
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2007

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 1-2313

SOUTHERN CALIFORNIA EDISON COMPANY
(Exact name of registrant as specified in its charter)

California
(State or other jurisdiction of
incorporation or organization)

95-1240335
(I.R.S. Employer
Identification No.)

2244 Walnut Grove Avenue
(P. O. Box 800)
Rosemead, California
(Address of principal executive offices)

91770
(Zip Code)

(626) 302-1212
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at April 30, 2007
Common Stock, no par value	434,888,104

SOUTHERN CALIFORNIA EDISON COMPANY

INDEX

	<u>Page No.</u>
Part I. Financial Information	
Item 1. Financial Statements	1
Consolidated Statements of Income – Three Months Ended March 31, 2007 and 2006	1
Consolidated Statements of Comprehensive Income – Three Months Ended March 31, 2007 and 2006	1
Consolidated Balance Sheets – March 31, 2007 and December 31, 2006	2
Consolidated Statements of Cash Flows – Three Months Ended March 31, 2007 and 2006	4
Notes to Consolidated Financial Statements	5
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	22
Item 3. Quantitative and Qualitative Disclosures About Market Risk	35
Item 4. Controls and Procedures	35
Part II. Other Information	
Item 6. Exhibits	36
Signature	37

GLOSSARY

When the following terms and abbreviations appear in the text of this report, they have the meanings indicated below.

CDWR	California Department of Water Resources
CPSD	Consumer Protection and Safety Division
CPUC	California Public Utilities Commission
District Court	U.S. District Court for the District of Columbia
DOE	United States Department of Energy
DWP	Los Angeles Department of Water & Power
EME	Edison Mission Energy
ERRA	energy resource recovery account
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FIN 48	Financial Accounting Standards Interpretation No. 48, Accounting for Uncertainty in Income Taxes – an interpretation of FAS 109
FTR	firm transmission rights
GRC	General Rate Case
IRS	Internal Revenue Service
ISO	California Independent System Operator
kWh(s)	kilowatt-hour(s)
MD&A	Management’s Discussion and Analysis of Financial Condition and Results of Operations
Midway-Sunset	Midway-Sunset Cogeneration Company
Mohave	Mohave Generating Station
MW	megawatts
Ninth Circuit	United States Court of Appeals for the Ninth Circuit
NRC	Nuclear Regulatory Commission
Palo Verde	Palo Verde Nuclear Generating Station
PBR	performance-based ratemaking
PG&E	Pacific Gas & Electric Company
PX	California Power Exchange
QF(s)	qualifying facility(ies)
San Onofre	San Onofre Nuclear Generating Station
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric
SFAS No. 157	Statement of Financial Accounting Standards No. 157, “Fair Value Measurements”
SFAS No. 158	Statement of Financial Accounting Standards No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Post-Retirement Plans”
SFAS No. 159	Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Liabilities, including an Amendment of FASB Statement No. 115”
VIE(s)	variable interest entity(ies)

SOUTHERN CALIFORNIA EDISON COMPANY

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

In millions	Three Months Ended March 31,	
	2007	2006
	(Unaudited)	
Operating revenue	\$ 2,222	\$ 2,217
Fuel	310	311
Purchased power	317	1,013
Provisions for regulatory adjustment clauses – net	289	(363)
Other operation and maintenance	601	617
Depreciation, decommissioning and amortization	276	253
Property and other taxes	55	54
Total operating expenses	1,848	1,885
Operating income	374	332
Interest income	11	15
Other nonoperating income	17	27
Interest expense – net of amounts capitalized	(107)	(97)
Other nonoperating deductions	(11)	(11)
Income before income tax and minority interest	284	266
Income tax	53	83
Minority interest	38	50
Net income	193	133
Dividends on preferred and preference stock not subject to mandatory redemption	13	12
Net income available for common stock	\$ 180	\$ 121

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

In millions	Three Months Ended March 31,	
	2007	2006
	(Unaudited)	
Net income	\$ 193	\$ 133
Other comprehensive income, net of tax:		
Pension and postretirement benefits other than pensions:		
Amortization of actuarial loss – net	1	—
Comprehensive income	\$ 194	\$ 133

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHERN CALIFORNIA EDISON COMPANY

