



AEE 2012 ELECTRICITY OUTLOOK

JANUARY 2012

SOUTHERN
CALIFORNIA
EDISON



SOUTHERN CALIFORNIA
EDISON[®]

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Rev 10/14/11

SOUTHERN CALIFORNIA EDISON[®].

AGENDA

2012
Rate
Update

Direct
Access
Update

2012
Demand
Response
Program
Changes

Dynamic
Pricing
and GRC
Phase II
Update

Other
Program
Offerings

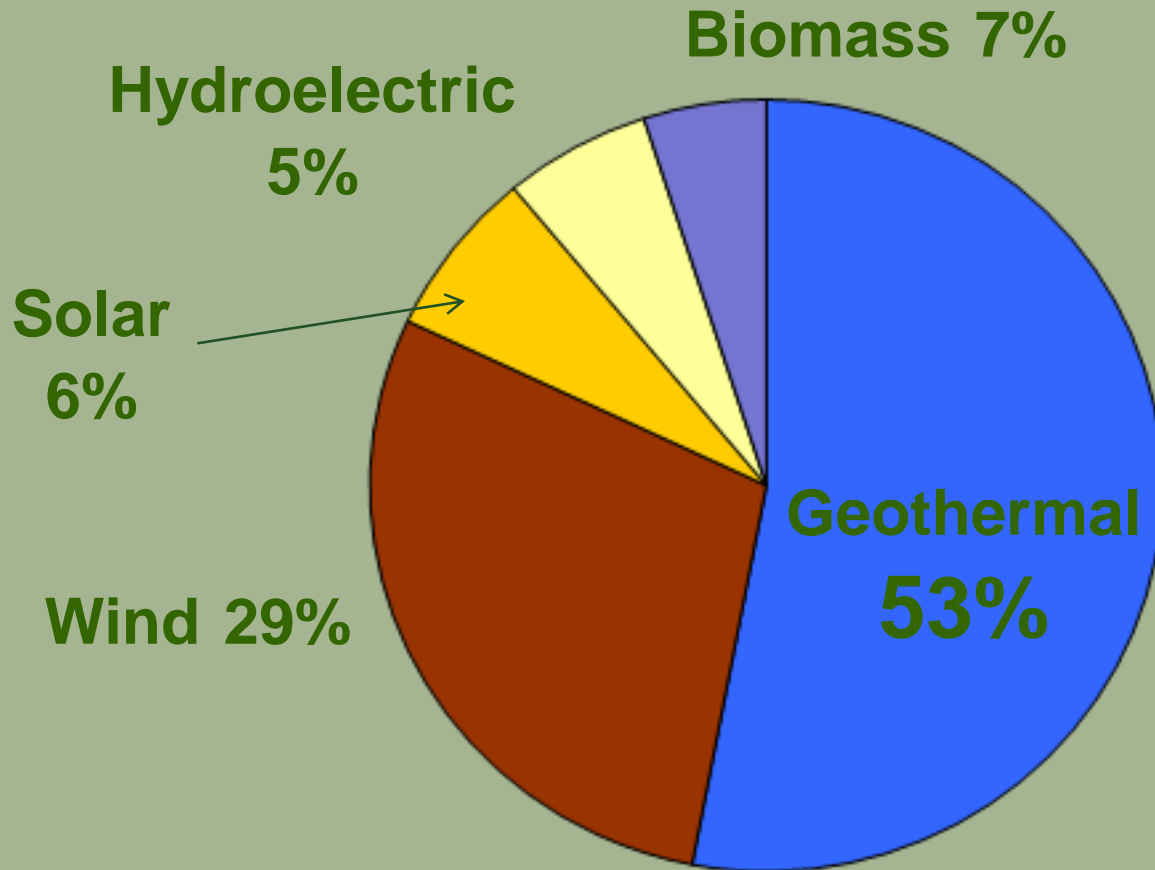
Legislative
Update

SOUTHERN CALIFORNIA EDISON

- One of the nation's largest investor owned electric utilities
- Subsidiary of Edison International
- 125 years of reliable electric service
- Award-winning energy efficiency customer programs
- Nation's leader in renewable energy
- Donor to community and educational causes
- Employees volunteer 700,000+ hours annually
- Commitment to the environment



SCE'S RENEWABLE PORTFOLIO



14.5 billion kilowatt hours (kWh) of renewable energy delivered to SCE customers in 2010 represents 19.4% of SCE's total energy portfolio.

