

Long-Term Electricity Outlook

Senate Energy, Utilities, and Communications
Committee
Senator Christine Kehoe, Chair

Gary Stern, Director
Market Strategy and Resource Planning

March 13, 2007



Planning in California attempts to minimize costs and risks to retail customers while complying with regulatory policy goals

Regulatory Framework

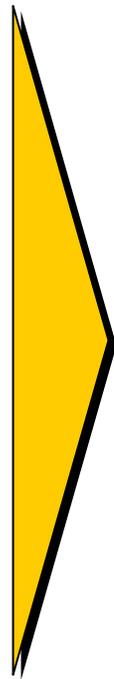
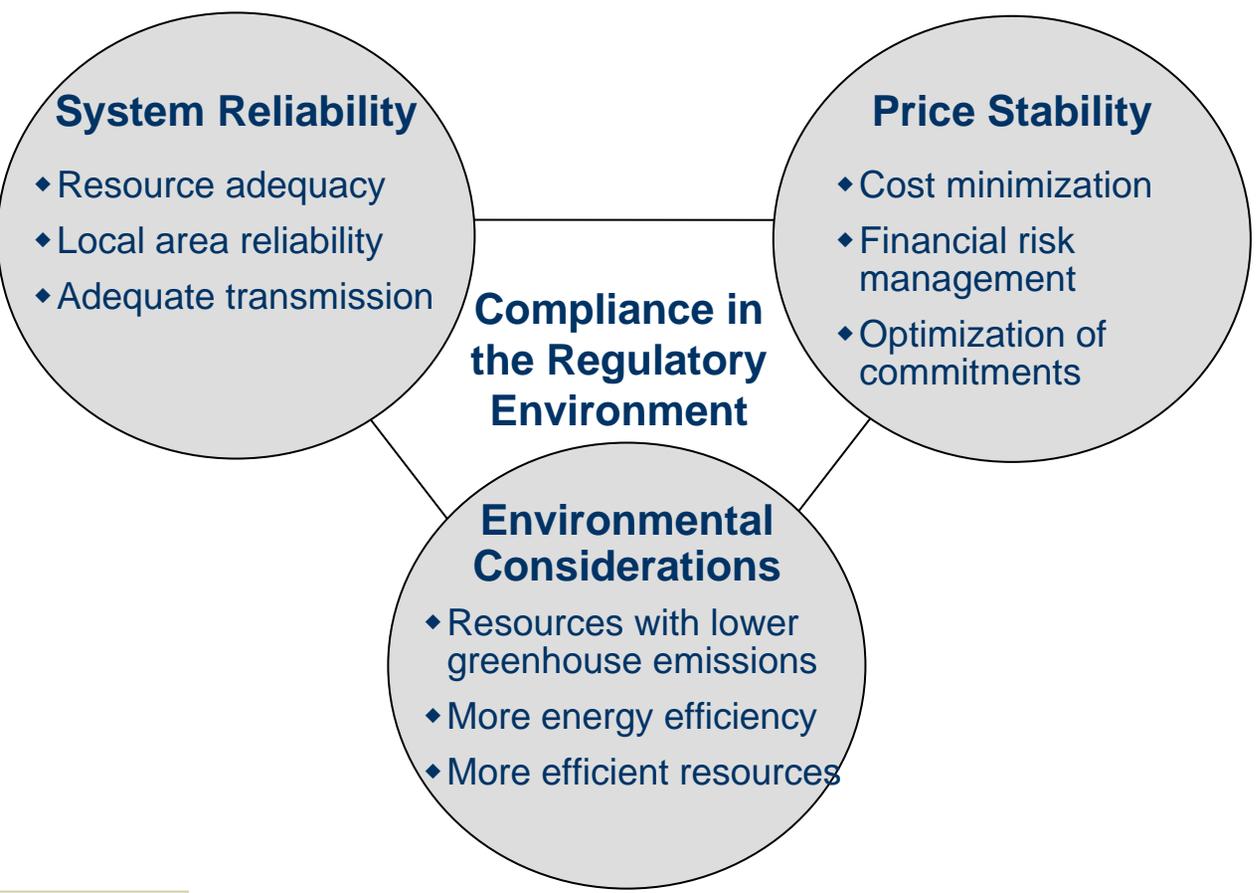
- ◆ Resource Adequacy Requirement
- ◆ Local Area Reliability Requirement
- ◆ Energy Action Plan Loading Order
- ◆ Demand Side Management Goals
- ◆ Renewable Portfolio Standard
- ◆ Greenhouse Gas Limitations
- ◆ Developing Timing and Approach for Direct Access Resumption