CONSOLIDATED BALANCE SHEETS

In millions	March 31, 2007	December 31, 2006
	(Unaudited)	
ASSETS		
Cash and equivalents	\$ 85	\$ 83
Restricted cash	53	56
Margin and collateral deposits	36	55
Receivables, less allowances of \$26 and \$29 for uncollectible accounts at respective dates	878	939
Accrued unbilled revenue	296	303
Inventory	234	232
Accumulated deferred income taxes – net	294	250
Derivative assets	172	56
Regulatory assets	443	554
Other current assets	195	54
Total current assets	2,686	2,582
Nonutility property – less accumulated provision for depreciation of \$650 and \$633 at respective dates	1,033	1,046
Nuclear decommissioning trusts	3,220	3,184
Other investments	80	62
Total investments and other assets	4,333	4,292
Utility plant, at original cost:		
Transmission and distribution	17,905	17,606
Generation	1,480	1,465
Accumulated provision for depreciation	(4,937)	(4,821)
Construction work in progress	1,578	1,486
Nuclear fuel, at amortized cost	176	177
Total utility plant	16,202	15,913
Regulatory assets	2,874	2,818
Derivative assets	12	17
Other long-term assets	484	488
Total long-term assets	3,370	3,323
Total assets	\$ 26,591	\$ 26,110

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHERN CALIFORNIA EDISON COMPANY
CONSOLIDATED BALANCE SHEETS

In millions, except share amounts	March 31, 2007	December 31, 2006
	(Unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term debt	\$ 120	\$ —
Long-term debt due within one year	334	396
Accounts payable	635	856
Accrued taxes	182	193
Accrued interest	113	114
Counterparty collateral	50	36
Customer deposits	207	198
Book overdrafts	164	140
Derivative liabilities	32	99
Regulatory liabilities	1,163	1,000
Other current liabilities	575	624
Total current liabilities	3,575	3,656
Long-term debt	5,162	5,171
Accumulated deferred income taxes – net	2,672	2,675
Accumulated deferred investment tax credits	110	112
Customer advances	162	160
Derivative liabilities	30	77
Power-purchase contracts	29	32
Accumulated provision for pensions and benefits	825	809
Asset retirement obligations	2,778	2,749
Regulatory liabilities	3,157	3,140
Other deferred credits and other long-term liabilities	1,025	802
Total deferred credits and other liabilities	10,788	10,556
Total liabilities	19,525	19,383
Commitments and contingencies (Note 6)		
Minority interest	342	351
Common stock, no par value (434,888,104 shares outstanding at each date)	2,168	2,168
Additional paid-in capital	385	383
Accumulated other comprehensive loss	(13)	(14)
Retained earnings	3,255	2,910
Total common shareholder's equity	5,795	5,447
Preferred and preference stock not subject to mandatory redemption	929	929
Total shareholders' equity	6,724	6,376
Total liabilities and shareholders' equity	\$ 26,591	\$ 26,110

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHERN CALIFORNIA EDISON COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

In millions	Three Months Ended March 31,	
	2007	2006
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 193	\$ 133
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation, decommissioning and amortization	276	253
Realized loss on nuclear decommissioning trusts	8	—
Other amortization	26	17
Minority interest	38	50
Deferred income taxes and investment tax credits	(184)	67
Regulatory assets – long-term	62	38
Regulatory liabilities – long-term	(11)	(8)
Derivative assets – long-term	6	18
Derivative liabilities – long-term	(46)	18
Other assets	(14)	4
Other liabilities	221	(4)
Margin and collateral deposits – net of collateral received	34	(82)
Receivables and accrued unbilled revenue	67	192
Derivative assets – short-term	(115)	208
Derivative liabilities – short-term	(67)	68
Inventory and other current assets	(142)	16
Regulatory assets – short-term	111	(293)
Regulatory liabilities – short-term	163	(177)
Accrued interest and taxes	200	2
Accounts payable and other current liabilities	(162)	(200)
Net cash provided by operating activities	664	320
Cash flows from financing activities:		
Long-term debt issued	—	500
Long-term debt issuance costs	(1)	(5)
Long-term debt repaid	(9)	(350)
Issuance of preference stock	—	196
Rate reduction notes repaid	(62)	(62)
Short-term debt financing – net	120	188
Change in book overdrafts	24	(76)
Shares purchased for stock-based compensation	(57)	(44)
Proceeds from stock option exercises	23	14
Excess tax benefits related to stock option exercises	10	6
Minority interest	(47)	(81)
Dividends paid	(73)	(81)
Net cash provided (used) by financing activities	(72)	205
Cash flows from investing activities:		
Capital expenditures	(560)	(494)
Proceeds from nuclear decommissioning trust sales	1,029	470
Purchases of nuclear decommissioning trust investments	(1,062)	(506)
Customer advances for construction and other investments	3	4
Net cash used by investing activities	(590)	(526)
Net increase (decrease) in cash and equivalents	2	(1)
Cash and equivalents, beginning of period	83	143
Cash and equivalents, end of period	\$ 85	\$ 142