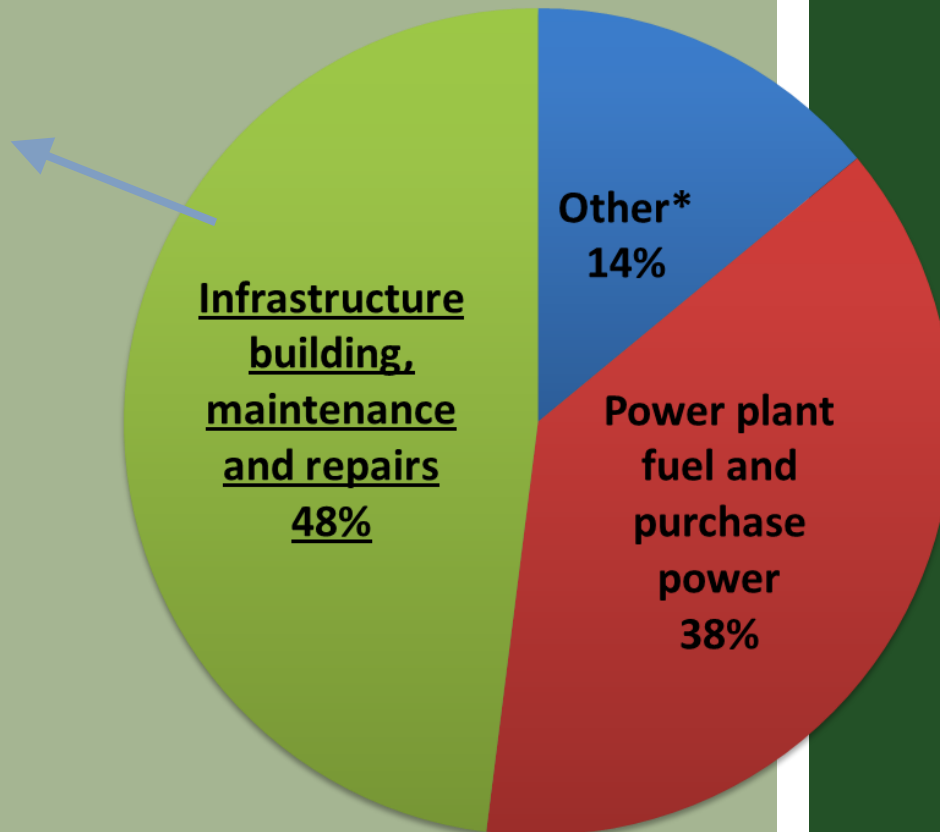
2012 RATE UPDATE

2012 GRC
PHASE I, DWR,
ERRA & MORE

What is the General Rate Case?

- It determines part of what we charge customers.

GRC funds this portion



* "Other" costs include energy efficiency program costs, FERC transmission costs for large projects, the DWR bond charge and costs associated with decommissioning nuclear plants.