IOU Tradeoff Considerations

- ◆ Supply- vs. Demand-side
- ◆ Long Term vs. Short Term
- ◆ Peaking vs. Baseload
- ◆ Now vs. Later
- ◆ Local vs. Distant



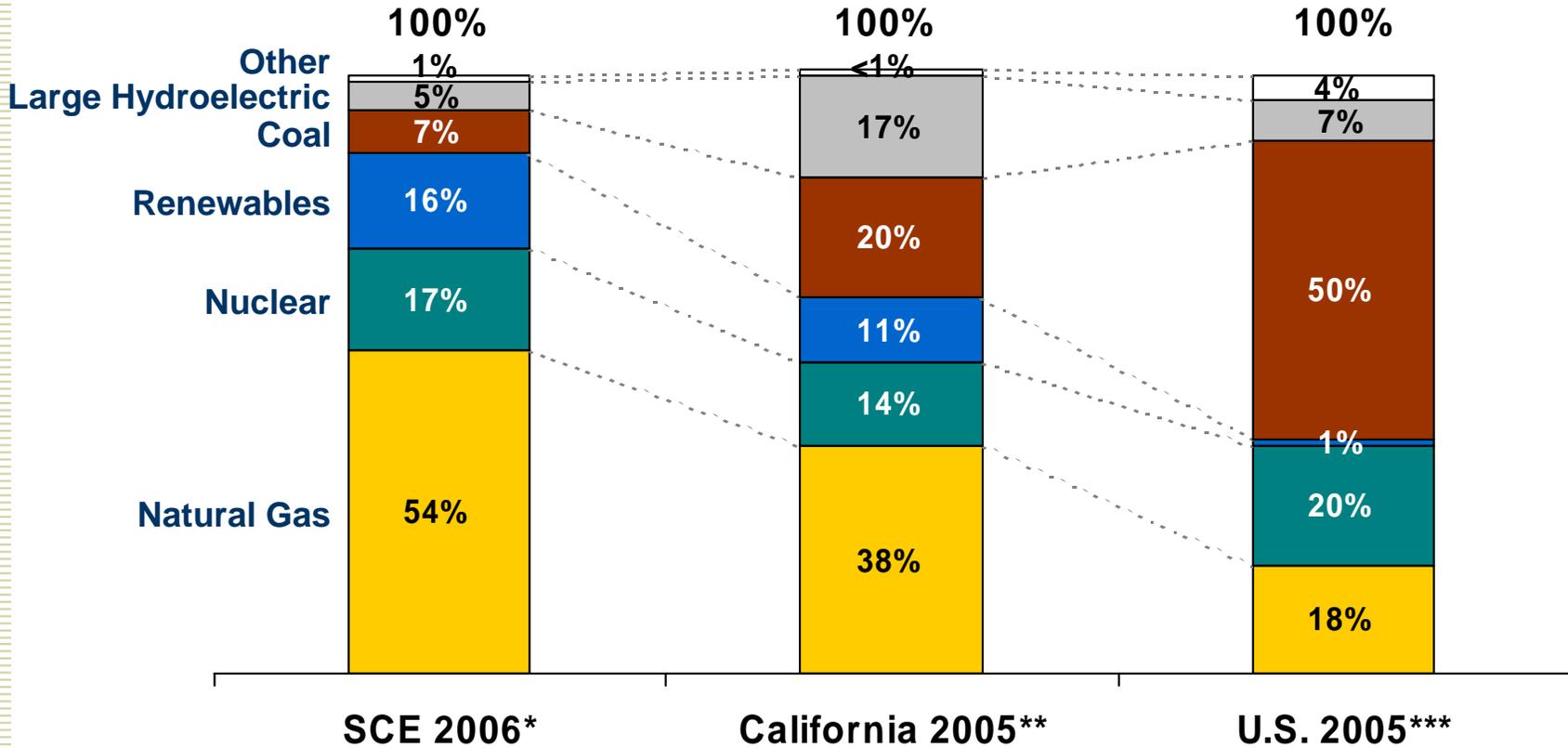
SCE's Procurement Objectives



The goal is to balance these competing objectives through CPUC/CEC's "loading order":

- Energy efficiency
- Demand response
- Renewable resources
- Distributed generation
- Clean and efficient fossil-fired generation

Power Mix Comparison: SCE, California, and U.S.



