Edison Electric Institute Update

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2018 EEI/AGA Accounting Conference
May 22, 2018
San Diego, CA
Electricity Is A Great Value

CONTRIBUTES $880 billion ANNUALLY TO U.S. GDP OR 5 percent OF TOTAL GDP

SUPPORTS 7 million+ JOBS ACROSS THE UNITED STATES

INVESTS $100 billion+ PER YEAR TO BUILD A SMARTER, CLEANER, AND MORE RESILIENT ENERGY INFRASTRUCTURE
Our Industry Vision Is Customer-Driven

VALUE-FOCUSED
MORE DYNAMIC, MORE SECURE ENERGY GRID
CLEANER ENERGY
INNOVATIVE ENERGY SOLUTIONS
2018 Industry Priorities

INFRASTRUCTURE

SMART COMMUNITIES

GRID SECURITY & RESILIENCE

ELECTRIFICATION
Agenda

- Political landscape
- Tax Reform
- Storm Response
- Regulatory Policy and Smarter Infrastructure
Political Landscape
Pivotal Midterm Elections
KEY RACES: HOUSE
Current balance: 238 Republicans, 193 Democrats, 4 vacancies

176
SOLID DEMOCRATIC

9
LIKELY DEMOCRATIC

9
LEAN DEMOCRATIC

19
TOSS-UP

21
LEAN REPUBLICAN

25
LIKELY REPUBLICAN

176
SOLID REPUBLICAN

218 needed for control

Last updated: January 29, 2018

**Key Races: Senate**

Current balance: 51 Republicans, 47 Democrats*

- **13** Solid Democratic
- **5** Likely Democratic
- **5** Lean Democratic
- **5** Toss-up
- **0** Lean Republican
- **1** Likely Republican
- **5** Solid Republican

51 needed for control

* Two Independents who caucus with Democrats | Last updated: January 29, 2018.

Gubernatorial seats in play in 2018

Currently held by: Dem. Rep. Independent No election Competitive

Source: Cook Political Report

Tax Reform
Tax Reform Results

☑ Reduces the Corporate Tax Rate
☑ Maintains Interest Deductibility for Corporate Debt
☑ Maintains Deductibility for State and Local Taxes
☑ Maintains Tax Normalization and Addresses Excess Deferred Taxes
☑ Keeps Dividend Tax Rates Low and on Par with Capital Gains Tax Rates
## Industry’s Tax Reform Priorities & Results

<table>
<thead>
<tr>
<th>Priority</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the Corporate Tax Rate</td>
<td>Reduced from 35% to 21%</td>
</tr>
<tr>
<td>Maintain Interest Deductibility for Corporate Debt</td>
<td>Legislation limits the deductibility of interest and provides full expensing for 5 years followed by a 20% per year phase-down until 2026; regulated utilities are exempt from both of these provisions (keep 100% interest deductibility; apply MACRS depreciation)</td>
</tr>
<tr>
<td>Maintain Deductibility for State &amp; Local Taxes</td>
<td>Maintained…benefits all stakeholders</td>
</tr>
<tr>
<td>Maintain Tax Normalization and Address Excess Deferred Taxes (EDT)</td>
<td>Maintained…EDTs flow back over life of asset</td>
</tr>
<tr>
<td>Keep Dividend Tax Rates Low and on Par with Capital Gains Tax Rates</td>
<td>Maintained…crucial for dividend-paying &amp; capital-intensive industry</td>
</tr>
</tbody>
</table>
Storm Response
HISTORIC STORMS

Historic Responses
Regulatory policy and Smarter Infrastructure
The Mix of Resources Used To Generate Electricity Has Changed Dramatically (2007-2017)

2007 National Energy Resource Mix
- 48.5% Coal
- 21.6% Natural Gas
- 19.4% Nuclear
- 6.0% Hydro
- 0.5% Other
- 2.5% Non-Hydro Renewables
- 1.6% Fuel Oil

2017 National Energy Resource Mix (preliminary)
- 30.1% Coal
- 31.7% Natural Gas
- 20.0% Nuclear
- 7.4% Hydro
- 9.6% Non-Hydro Renewables
- 0.5% Fuel Oil
- 0.5% Other

Source: Department of Energy, Energy Information Administration.
>1/3 of U.S. Power Generation Comes From Zero-Emissions Sources (Nuclear and Renewables)

# Environment and Natural Resources Challenges: 2018 and Beyond

## Air
- Mercury & Air Toxics
- Regional Haze/Visibility
- NSR Reform
- Interstate Transport
- Multiple NAAQS

## Climate
- Evolving Policy Landscape
- Changes to 111(d) & (b) Programs
- State & Regional Initiatives
- International Negotiations
- Technology Development & Deployment

## Water
- Waters of the United States
- Effluent Guidelines Limitations
- 316(b)
- Nationwide Permits
- Waterbody-Specific Standards

## Land & Wildlife
- Infrastructure Siting and Permitting
- Endangered Species
- Avian Protection
- Vegetation Management
- Tribal Engagement

## Waste & Chemical Management
- Coal Ash
- PCBs in Electrical Equipment
- TSCA
- HazMat Transport

# Evolving Policy Landscape

# Changes to 111(d) & (b) Programs

# State & Regional Initiatives

# International Negotiations

# Technology Development & Deployment

# Waters of the United States

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# TSCA

# HazMat Transport
Addressing Threats to the Energy Grid

The Electricity Subsector Coordinating Council (ESCC) is focused on improving the security of the energy grid:

- The ESCC plans and exercises coordinated responses to attacks or major disruptions to the grid.
- The ESCC makes sure information about threats is communicated quickly between government and industry.
- The ESCC deploys government technologies on electric company systems that improve situational awareness of threats to the grid.
- The ESCC coordinates closely with other critical infrastructure sectors.
FERC Priorities

- ROE Policy
- Serial Complaints
- Transmission Incentives
- Natural Gas Policy Statement
- DOE NOPR
- PURPA
Rate & Regulatory Reform

Challenges

- Rapid Technology Changes
- Changing Customer Expectations
- Slow, Inflexible Process
- One Size Does Not Fit All

Ways Forward

- Informal Collaboration
- Performance-Based Ratemaking
- Flexible Rate Structures
- Transparent Pricing for Grid and Energy
<table>
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<tr>
<th>Drivers</th>
<th>Benefits</th>
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<tr>
<td>Customer Wants and Needs</td>
<td>Enhanced Reliability</td>
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<tr>
<td>Environmental Goals</td>
<td>Increased Resiliency</td>
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<tr>
<td>Growth in Distributed Energy Resources</td>
<td>Reduced Carbon Emissions</td>
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<tr>
<td>New Technologies</td>
<td>Empowered Customers</td>
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<tr>
<td></td>
<td>Flexible, Responsive Energy Grid Platform</td>
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</table>
Electric Transportation: Growing Momentum

EV sales increase, 2016 to 2017
+26%

EV availability in 2017
40 models
20 brands

Battery price*
-73%

Cumulative U.S. EV Sales