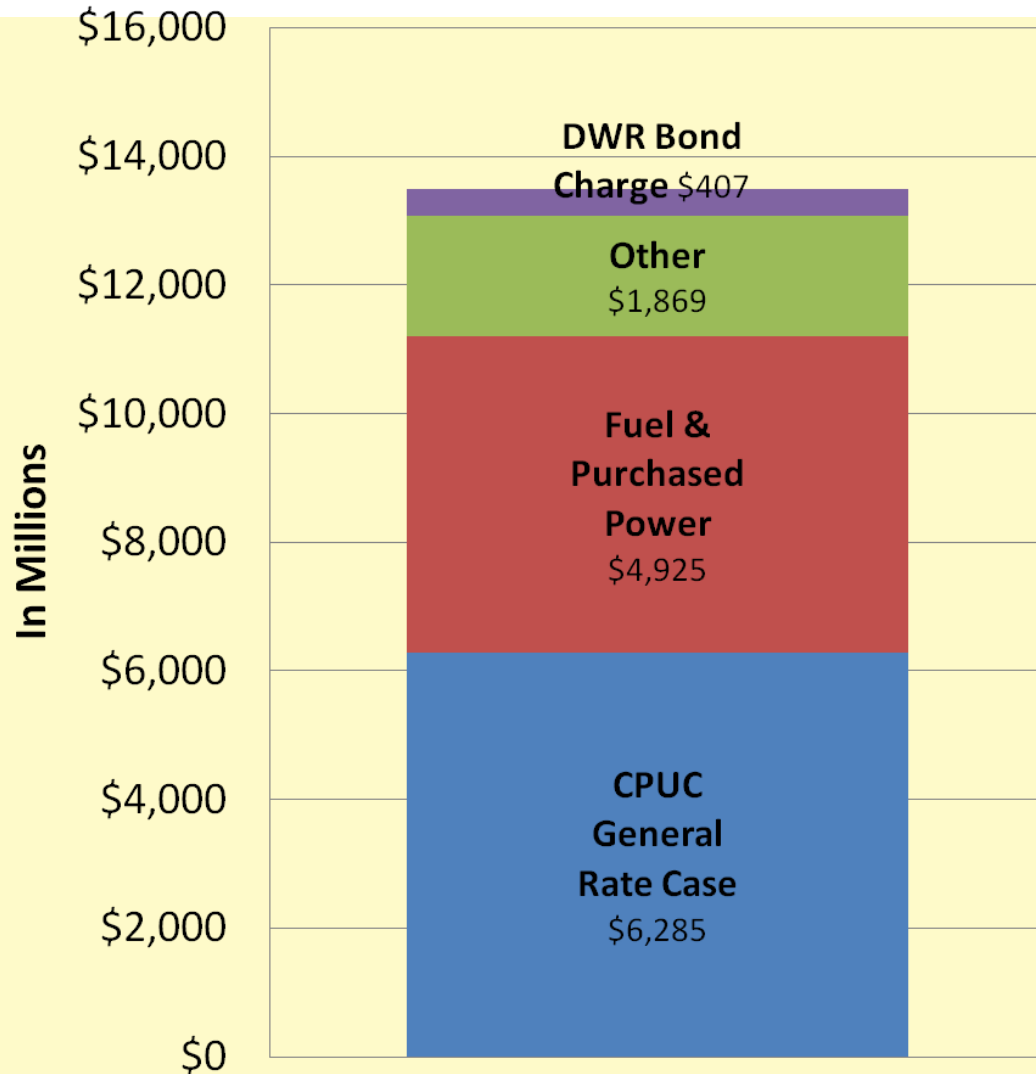
WHY WE NEED GRC FUNDS

- Infrastructure replacement
- Operations & Maintenance (O&M) expense for capital-related projects, regulatory mandates, wildfire insurance and pensions & benefits
- Smart Grid – Edison SmartConnect™, Dynamic Pricing, PEV readiness

Examples

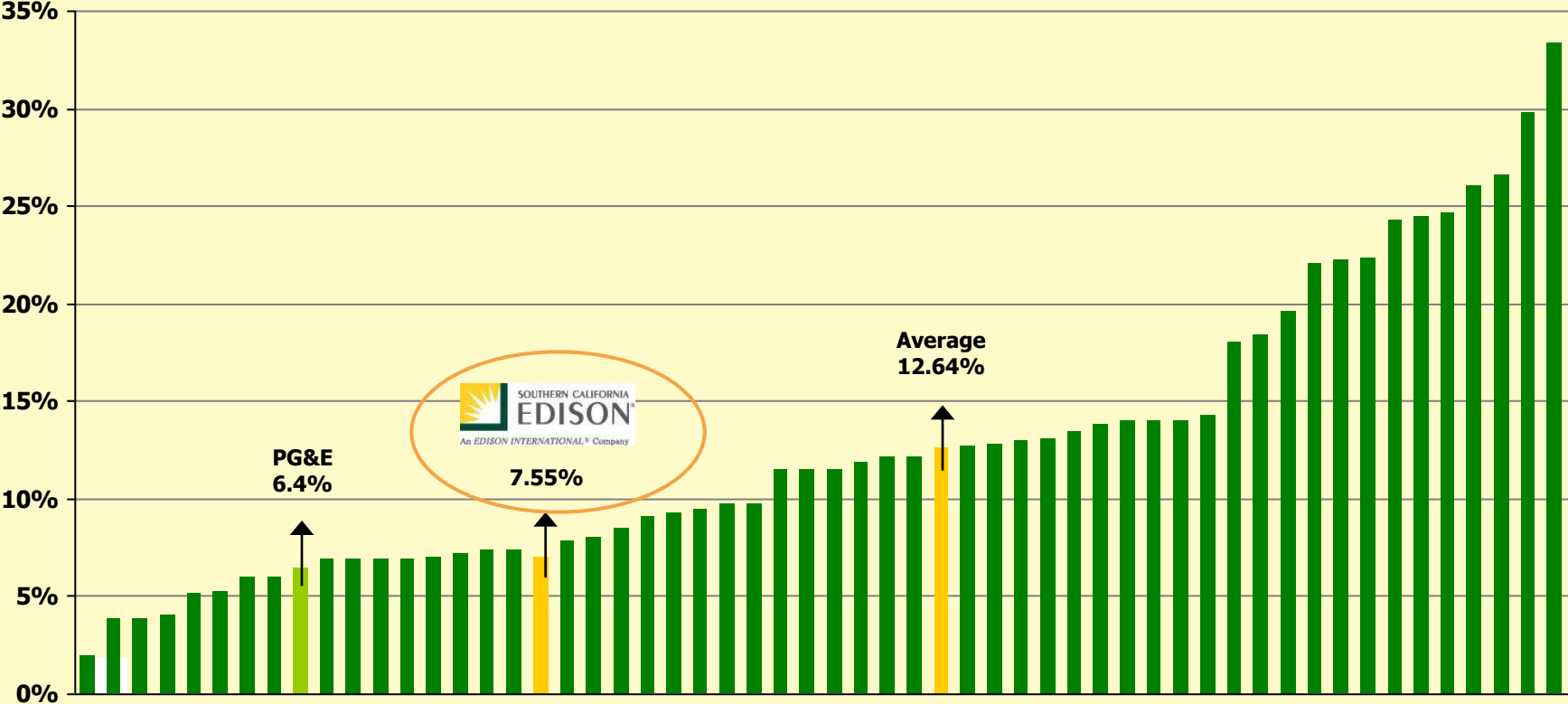
- Replace poles, wires and transformers
- Increase grid security
- Add smart grid components needed to integrate more renewable energy
- Get the region ready for plug-in electric vehicles
- Maintain a skilled work force to handle upcoming changes to the grid and related customer service needs