Sources: * SCE's Power Content Label - projected, March 2006

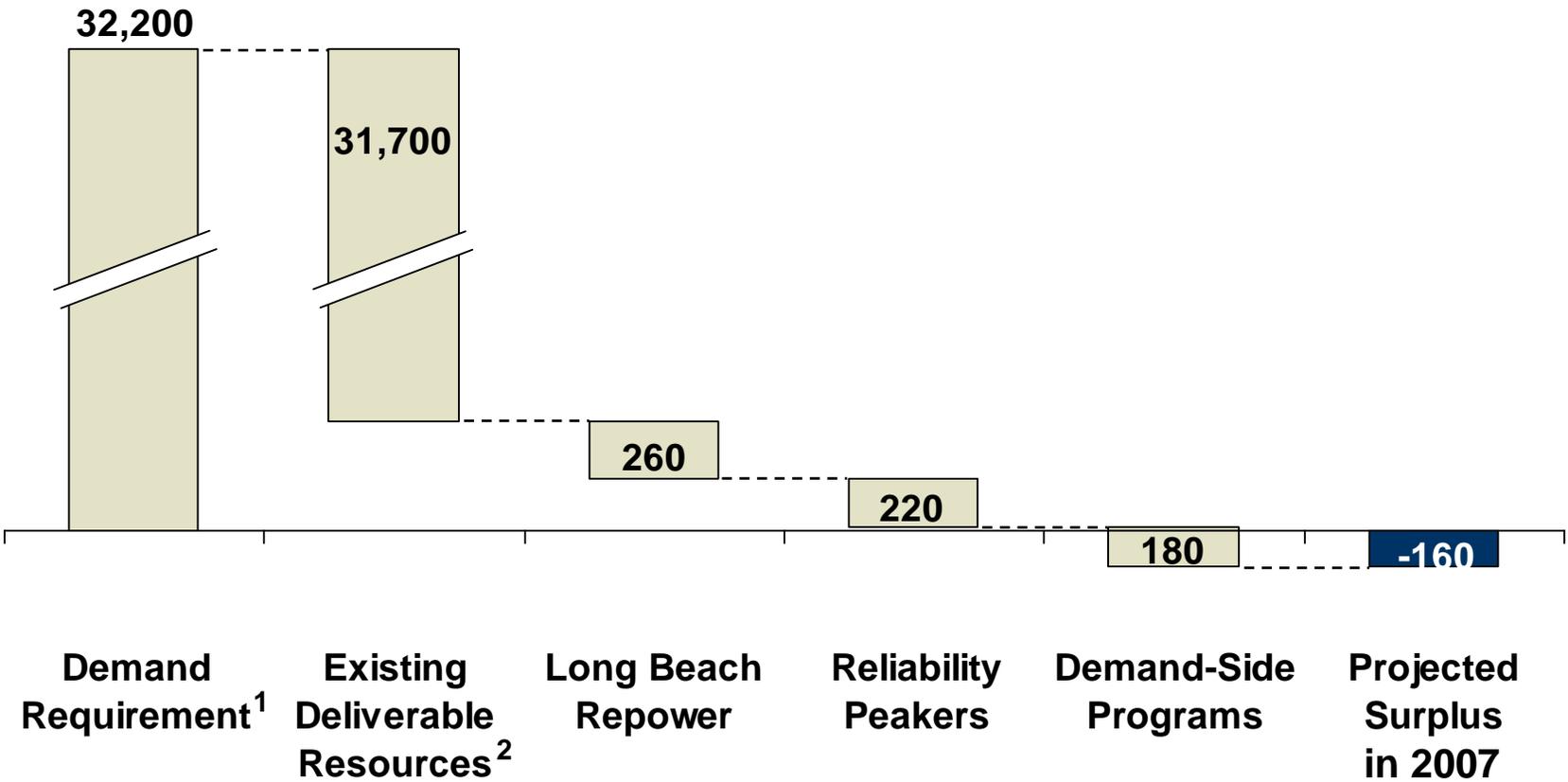
** CEC's "Net System Power: A Small Share of California's Power Mix in 2005" report, April 2006

