**2022 Milestone**: Meet 2022 reliability needs in PRP region

*Customer programs include energy efficiency, demand response and solar programs
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