SOUTHERN CALIFORNIA EDISON®
An EDISON INTERNATIONAL® Company

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Contact your account representative for additional information and assistance.

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IN THIS ISSUE ...

INDUSTRIAL SEGMENT EDITION

SOUTHERN CALIFORNIA EDISON

POWER BULLETIN

VOL. 8 No. 10 October 2008

SCE Updates Business Customers on Proposed Rate Increases

In September and October, Southern California Edison (SCE) held several Electricity Outlook sessions to update business customers on forecasted 2009 rate increases and other current electric utility issues. The sessions also focused on what customers can do to manage energy costs and offset the impacts of an estimated average first-quarter rate increase of 2.6 cents per kilowatt-hour (kWh) for bundled service customers.

Several factors are contributing to the projected increase, including natural gas prices doubling from September 2007 through July 2008 before coming back down. This affects approximately 50% of the power SCE provides and all of the power allocated to SCE from State of California long-term contracts. The costs of purchasing power plant fuel and wholesale power are included without mark-up in customer rates.

The impact on customers of this natural gas price surge would be even greater if not for SCE's use of hedging tools and long-term contracts in natural gas purchases, as well as its diverse generation portfolio. SCE leads the nation in renewable power purchases, with 16% of its energy deliveries coming from eligible renewables.

Other factors causing upward pressure on rates include the need for capital investments to replace aging distribution infrastructure and business systems, plus the need to construct new facilities and reinforce the power grid to serve new customers, accommodate electricity demands and tap into more new renewable energy sources.

Rate Change Factors

Three main components factor into SCE's projected rate increase:

- **General Rate Case (GRC)**: A periodic regulatory proceeding in which the California Public Utilities Commission (CPUC) reviews utility costs (other than fuel or purchased power costs) and authorizes cost recovery for the next three years. SCE expects a final CPUC decision on its 2009-2011 GRC Phase I filing before year-end.
- **California Department of Water Resources (DWR) Purchases**: The charges SCE customers pay for obtaining power through the DWR, which is still buying electricity for California utility customers under long-term power purchase contracts acquired during the California energy crisis in 2001. The DWR plans to submit a revised 2009 revenue requirement by the end of October 2008.

CONTINUED ON BACK

SOUTHERN CALIFORNIA EDISON
POWER BULLETIN
VOL. 8 No. 10 October 2008

CONTINUED FROM FRONT

- **Energy Resource Recovery Account (ERRA)**: An annual regulatory proceeding created to pass through (with no mark-up) SCE's fuel- and energy-related costs to bundled service customers. The operation of this account protects SCE customers against a forecast that turns out to be higher than recorded costs, meaning over-collections are returned to customers the following year through the next ERRA proceeding.

Rate Change Projections

The following estimated average rate levels for bundled service customers, projected for the end of 2009's first quarter, are subject to change. Several regulatory reviews will result in decisions later this year setting the exact timing and size of the cumulative increase.

Rate Schedule	Current Rates (¢ per kWh)	Projected Q1 2009 Rates (¢ per kWh)
Average Small and Medium Power	14.6	17.2
Average Large Power	10.8	12.2
Average Agricultural and Pumping	11.2	12.8
Average Street and Area Lighting	18.6	21.2
System-Wide Average (Including Residential)	13.7	16.3

Direct access (DA) customers are projected to see an average overall increase of 0.4¢ per kWh on the SCE components of their bill, ranging from average increases of 0.3¢ per kWh for DA large power customers to 0.5¢ per kWh for DA small and medium power customers.

SCE initially will allocate the first-quarter 2009 rate change to customer groups on a system average percent change basis, meaning that each rate component will be increased or scaled by the same percentage regardless of customer classification. In Phase II of the GRC, expected to be implemented in fall 2009, SCE will reallocate the increases across customer rate groups.

Individual customers' rates will vary, so please contact your SCE account representative to discuss your specific situation as 2009 draws closer. Also, talk to your account representative now to learn how SCE can assist you next year with expanded holistic solutions tailored to your energy management needs, with customized offerings in targeted sectors, and with integrated use of programs to stretch your energy dollars to the fullest.

Reminder: Interruptible Program Adjustment Window in November

The annual adjustment window for SCE customers on interruptible rates – I-6 (Large Power Interruptible), TOU-BIP (Time-of-Use Base Interruptible Program) and AP-I (Agricultural Pumping and Interruptible) will take place Nov. 1-Dec. 1.