The accompanying notes are an integral part of these consolidated financial statements.

SOUTHERN CALIFORNIA EDISON COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Management's Statement

In the opinion of management, all adjustments, including recurring accruals, have been made that are necessary for a fair statement of the financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America for the periods covered by this quarterly report on Form 10-Q. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the operating results for the full year.

The quarterly report should be read in conjunction with SCE's Annual Report to Shareholders incorporated by reference into SCE's Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission.

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

SCE's significant accounting policies were described in Note 1 of "Notes to Consolidated Financial Statements" included in its 2006 Annual Report on Form 10-K. SCE follows the same accounting policies for interim reporting purposes, with the exception of the change in accounting for uncertain tax positions (discussed below in "New Accounting Pronouncements").

Certain prior-period amounts were reclassified to conform to the March 31, 2007 financial statement presentation.

Income Taxes

SCE and its eligible subsidiaries are included in Edison International's consolidated federal income tax and combined state tax returns. Under an income tax-allocation agreement approved by the CPUC, SCE's tax liability is computed as if it filed a separate return.

As part of the process of preparing its consolidated financial statements, SCE is required to estimate its income taxes in each jurisdiction in which it operates. This process involves estimating actual current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes, such as depreciable property. These differences result in deferred tax assets and liabilities, which are included within SCE's consolidated balance sheets.

Income tax expense includes the current tax liability from operations and the change in deferred income taxes during the year. Investment tax credits are deferred and amortized over the lives of the related properties. Interest expense and penalties associated with income taxes are reflected in the caption "Income tax expense" on the consolidated statements of income.

For a further discussion of income taxes, see Note 4.

New Accounting Pronouncements

Accounting Pronouncement Adopted

In July 2006, the FASB issued FIN 48 which clarifies the accounting for uncertain tax positions. FIN 48 requires an enterprise to recognize, in its financial statements, the best estimate of the impact of a tax position by determining if the weight of the available evidence indicates it is more likely than not, based solely on the

technical merits, that the position will be sustained on audit. SCE adopted FIN 48 effective January 1, 2007. Based on the current status of discussions with tax authorities related to open tax years under audit and other information currently available, implementation of FIN 48 resulted in a cumulative-effect adjustment that increased retained earnings by \$213 million. SCE will continue to monitor and assess new income tax developments.

Accounting Pronouncements Not Yet Adopted

In February 2007, the FASB issued SFAS No. 159, which provides an option to report eligible financial assets and liabilities at fair value, with changes in fair value recognized in earnings. Upon adoption, the first remeasurement to fair value would be reported as a cumulative-effect adjustment to the opening balance of retained earnings. SCE will adopt SFAS No. 159 on January 1, 2008. SCE is currently evaluating the impact of adopting SFAS No. 159 on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, which clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures on fair value measurements. SCE will adopt SFAS No. 157 on January 1, 2008. SCE is currently evaluating the impact of adopting SFAS No. 157 on its financial statements.

Sales and Use Taxes

SCE bills certain sales and use taxes levied by state or local governments to its customers. Included in these sales and use taxes are franchise fees, which SCE pays to various municipalities (based on contracts with these municipalities) in order to operate within the limits of the municipality. SCE bills these franchise fees to its customers based on a CPUC-authorized rate. These franchise fees, which are required to be paid regardless of SCE's ability to collect from the customer, are accounted for on a gross basis. SCE's franchise fees billed to customers and recorded as operating revenue were \$23 million and \$20 million for the three months ended March 31, 2007 and 2006, respectively. When SCE acts as an agent, and the tax is not required to be remitted if it is not collected from the customer, the taxes are accounted for on a net basis.