*** Energy Information Administration's Electric Power Annual, November 2005 Table 1.1



2007 Southern California Supply and Demand Balance

MW, CAISO Zone SP-26

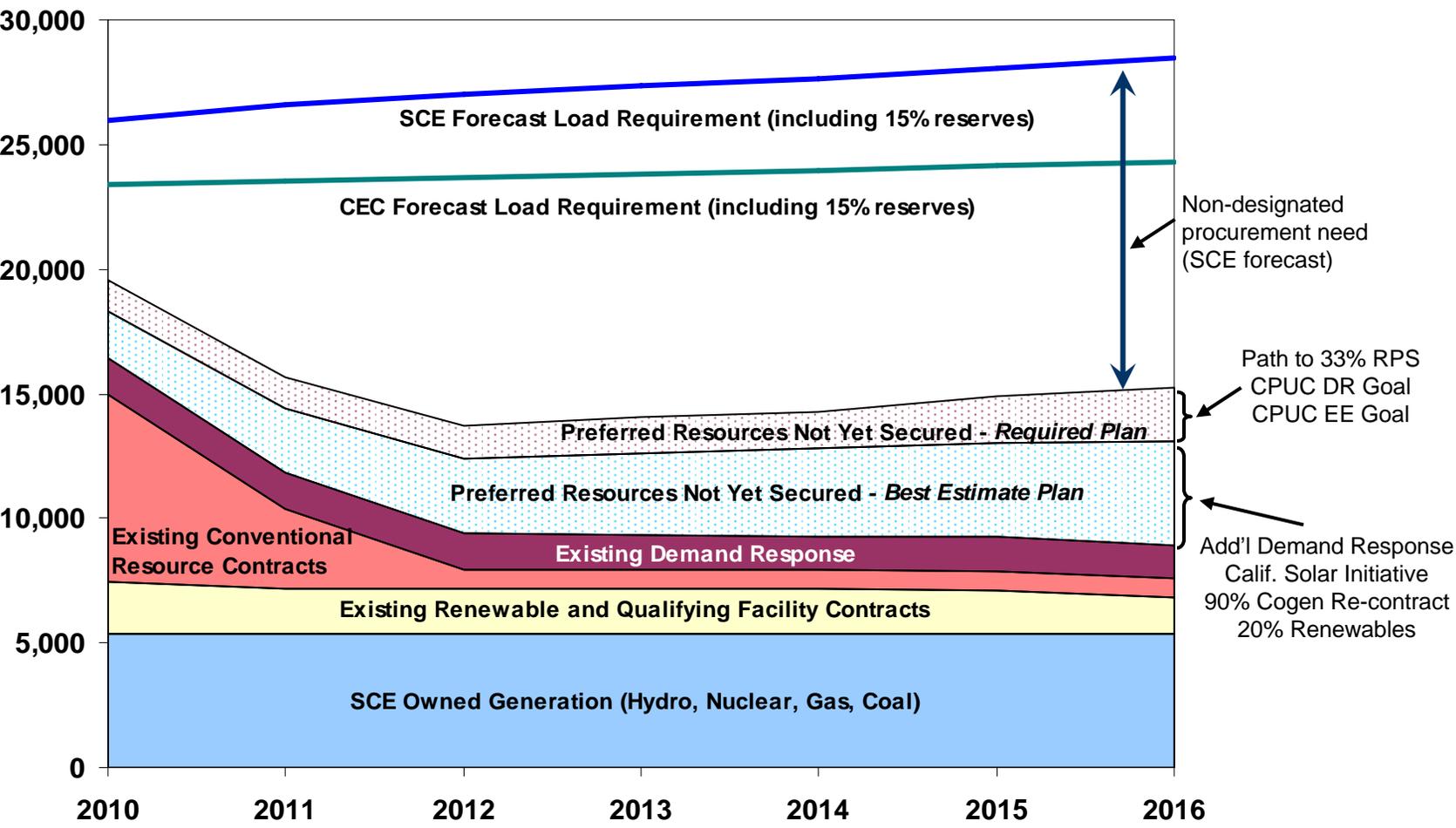


1. Adverse weather conditions; includes 5% operating reserves
 2. Dependable capacity, including import capability and demand-side resources



