Prepared Remarks of Ted Craver
Chairman and Chief Executive Officer, Edison International
First Quarter 2012 Financial Teleconference
May 2, 2012, 2:00 p.m. (PDT)

Today, Edison International reported first quarter GAAP earnings of 28 cents per share; as expected, a decline from 61 cents per share last year. Core earnings were 35 cents per share, compared to 65 cents per a year ago. There are two, high-level points I would like to make about our first quarter earnings.

Southern California Edison's first quarter results reflect a mismatch of costs and revenues given the delay in receiving our General Rate Case decision. Once the California Public Utilities Commission issues a final decision, revenues will be recognized retroactively to the beginning of the year.

Second, in anticipation of transferring EMG's Homer City plant to the owner-lessors, we reclassified Homer City's 3 cents per share loss last year, and this year's 7 cents per share loss, into Non-Core Earnings.

I would like to update you on a few important matters since our year-end earnings call. Let me start with the cost of capital application Southern California Edison filed with the CPUC on April 20th. SCE's application recommended continuing its current capital structure of 48% equity, 43% long-term debt and 9% preferred stock, with a recommended ROE of 11.1%, down from the current 11.5%.

SCE also recommended continuation of the same automatic trigger mechanism which has been in place for several years, that uses the Moody's Baa Utility Bond Index. We recommended this mechanism be continued for a three-year cycle, and adjusting the baseline to reflect the twelve month average of the index at September 30 of this year. SCE's proposal would result in a 2013 reduction in customer rates of $128 million, about half associated with the lower ROE, and the other half related to the true-up of our embedded cost of debt and preferred stock. Hearings are anticipated in late summer or early fall with a final CPUC decision by year end and effective January 1st of next year. (There are summaries of the filing and an illustrative example of the index mechanism in the presentation appendix.)

Let me now turn to our San Onofre Nuclear Generating Station. SCE is continuing to assess the causes of the steam generator leak discovered January 31st at Unit 3, working together with the NRC, the manufacturer, and other consultants and industry experts. Over the last three months we have been conducting a battery of tests and studying the phenomenon causing the tube wear. We have identified some unusual wear in approximately 1% of the nearly 39,000 steam generator tubes that transfer heat to produce the steam, which drives the turbines and generates the electricity. While wear in steam generators is to be expected, we are taking very seriously the significance of the tube wear since it is occurring in newly installed steam generators.

When we are satisfied that we sufficiently understand the mechanisms and causes of the wear, we will seek confirmation of our remediation plan with the NRC. The plan will likely follow standard industry practice of plugging, stabilizing and removing from service all affected tubes, along with some other operational changes.

We are absolutely committed to the safe operation of San Onofre and will not return the units to service until we and the Nuclear Regulatory Commission are completely satisfied it is safe to do so.

It is possible the time required to do all this will keep one or both of the units off-line into the summer, straining our ability to meet peak electricity demand. Therefore, we have been working with the California Independent System Operator and San Diego Gas & Electric on power supply contingency plans for this summer. Those plans include transmission upgrades, bringing idled plants owned by other companies back into service, conservation, and demand response programs to reduce the possibility of service interruptions.

I'd like to turn next to EMG, and come back to several key points I made on our year-end earnings call.

First is our strategic intent. I want to reiterate what I said on the last call; that we continue to believe that a dual platform of regulated and competitive businesses best positions our company for the significant change we expect in the electric power industry.

Second, I reaffirm our commitment that we will not invest new funds into EMG given the challenging market conditions.

Finally, given the simultaneous need to retrofit the Midwest Generation fleet and meet future debt maturities at a time when power and capacity prices are at a cyclical low, I stated that a restructuring or reorganization of EME's capital structure may be needed. Further to this point, we take note of reports that EME bondholders may be seeking to organize themselves.

We continue to believe this year will be definitive for EMG in terms of making decisions about the path forward. I would like to review some of the important decisions made since our last earnings call, and some of those to be made in the months ahead.

Let me start with Homer City. EMG continues to work with GE Capital to transfer Homer City to the owner lessors. On March 29th, Homer City and GE Capital signed an agreement that sets forth a roadmap for completing the transfer.

Turning to Midwest Generation, EMG has accelerated the timeline for closure of the Fisk and Crawford facilities to September, 2012. EMG has also requested a one-year extension, to December 2014, of the compliance deadline for environmental retrofits at Waukegan Unit 7. The closure of Fisk and Crawford stations, and the resulting emission reductions, more than offset any impact of a one-year extension at Waukegan, and give EMG more time to assess capacity market and forward power prices that will affect final retrofit decisions.

EMG continues to implement its renewables financing strategies. These will enhance liquidity while allowing EMG to grow its renewables investments through the Capistrano venture announced in February.