If you're on an interruptible rate, during this time you can change your program participation options, change your firm service level (TOU-BIP only) or switch to another optional rate. Please review the packet you received in October for details. If you did not receive a packet, contact your account representative immediately.

Important note: Since the CPUC has ordered SCE to terminate the I-6 program on Dec. 31, 2008, I-6 customers must take action to switch to TOU-BIP or another rate during the November adjustment window. If you're a current I-6 customer and don't join TOU-BIP, your account(s) will be placed on your Otherwise Applicable Tariff and no longer receive interruptible credits as of each account's next scheduled meter read date in December 2008.

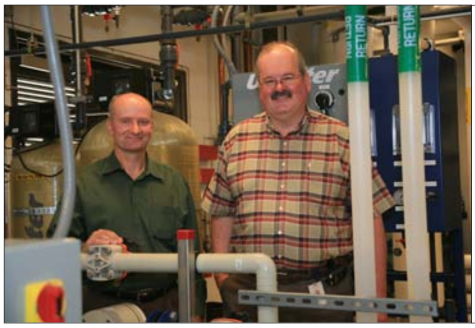
For customers not currently enrolled in any of these rate options, talk to your account representative about how you can benefit from one of SCE's many demand response programs, which offer financial incentives in exchange for shifting or reducing energy use during critical energy demand periods. For additional details, including a list of third-party aggregators that can enable groups of customers to join together to meet minimum load reduction requirements, visit ***www.sce.com/drp***.

INDUSTRIAL SEGMENT FOCUS

Allergan Demonstrates Energy Management Success as a Corporate Way of Life

Note to readers: *SCE's energy efficiency programs continue to be among the most successful in the nation. As SCE reaches the close of the current three-year funding cycle, many rebate programs are now fully subscribed and funds have been exhausted. Please talk to your account representative about planning for program participation in 2009.*

Allergan, the Irvine-based global specialty pharmaceutical company, makes energy management a way of life with the assistance of account representative Mike Anthony: "By taking advantage of every possible SCE rebate and energy efficiency program," explained Manager, Facilities Terry Thomas, "we're building $500,000-$600,000 in savings per year into our facilities."



"By taking advantage of every possible SCE rebate and energy efficiency program, we're building $500,000-$600,000 in savings per year into our facilities," said Allergan Manager, Facilities Terry Thomas (right), joined by Director, Environmental Health and Safety Michael Whaley, P.E.

The first two-time winner of the Flex Your Power Awards – California's recognition to companies and institutions for achievements in energy management – Allergan, since 1991, has saved over 67 million kilowatt-hours (kWh) and ranks in the 90+ percentile for its industry.

Noted Director, Environmental Health and Safety Michael Whaley, P.E., "We look at the industry average as a benchmark, and ask ourselves, how much more product would we need to sell if our performance was just industry-average? The assumption that managing energy wisely will inhibit your research program or your product development is mistaken – we've proven that sound energy management means reduced cost of operations. That helps us keep our dollars focused on R&D, where they really need to go."

Every Possible Way to Save

"SCE's rebates under the Standard Performance Contract Program, for example, are extremely helpful to us as we invest in retrofitting," said Thomas. "The Savings By Design Program helps us plan efficiency into new buildings. SCE joins our team at the design stage and suggests every possible way to save before construction begins. The energy we've saved in new facilities vs. what we'd be using without these measures is significant – about 2,800 kW."

Because its research programs undergo continual adaptation, Allergan's facilities undergo continual changes to meet new demands. "Our task now," Whaley said, "is retrocommissioning our facilities where the research program is operating outside the building's original design. We want to go back through our older systems and make sure that we're operating them appropriately for the uses to which they're now being put, particularly when those uses aren't the ones for which those spaces were built. SCE will be a member of the team as we go forward."

Added Thomas, "We use SCE's online tools – EnergyManager®, Cost Manager® and Bill Manager® – to monitor our performance and look for improvements. This campus isn't just a pharmaceuticals laboratory, it's an energy management lab, too. And it's not just about saving money. We have a commitment to Southern California, and we want to see it thrive. We're good citizens and good neighbors, and managing energy well goes along with Allergan's dedication to making life better."

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