Stock-Based Compensation

Stock, stock options, performance shares, deferred stock units and, beginning in 2007, restricted stock units have been granted under Edison International's long-term incentive compensation programs. Edison International usually does not issue new common stock for equity awards settled. Rather, a third party is used to facilitate the exercise of stock options and the purchase and delivery of outstanding common stock for settlement of option exercises, performance shares and restricted stock units. Deferred stock units granted to management are settled in cash, not stock and represent a liability.

On April 26, 2007, Edison International's shareholders approved a new incentive plan (the 2007 Performance Incentive Plan) that includes stock-based compensation. No additional awards will be granted under Edison International's prior stock-based compensation plans on or after April 26, 2007, and all future issuances will be made under the new plan. The maximum number of shares of Edison International's common stock that may be issued or transferred pursuant to awards under the new incentive plan is 8.5 million shares, plus the number of any shares subject to awards issued under Edison International's prior plans and outstanding as of April 26, 2007, which expire, cancel or terminate without being exercised or shares being issued. For further discussion see "Stock-Based Compensation" in Note 5.

Note 2. Derivative Instruments and Hedging Activities

SCE is exposed to commodity price risk associated with its purchases for additional capacity and ancillary services to meet its peak energy requirements as well as exposure to natural gas prices associated with power purchased from QFs, fuel tolling arrangements, and its own gas-fired generation, including the Mountainview

plant. SCE realized and unrealized gains and losses arising from derivative instruments are reflected in purchased-power expense and offset through the provision for regulatory adjustment clauses – net on the consolidated statements of income.

The following is a summary of purchased-power expense:

In millions	Three-Month Period Ended March 31,	2007	2006
Purchased-power expense		\$ 480	\$ 688
Unrealized (gains) / losses on economic hedging activities		(134)	334
Energy settlements and refunds		(29)	(9)
Total purchased-power expense		\$ 317	\$ 1,013

The 2007 net unrealized gains were primarily due to higher forward natural gas prices in the first quarter of 2007, compared to the same period in 2006.

Note 3. Liabilities and Lines of Credit

Short-term Debt

Short-term debt is generally used to finance fuel inventories, balancing account undercollections and general, temporary cash requirements. At March 31, 2007, the outstanding short-term debt and weighted-average interest rate was \$120 million at 5.37%. This short-term debt is supported by a \$2.5 billion credit line of which \$2.1 billion was available as of March 31, 2007.

Note 4. Income Taxes

The composite federal and state statutory income tax rate was approximately 40% (net of the federal benefit for state income taxes) for all periods presented. SCE's effective tax rate from net income was 22% for the three-month period ended March 31, 2007, as compared to 38% for the three-month period ended March 31, 2006. The decreased effective tax rate was primarily caused by reductions made to the income tax reserve in 2007 to reflect progress in an administrative appeal process with the IRS related to the income tax treatment of costs associated with environmental remediation.

The total amount of unrecognized tax benefits as of the date of adoption of FIN 48 was \$98 million. The total amount of unrecognized tax benefits as of the date of adoption that, if recognized, would affect the effective tax rate was \$28 million. The total amount of accrued interest and penalties was \$65 million as of the date of adoption. SCE reduced its accrued liability for interest and penalties during the first quarter of 2007 to reflect progress in settlement negotiations with the IRS. The total benefit recognized in income tax expense for the three months ended March 31, 2007 was \$39 million. The total amount of interest expense and penalties recognized in income tax expense was \$12 million for the three months ended March 31, 2006.

Edison International and its subsidiaries remain subject to examination by the IRS from 1994 – present. In addition, the federal statute of limitations remains open from 1986 – 1993 on selected affirmative issues. Edison International and its subsidiaries remain subject to examination by the California Franchise Tax Board from 2003 – present. In addition, Edison International and its subsidiaries are also subject to examination by select state tax authorities, with varying statute of limitations. Some state jurisdictions follow the federal statute for comparable issues. Edison International and SCE continue their efforts to resolve open tax issues with the IRS and State authorities. The timing for resolving these open tax positions is subject to uncertainty, but it is reasonably possible that some portion of these open tax positions could be resolved in the next twelve months.