2012 GRC



- 2012 GRC filed Nov. 23, 2010
- Overall increase of **7.55%** above current rate levels
- Total request: \$6.285 billion
- Final decision is expected in March 2012
- Rates expected to effective in May 2012

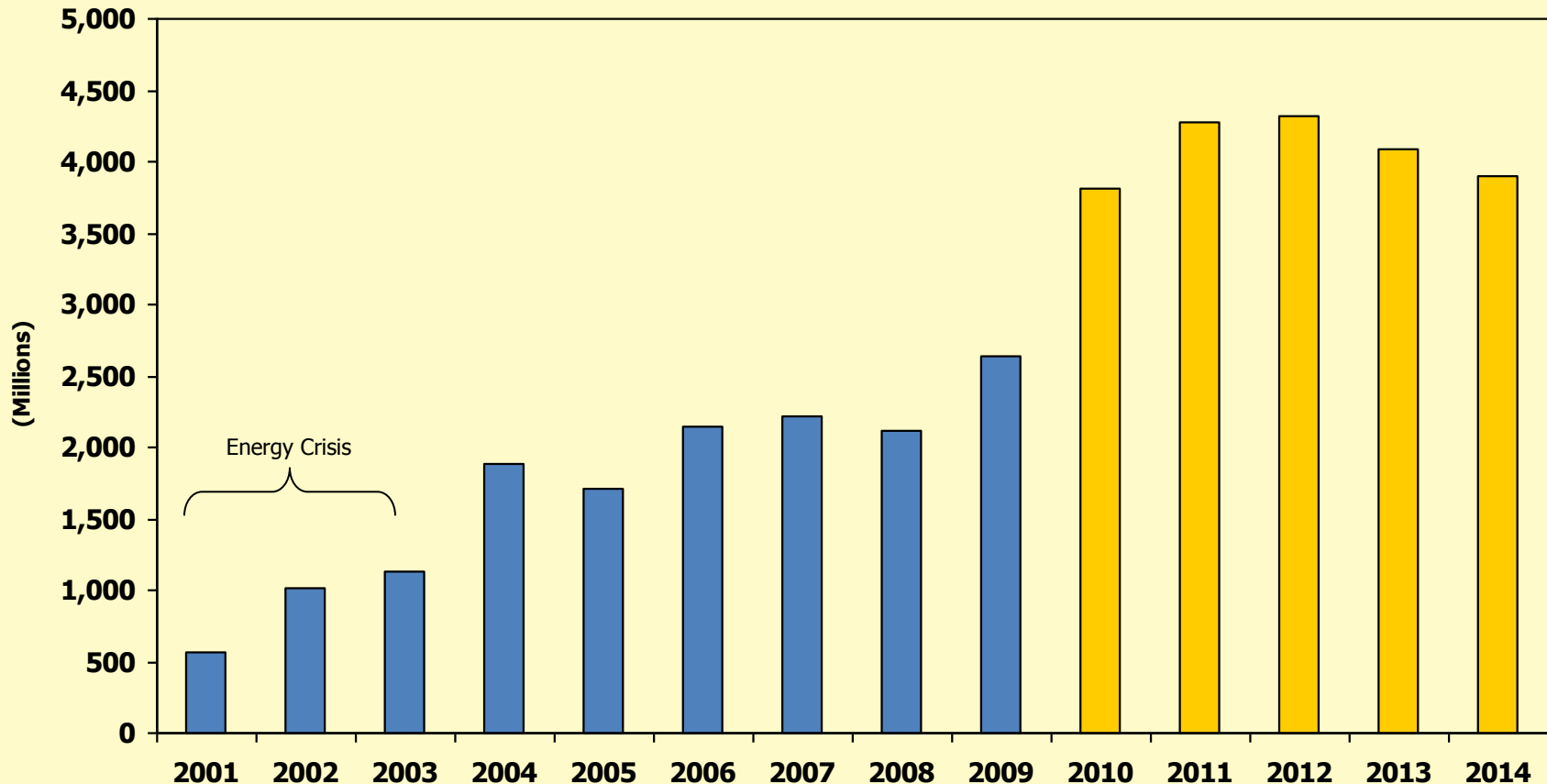
PENDING GENERAL RATE CASES NATIONWIDE



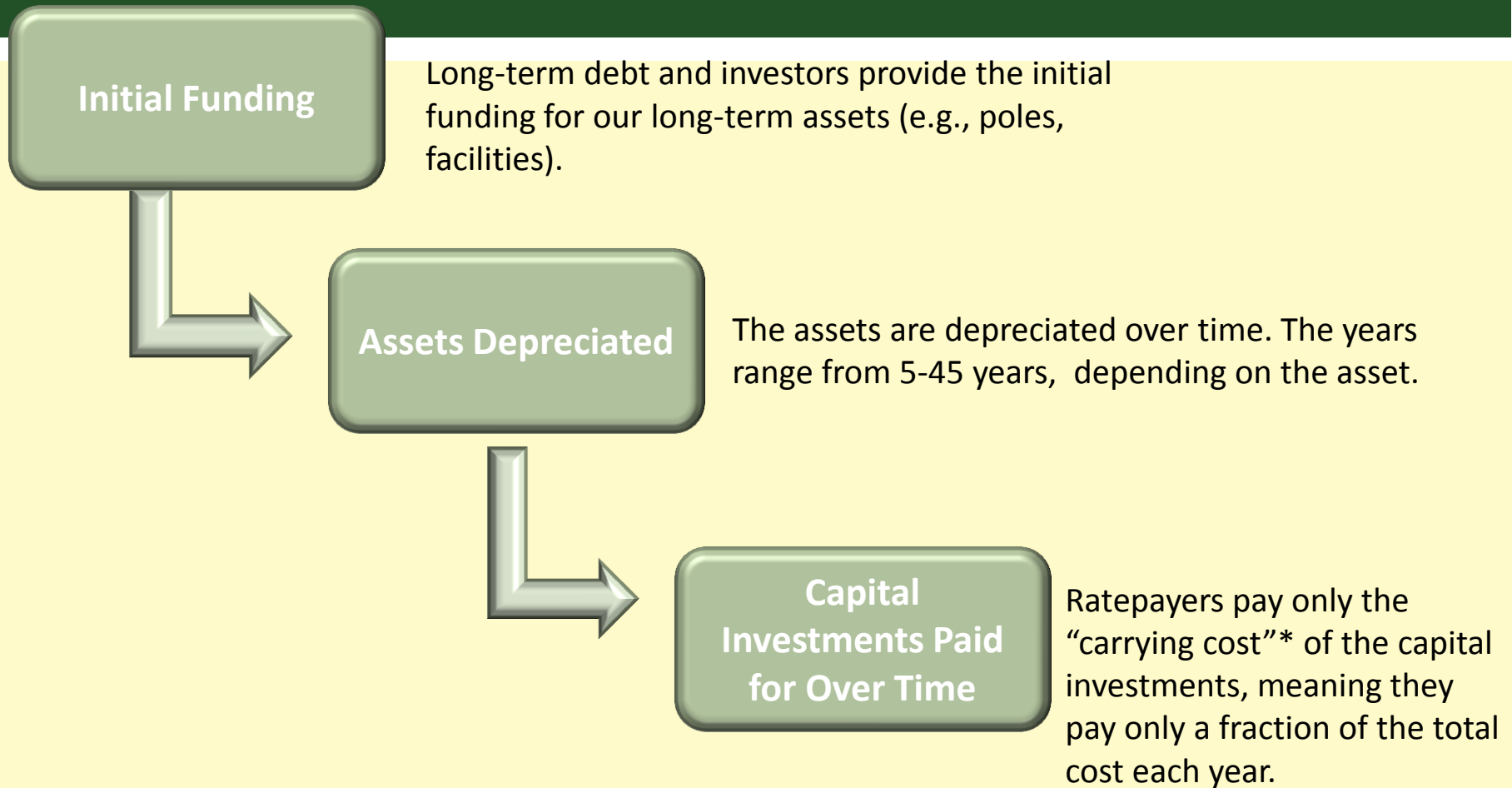
Note: GRC scope varies from state to state

SCE CAPITAL EXPENDITURES

SCE has invested capital since the end of the energy crisis, but we need to ramp up.



HOW CAPITAL INVESTMENTS IMPACT RATES



*The carrying cost includes depreciation, interest and taxes, as well as the set return on rate base authorized by the CPUC.