SCE's Capacity Need

MW

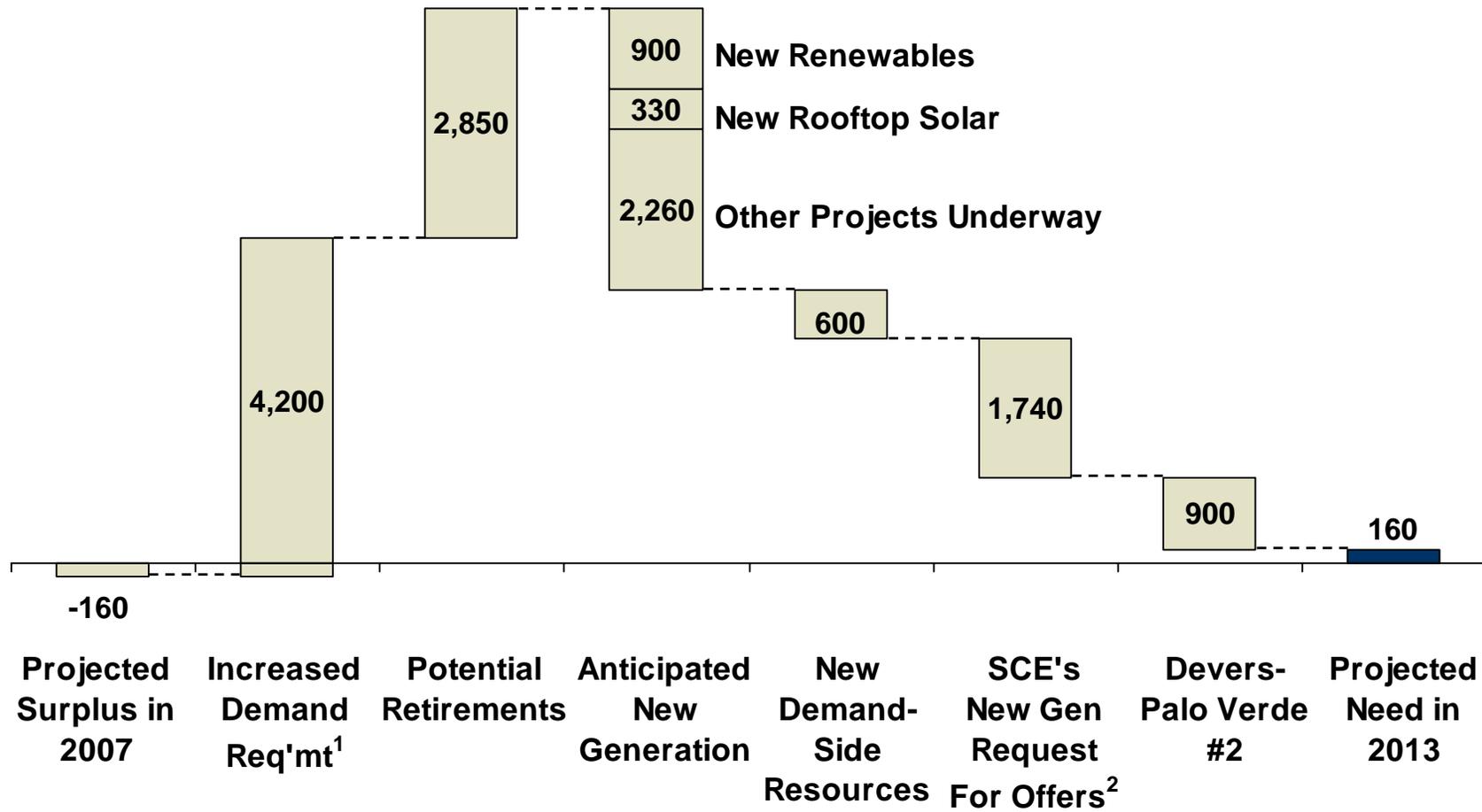


Source: SCE's Dec 11, 2006 Long Term Procurement Plan



2013 Southern California Supply and Demand Balance

MW, CAISO Zone SP-26



1. Adverse weather conditions; includes 5% operating reserves

2. Includes SCE's petition to modify seeking an additional 500 MW not yet approved



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Balancing California's Electricity Policy Objectives

Resource Integration Achieved through Loading Order

- Cost Effective and Achievable Demand Side Resources
- Renewable Resources consistent with RPS
- Other Procurement consistent with GHG objectives

Transmission planning conducted to complement existing and planned procurement needs.