As a matter of course, Edison International and its subsidiaries are regularly audited by federal, state and foreign taxing authorities. For further discussion of this matter, see “Federal and State Income Taxes” in Note 6.

Note 5. Compensation and Benefits Plans

Pension Plans

SCE previously disclosed in Note 5 of “Notes to Consolidated Financial Statements” included in its 2006 Annual Report on Form 10-K that it expects to contribute approximately \$50 million to its pension plan in 2007. As of March 31, 2007, \$47 million in contributions have been made relating to fiscal year 2006. Expected contribution funding could vary from anticipated amounts depending on the funded status at year-end and tax-deductible funding limitations.

Net pension cost recognized is calculated under the actuarial method used for ratemaking. The difference between pension costs calculated for accounting and ratemaking is deferred.

Expense components are:

In millions	Three Months Ended March 31,	
	2007	2006
	(Unaudited)	
Service cost	\$ 26	\$ 25
Interest cost	44	42
Expected return on plan assets	(61)	(56)
Amortization of prior service cost	4	4
Amortization of net actuarial loss	1	1
Expense under accounting standards	14	16
Regulatory adjustment – deferred	1	(2)
Total expense recognized	\$ 15	\$ 14

Postretirement Benefits Other Than Pensions

SCE previously disclosed in Note 6 of “Notes to Consolidated Financial Statements” included in its 2006 Annual Report on Form 10-K that it expects to contribute approximately \$41 million to its postretirement benefits other than pension plans in 2007. As of March 31, 2007, \$5 million in contributions have been made relating to fiscal year 2006. Expected contribution funding could vary from anticipated amounts depending on the funded status at year-end and tax-deductible funding limitations.

Expense components are:

In millions	Three Months Ended March 31,	
	2007	2006
	(Unaudited)	
Service cost	\$ 10	\$ 12
Interest cost	31	31
Expected return on plan assets	(30)	(27)
Amortization of prior service cost (credit)	(7)	(7)
Amortization of net actuarial loss	6	11
Total expense recognized	\$ 10	\$ 20

Stock-Based Compensation

Total stock-based compensation expense (reflected in the caption “Other operation and maintenance” on the consolidated statements of income) was \$4 million and \$6 million for the three months ended March 31, 2007 and 2006, respectively. The income tax benefit recognized in the consolidated statements of income was \$1 million and \$3 million for the three months ended March 31, 2007 and 2006, respectively. Total stock-based compensation cost capitalized was \$1 million for each of the three months ended March 31, 2007 and 2006.

Stock Options

A summary of the status of Edison International stock options is as follows:

		Weighted - Average		
	Stock Options	Exercise Price	Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2006	7,761,336	\$ 26.78		
Granted	895,348	\$ 47.43		
Expired	—	—		
Forfeited	(16,426)	\$ 35.75		
Exercised	(1,041,607)	\$ 22.57		
Outstanding at March 31, 2007	7,598,651	\$ 29.79	6.82	
Vested and expected to vest at March 31, 2007	7,305,965	\$ 29.44	6.76	\$ 125,717,393
Exercisable at March 31, 2007	4,327,534	\$ 23.66	5.62	\$ 99,479,188

Stock options granted in 2007 do not accrue dividend equivalents.

The amount of cash used to settle stock options exercised was \$49 million and \$29 million for the three months ended March 31, 2007 and 2006, respectively. Cash received from options exercised was \$23 million and \$14 million for the three months ended March 31, 2007 and 2006, respectively. The estimated tax benefit from options exercised was \$10 million and \$6 million for the three months ended March 31, 2007 and 2006, respectively.

Note 6. Commitments and Contingencies

Lease Commitments

SCE entered into a new operating lease for power contracts during the first three months of 2007. SCE’s additional operating lease commitments for this new power contract are currently estimated to be \$68 million for 2008, \$114 million for 2009, \$114 million for 2010, and \$114 million for 2011.

Other Commitments

SCE entered into service contracts associated with uranium enrichment and fuel fabrication during the first three months of 2007. SCE’s additional nuclear fuel commitments for the remainder of 2007 are estimated to be \$70 million.