DEPARTMENT OF WATER RESOURCES (DWR) CHANGES

■ DWR Power Charge

- DWR Contracts were established in 2001
- Two DWR Contracts expired on September 30, 2011
- SCE's last DWR contract will expire on December 31, 2011

■ DWR Power Credit (Reserves Refund)

- A portion of the historical DWR Power Payments funded these reserves
- DWR will pay these reserves back and SCE will pass through payments to customers
- Bundled customers who paid the Power charge will receive the credit
- Will be the same cents/kWh for all bundled customers through 2012
- Monthly line item on the bill
- DWR Bond Charge remains in effect

BUNDLED SERVICE AVERAGE RATE LEVELS (CENTS/KWH)

	June 2011 (¢/kWh)	Estimated* 2012 2nd Qtr* (¢/kWh)	Estimated* % Change
Domestic	15.5	17.5	12.9%
GS-1	17.0	19.1	12.4%
TC-1	15.5	17.6	13.5%
GS-2	15.4	17.2	11.7%
TOU-GS-3	13.4	15.0	11.9%
Total LSMP	15.2	17.0	11.8%
TOU-8-Sec	12.4	13.9	12.1%
TOU-8-Pri	11.4	12.7	11.4%
TOU-8-Sub	7.1	7.9	11.3%
Total Large Power	10.4	11.6	11.5%
PA-1	19.2	21.8	13.5%
PA-2	14.1	15.8	12.1%
AG-TOU	10.7	12.0	12.1%
TOU-PA-5	11.9	13.0	9.2%
Total Ag.&Pumping	11.9	13.4	12.6%
Street Lighting	18.6	19.9	7.0%
Total	14.1	15.9	12.8%

*** Includes 2012 ERRR and Phase I.**

*These Average Rate Levels are estimated based on SCE's latest forecast & are subject to change based on CPUC and FERC decisions

RESIDENTIAL TIER CHANGES

	June 2011 Rates (¢/kWh)	Estimated* 2nd Qtr 2012 Rates (¢/kWh)	Estimated* % Change from Current Rates
Non-CARE			
Baseline (T1)	12.5	13.1	5%
101% - 130% of Baseline (T2)	14.8	15.5	5%
131% - 200% of Baseline (T3)	22.9	29.1	27%
201% - 300% of Baseline (T4)	26.4	32.6	23%
Over 300% of Baseline (T5)	29.9	36.1	21%
CARE			
Baseline (T1)	8.5	8.5	0%
101% - 130% of Baseline (T2)	10.7	10.7	0%
131% - 200% of Baseline (T3)	17.5	20.0	14%
201% - 300% of Baseline (T4)	17.5	20.0	14%
Over 300% of Baseline (T5)	17.5	20.0	14%

*These Average Rate Levels are estimated based on SCE's latest forecast & are subject to change based on CPUC and FERC decisions

DIRECT ACCESS UPDATE

DIRECT ACCESS UPDATE

SCE's Total Available DA Load is 3,946 GWH

Load will be allocated over a four-year phase-in period

- Year 1 of Phase-in 2010 load is 35% of SCE's total available load 1,381 GWh
- Year 2 of Phase-in 2011 load is 35% of SCE's total available load 1,381 GWh
- Year 3 of Phase-in 2012 load is 20% of SCE's total available load 789 GWh
- Year 4 of Phase-in 2013 load is 10% of SCE's total available load 395 GWh

2012 DEMAND RESPONSE (DR) PROGRAM UPDATES

DR PROGRAM OFFERINGS

- **Changes for GRC Phase II will not be implemented until late 2012**

Price Response Programs

Generally, we activate these programs when energy procurement prices are high or system resources are constrained.

- *Capacity Bidding Program (CBP)*
- *Critical Peak Pricing (CPP)*
- *Demand Bidding Program (DBP) **
- *Demand Response Contracts (DRC)*
- *Real Time Pricing (RTP)*
- *Scheduled Load Reduction Program (SLRP)*

Reliability Programs

Generally we activate these programs to respond to severe resource constraints or grid emergencies.

- *Agricultural/Pumping Interruptible (AP-I)*
- *Base Interruptible Program (BIP)*
- *Summer Discount Plan (SDP) **

DR Enabling Incentives

Designed to give customers additional incentives for those who qualify.

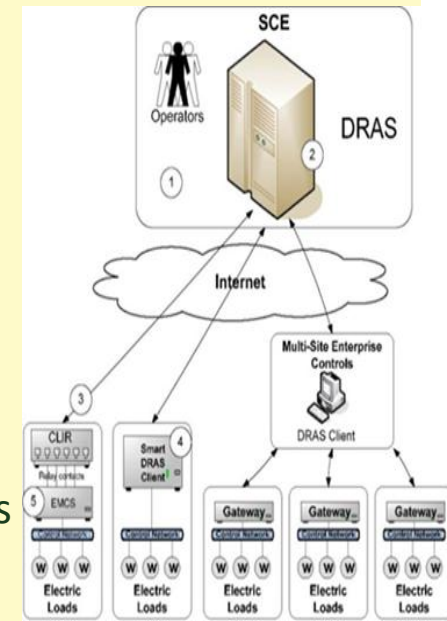
- *Auto DR*
- *Technical Assistance & Technology Incentives (TA&TI) **

