Long-Term Electricity Outlook

Senate Energy, Utilities, and Communications
Committee
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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

System Reliability

- Resource adequacy
- Local area reliability
- Adequate transmission

Compliance in the Regulatory Environment

Environmental Considerations

- Resources with lower greenhouse emissions
- More energy efficiency
- More efficient resources

Price Stability

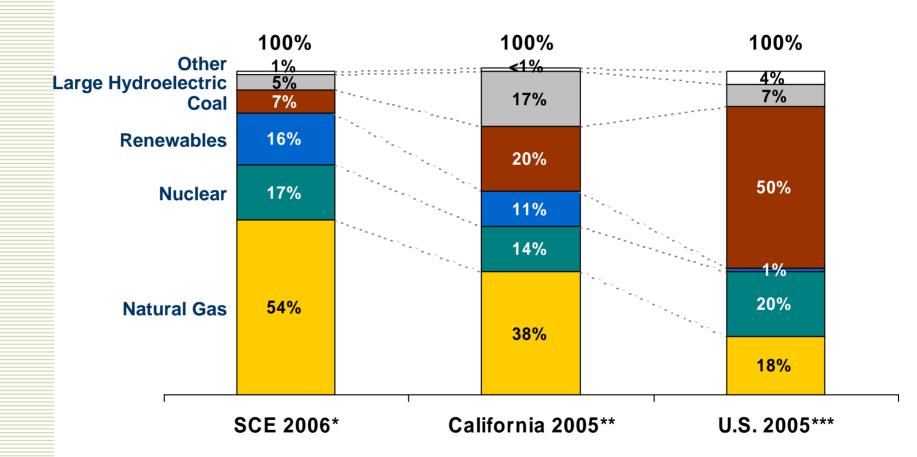
- Cost minimization
- Financial risk management
- Optimization of commitments

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.





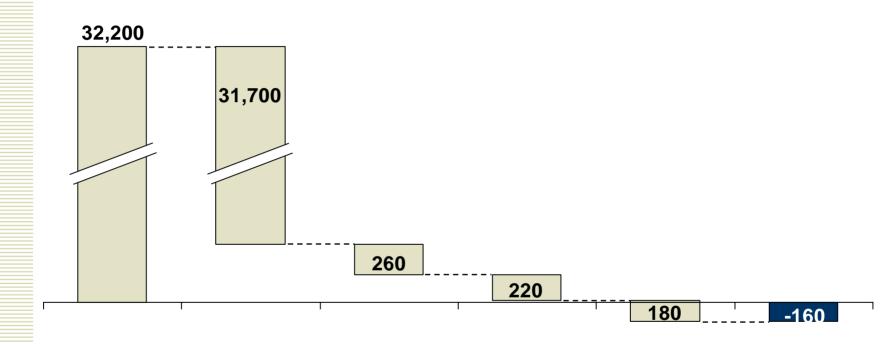
Sources: * SCE's Power Content Label - projected, March 2006

** 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



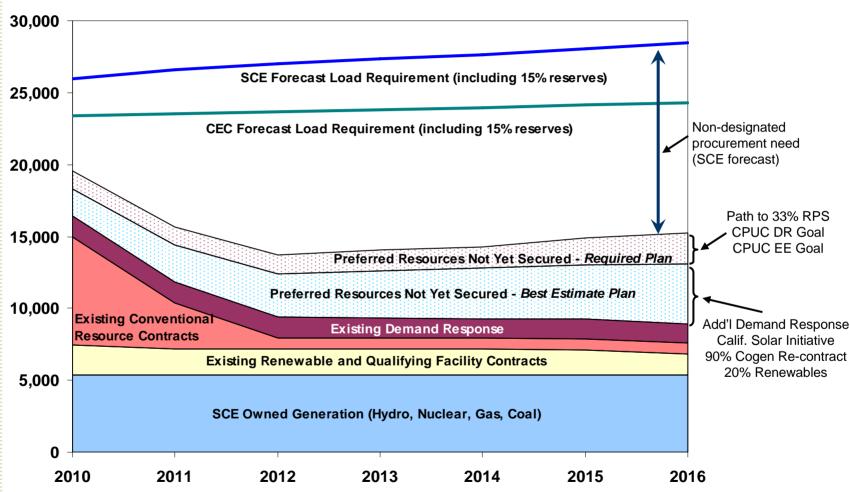
Demand Existing Long Beach Reliability Demand-Side Projected Requirement Deliverable Repower Peakers Programs Surplus in 2007



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

SCE's Capacity Need



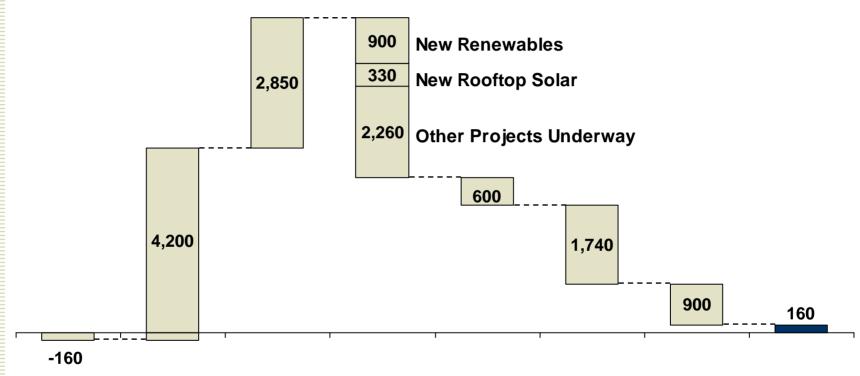




Source: SCE's Dec 11, 2006 Long Term Procurement Plan

2013 Southern California Supply and Demand Balance

MW, CAISO Zone SP-26



Projected	Increased	Potential	Anticipated	New	SCE's	Devers-	Projected
Surplus in	Demand	Retirements	New	Demand-	New Gen	Palo Verde	Need in
2007	Reg'mt ¹		Generation	Side	Request	#2	2013
	•		Resources For Offers ²				



- 1. Adverse weather conditions; includes 5% operating reserves
- 2. Includes SCE's petition to modify seeking an additional 500 MW not yet approved

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.