Indemnities

In connection with the acquisition of Mountainview, SCE agreed to indemnify the seller with respect to specific environmental claims related to SCE’s previously owned San Bernardino Generating Station, divested by SCE in

1998 and reacquired as part of the Mountainview acquisition. SCE retained certain responsibilities with respect to environmental claims as part of the original divestiture of the station. The aggregate liability for either party to the purchase agreement for damages and other amounts is a maximum of \$60 million. This indemnification for environmental liabilities expires on or before March 12, 2033. SCE has not recorded a liability related to this indemnity.

SCE provides other indemnifications through contracts entered into in the normal course of business. These are primarily indemnifications against adverse litigation outcomes in connection with underwriting agreements, and specified environmental indemnities and income taxes with respect to assets sold. SCE's obligations under these agreements may be limited in terms of time and/or amount, and in some instances SCE may have recourse against third parties for certain indemnities. The obligated amounts of these indemnifications often are not explicitly stated, and the overall maximum amount of the obligation under these indemnifications cannot be reasonably estimated. SCE has not recorded a liability related to these indemnities.

Contingencies

In addition to the matters disclosed in these Notes, SCE is involved in other legal, tax and regulatory proceedings before various courts and governmental agencies regarding matters arising in the ordinary course of business. SCE believes the outcome of these other proceedings will not materially affect its results of operations or liquidity.

Environmental Remediation

SCE is subject to numerous environmental laws and regulations, which require it to incur substantial costs to operate existing facilities, construct and operate new facilities, and mitigate or remove the effect of past operations on the environment.

SCE believes that it is in substantial compliance with environmental regulatory requirements; however, possible future developments, such as the enactment of more stringent environmental laws and regulations, could affect the costs and the manner in which business is conducted and could cause substantial additional capital expenditures. There is no assurance that additional costs would be recovered from customers or that SCE's financial position and results of operations would not be materially affected.

SCE records its environmental remediation liabilities when site assessments and/or remedial actions are probable and a range of reasonably likely cleanup costs can be estimated. SCE reviews its sites and measures the liability quarterly, by assessing a range of reasonably likely costs for each identified site using currently available information, including existing technology, presently enacted laws and regulations, experience gained at similar sites, and the probable level of involvement and financial condition of other potentially responsible parties. These estimates include costs for site investigations, remediation, operations and maintenance, monitoring and site closure. Unless there is a probable amount, SCE records the lower end of this reasonably likely range of costs (classified as other long-term liabilities) at undiscounted amounts.

As of March 31, 2007, SCE's recorded estimated minimum liability to remediate its 23 identified sites is \$76 million. The ultimate costs to clean up SCE's identified sites may vary from its recorded liability due to numerous uncertainties inherent in the estimation process, such as: the extent and nature of contamination; the scarcity of reliable data for identified sites; the varying costs of alternative cleanup methods; developments resulting from investigatory studies; the possibility of identifying additional sites; and the time periods over which site remediation is expected to occur. SCE believes that, due to these uncertainties, it is reasonably possible that cleanup costs could exceed its recorded liability by up to \$125 million. The upper limit of this range of costs was estimated using assumptions least favorable to SCE among a range of reasonably possible outcomes. In addition to its identified sites (sites in which the upper end of the range of costs is at least \$1 million), SCE also has 32 immaterial sites whose total liability ranges from \$3 million (the recorded minimum liability) to \$8 million.

The CPUC allows SCE to recover environmental remediation costs at certain sites, representing \$29 million of its recorded liability, through an incentive mechanism (SCE may request to include additional sites). Under this mechanism, SCE will recover 90% of cleanup costs through customer rates; shareholders fund the remaining 10%, with the opportunity to recover these costs from insurance carriers and other third parties. SCE has successfully settled insurance claims with all responsible carriers. SCE expects to recover costs incurred at its remaining sites through customer rates. SCE has recorded a regulatory asset of \$75 million for its estimated minimum environmental-cleanup costs expected to be recovered through customer rates.

SCE's identified sites include several sites for which there is a lack of currently available information, including the nature and magnitude of contamination and the extent, if any, that SCE may be held responsible for contributing to any costs incurred for remediating these sites. Thus, no reasonable estimate of cleanup costs can be made for these sites.

SCE expects to clean up its identified sites over a period of up to 30 years. Remediation costs in each of the next several years are expected to range from \$11 million to \$31 million. Recorded costs for the twelve months ended March 31, 2007 were \$16 million.