Outreach Programs

- *Agricultural & Water Outreach*
- *Energy Leader Partnerships*
- *Federal Government Outreach*
- *Flex Alert Network*

DEMAND RESPONSE INCENTIVES

- Automated Demand Response (Auto-DR)
 - Enables Demand Response (DR) customers to apply pre-selected load reduction strategies automatically, without the need for manual intervention
- Technical Assistance & Technology Incentives (TA&TI)
 - Provides demand response site assessments at no charge
 - Allows flexibility to participate in demand response programs that provide additional energy-saving incentives
 - Financial incentives for the installation of eligible technologies that reduce electricity usage during periods of peak demand
 - \$300/kW verified load reduction for Auto-DR
- Qualifying Auto-DR Programs
 - CBP, CPP, DBP, DRC and RTP
- New Construction Services
 - Auto-DR incentives are available for new construction projects and major retrofits



Auto-DR Architecture

OTHER PROGRAM OFFERINGS

FOR 2012

CALIFORNIA SOLAR INITIATIVE (CSI)



- CSI pays incentives to home and business owners who install & operate eligible solar technologies
 - Photovoltaic (PV): both residential and non-residential
 - Non-PV (Parabolic Trough, Flat-Plate Solar Thermal, Evacuated Tube, Stirling Dish): typically non-residential installations
 - Solar Water Heating (available since last year)
- The goal is to create a sustainable solar industry, to reduce peak demand on California's power grid & to reduce greenhouse gases
- CSI Incentives – Two types:
 - Performance-Based Incentives (PBI) are paid for actual monthly performance for projects greater than 30 kW (typically non-residential)
 - **Currently at Step 8: \$0.05/kWh for non-residential, \$0.15/kWh for Govt./Non-Profit**
 - *Paid over 60 months (5 years)*
 - Expected Performance-Based Buy-down (EPBB) incentives are a one-time, lump sum, up-front payment based on a system's expected performance (typically residential)
 - **Currently at Step 7, which is \$0.65/Watt for Residential**
- Eligible system size is 1 kW to 5 MW (CEC-AC), but incentives are limited to the first 1 MW of capacity

SELF GENERATION INCENTIVE PROGRAM (SGIP)



- Decision received September 9, 2011
 - Modifies eligibility criteria for participation in the program
 - **Minimum Size** for Wind Turbine and Renewable Fuel Cell technologies per site is 30 kW
 - There are no minimum size criteria for all other technologies, and Fuel Cell technologies operating on Non-Renewable fuel
 - **Maximum Size:** No maximum size limit. Incentives are limited to first 3 MW of capacity
 - Eligibility for participation in the SGIP will now be based on greenhouse gas emissions reductions
 - Hybrid Systems are okay
 - Includes different incentive levels based on generation operating on Renewable vs. Non-Renewable fuel

ABOUT SMARTCONNECT™

- Vision of a smart grid is to develop and deploy a more reliable, secure, economic, efficient, safe and environmentally friendly electric system
- SmartConnect™ empowers customers
 - Choice to Manage Cost & Peak Demand
 - Energy Information to Drive Conservation
 - Reduce GHG by 365,000 tons/yr
 - Automated Self-Service

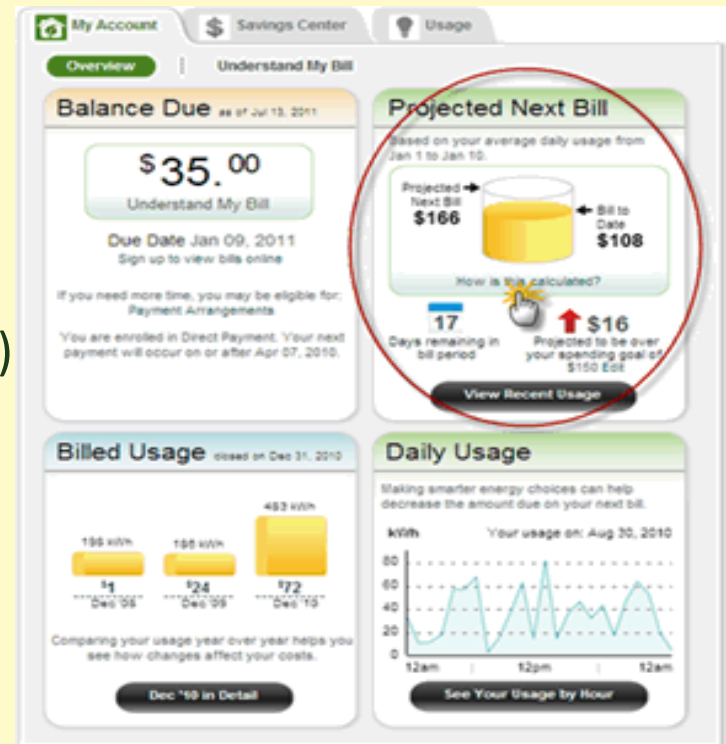
The screenshot displays the Edison SmartConnect™ website. At the top, there is a navigation bar with links for Home, About SCE, Outage Center, Contact Us, My Account, and Search. Below this is a secondary navigation bar with categories: Residential, Business, Customer Service, Environment, Community, Safety, and Edison International. The main content area features a login section on the left with fields for User Name (garciajust) and Password, and a LOG IN button. A sidebar on the left contains a menu with items like Customer Service, Billing & Payment, Move Center, Edison SmartConnect™, and Industry Resource Center. The main content area is titled 'Edison SmartConnect™' and 'Helping You Make Smarter Energy Choices'. A prominent banner features a smart meter image and the text '1,220,000+ Smart meters now installed. When will you get one? >>'. Below the banner are several smaller sections: 'About Smart Meters', 'Benefits To You', 'Your Installation Day', 'Video Channel', 'Answers To Your Questions', and 'Industry Resource Center'.

MY ACCOUNT

All Services are secure and free of charge

- Available Services (not required to enroll in all services)
 - View up to 36 months of billing, payment, usage history and more
 - Paperless Online Billing
 - Online Payment
 - Direct Payment (Automatic Withdrawal)
 - Rotating Outage Contact Update
 - Mobile Home Park Billing (Fee-based)
 - SCE EnergyManager[®] Programs (Fee-based)

Enroll at www.SCE.com → Select 'Register' →
Enter Customer Account number and Zip Code →
Enter Account Information →
Registration Confirmation



BUDGET ASSISTANT

No-cost tool that can help you take control of your electricity costs

- Informs you how your current electricity costs are tracking against a spending goal that you set
- If target is being exceeded, Budget Assistant lets you know via email, text or phone
- Must be enrolled in My Account to access Budget Assistant
- Must have an installed Edison SmartConnect™ meter and be eligible to enroll in Budget Assistant

Enroll at www.SCE.com → Log in, or enroll in My Account → Select the Savings Tips tab → Select Programs → Select Budget Assistant and complete enrollment form

The screenshot shows the SCE website's 'Budget Assistant' page. At the top, there are navigation tabs for 'My Account', 'Savings Tips', and 'Usage'. Below these are sub-tabs for 'Overview', 'Budget Assistant' (which is highlighted), 'Programs', and 'Conservation Tips'. The main heading is 'Sign up for Budget Assistant', with a sub-heading: 'Budget Assistant is a tool to help you manage your electricity usage costs.' Below this, 'Step 1' instructs the user to 'Use the slider tool below to set your electricity spending goal.' The slider tool is a horizontal bar ranging from '\$0.00' on the left to '\$70.00' on the right. A yellow segment on the left indicates the current average monthly cost, with a callout box stating 'Your average monthly cost for the last 12 months is: \$29.37'. A text box above the slider says 'Set your spending goal'.

ENERGY EFFICIENCY

- SCE has an outstanding achievement in energy efficiency
 - Over the last five years SCE's energy efficiency programs have saved California 5.6 billion kilowatt hours = enough energy to power 790,000 homes for an entire year.
 - Environmental savings have reduced greenhouse gas emissions by 2.1 Million metric tons = equal to removing 400,000 cars from the road
 - Over the next three years SCE is proposed to achieve energy savings in excess of 3.5 billion kilowatt hours.
 - SCE has been recognized nationally with many award winning energy efficiency customer programs. Six time winner of the Energy Star award by the US EPA and Department of Energy

ENERGY EFFICIENCY OFFERINGS

- Incentive Offerings:
 - Lighting Solutions and Controls
 - Air Conditioning – HVAC VFDs, Economizers
 - Premium Efficiency Motors
 - Compressed Air Upgrades
 - Refrigeration upgrades & controls, high efficiency chillers
 - Premium Efficiency Motors Solutions, VFDs
 - Pumping System Upgrades
 - Demand Control Ventilation
 - Pulse Cooling for Injection Molding Machines
 - Process upgrades

AB 32 AND CAP-AND-TRADE REGULATION

- AB 32: Global Warming Solutions Act of 2006
 - Reduces GHG emissions to 1990 levels by 2020 and 80% reduction from 1990 levels by 2050
 - Was halted by judge in March 2011, however on August 24, 2011, CARB re-adopted the AB 32 Scoping Plan and will move forward with implementation
- Cap-and-Trade Regulation
 - Strategy within AB 32 regulation which accounts for less than 20% of the plan's overall emission reductions
 - Adopted in December of 2010, provides power plants, utilities and other polluters financial incentives to reduce their greenhouse gas emissions
 - Expected to become enforceable on January 1, 2013