Based on currently available information, SCE believes it is unlikely that it will incur amounts in excess of the upper limit of the estimated range for its identified sites and, based upon the CPUC's regulatory treatment of environmental remediation costs, SCE believes that costs ultimately recorded will not materially affect its results of operations or financial position. There can be no assurance, however, that future developments, including additional information about existing sites or the identification of new sites, will not require material revisions to such estimates.

Federal and State Income Taxes

Edison International received Revenue Agent Reports from the IRS in August 2002 and in January 2005 asserting deficiencies in federal corporate income taxes with respect to audits of its 1994 – 1996 and 1997 – 1999 tax years, respectively. Edison International expects to conclude the administrative phase of the 1994 – 1996 tax years during the first half of 2007. Many of the asserted tax deficiencies are timing differences and, therefore, amounts ultimately paid (exclusive of penalties), if any, would be deductible on future tax returns of Edison International and would benefit SCE. Edison International has also submitted affirmative claims to the IRS and state tax agencies which are being addressed in administrative proceedings. Any benefits would be recorded at the earlier of when Edison International believes that the affirmative claim position has a more likely than not probability of being sustained or when a settlement is reached. Certain affirmative claims have been recorded as part of the implementation of FIN 48.

The IRS Revenue Agent Report for the 1997 – 1999 audit also asserted deficiencies with respect to a transaction entered into by an SCE subsidiary which may be considered substantially similar to a listed transaction described by the IRS as a contingent liability company. While Edison International and SCE intend to defend its tax return position with respect to this transaction, the tax benefits relating to this transaction have been valued at an amount equal to the settlement offer made by the Internal Revenue Service pursuant to FIN 48.

In April 2004, Edison International filed California Franchise Tax amended returns for tax years 1997 – 2002 to mitigate the possible imposition of new California penalty provisions on transactions that may be considered as listed or substantially similar to listed transactions described in an IRS notice that was published in 2001. These transactions include the SCE subsidiary contingent liability company transaction described above. Edison International filed these amended returns under protest retaining its appeal rights.

In December 2006, Edison International reached a settlement with the California Franchise Tax Board regarding the sourcing of gross receipts from the sale of electric services for California state tax apportionment purposes for tax years 1981 to 2004. In the fourth quarter of 2006, SCE recorded a \$49 million benefit related to a tax

reserve adjustment as a result of this settlement. In addition to this tax reserve adjustment, SCE received a net cash refund of \$52 million in April 2007 as a result of this same settlement.

FERC Refund Proceedings

SCE is participating in several related proceedings seeking recovery of refunds from sellers of electricity and natural gas who manipulated the electric and natural gas markets during the 2000 – 2001 California energy crisis or who benefited from the manipulation by receiving inflated market prices. SCE is required to refund to customers 90% of any refunds actually realized by SCE, net of litigation costs, and 10% will be retained by SCE as a shareholder incentive.

During the course of the refund proceedings, the FERC ruled that governmental power sellers, like private generators and marketers that sold into the California market, should refund the excessive prices they received during the crisis period. However, on September 21, 2005, the Ninth Circuit ruled that the FERC does not have authority directly to enforce its refund orders against governmental power sellers. The Court, however, clarified that its decision does not preclude SCE or other parties from pursuing civil claims against the governmental power sellers. On March 16, 2006, SCE, PG&E and the California Electricity Oversight Board jointly filed suit in federal court against several governmental power sellers, seeking damages based on the reduced prices set by the FERC for transactions during the crisis period. In March 2007, the federal court dismissed this suit concluding that the claims should have been filed in state court. SCE, along with PG&E, the Oversight Board and SDG&E, refilled on April 29, 2007 in the Los Angeles Superior Court. In addition, on March 12, 2007, SCE, PG&E and the Oversight Board filed a similar group of claims in the U.S. Court of Federal Claims against two federal agencies that sold power into California during the energy crisis. SCE cannot predict whether it may be able to recover any additional refunds from governmental power sellers as a result of these suits.

In November 2005, SCE and other parties entered into a settlement agreement with Enron Corporation and a number of its affiliates, most of which are debtors in Chapter 11 bankruptcy proceedings pending in New York. In 2006, SCE received distributions of approximately \$55 million on its allowed bankruptcy claim. In April 2007, SCE received and recorded an additional distribution on its allowed bankruptcy claim of approximately \$12 million and 55,465 shares of Portland General Electric Company stock, with an aggregate value of less than \$2 million. Additional distributions are expected but SCE cannot currently predict the amount or timing of such distributions.

On August 2, 2006, the Ninth Circuit issued an opinion regarding the scope of refunds issued by the FERC. The Ninth Circuit broadened the time period during which refunds could be ordered to include the summer of 2000 based on evidence of pervasive tariff violations and broadened the categories of transactions that could be subject to refund. As a result of this decision, SCE may be able to recover additional refunds from sellers of electricity during the crisis with whom settlements have not been reached.

Investigations Regarding Performance Incentives Rewards

SCE was eligible under its CPUC-approved PBR mechanism to earn rewards or penalties based on its performance in comparison to CPUC-approved standards of customer satisfaction, employee injury and illness reporting, and system reliability.

SCE conducted investigations into its performance under these PBR mechanisms and has reported to the CPUC certain findings of misconduct and misreporting as further discussed below.

Customer Satisfaction

SCE received two letters in 2003 from one or more anonymous employees alleging that personnel in the service planning group of SCE's transmission and distribution business unit altered or omitted data in attempts to

influence the outcome of customer satisfaction surveys conducted by an independent survey organization. The results of these surveys are used, along with other factors, to determine the amounts of any incentive rewards or penalties for customer satisfaction. SCE recorded aggregate customer satisfaction rewards of \$28 million over the period 1997 – 2000. Potential customer satisfaction rewards aggregating \$10 million for the years 2001 and 2002 are pending before the CPUC and have not been recognized in income by SCE. SCE also anticipated that it could be eligible for customer satisfaction rewards of approximately \$10 million for 2003.

Following its internal investigation, SCE proposed to refund to ratepayers \$7 million of the PBR rewards previously received and forgo an additional \$5 million of the PBR rewards pending that are both attributable to the design organization's portion of the customer satisfaction rewards for the entire PBR period (1997 – 2003). In addition, SCE also proposed to refund all of the approximately \$2 million of customer satisfaction rewards associated with meter reading.

SCE has taken remedial action as to the customer satisfaction survey misconduct by disciplining employees and/or terminating certain employees, including several supervisory personnel, updating system process and related documentation for survey reporting, and implementing additional supervisory controls over data collection and processing. Performance incentive rewards for customer satisfaction expired in 2003 pursuant to the 2003 GRC.

Employee Injury and Illness Reporting

In light of the problems uncovered with the customer satisfaction surveys, SCE conducted an investigation into the accuracy of SCE's employee injury and illness reporting. The yearly results of employee injury and illness reporting to the CPUC are used to determine the amount of the incentive reward or penalty to SCE under the PBR mechanism. Since the inception of PBR in 1997, SCE has recognized \$20 million in employee safety incentives for 1997 through 2000 and, based on SCE's records, may be entitled to an additional \$15 million for 2001 through 2003.

On October 21, 2004, SCE reported to the CPUC and other appropriate regulatory agencies certain findings concerning SCE's performance under the PBR incentive mechanism for injury and illness reporting. SCE disclosed in the investigative findings to the CPUC that SCE failed to implement an effective recordkeeping system sufficient to capture all required data for first aid incidents.

As a result of these findings, SCE proposed to the CPUC that it not collect any reward under the mechanism and return to ratepayers the \$20 million it had already received. SCE has also proposed to withdraw the pending rewards for the 2001 – 2003 time frames.

SCE has taken remedial action to address the issues identified, including revising its organizational structure and overall program for environmental, health and safety compliance, disciplining employees who committed wrongdoing and terminating one employee. SCE submitted a report on the results of its investigation to the CPUC on December 3, 2004.

System Reliability

In light of the problems uncovered with the PBR mechanisms discussed above, SCE conducted an investigation into the third PBR metric, system reliability. On February 28, 2005, SCE provided its final investigatory report to the CPUC concluding that the reliability reporting system is working as intended.

CPUC Investigation

On June 15, 2006, the CPUC instituted a formal investigation to determine whether and in what amounts to order refunds or disallowances of past and potential PBR rewards for customer satisfaction, employee safety and system reliability portions of PBR. The CPUC also may consider whether to impose additional penalties on SCE.

In June 2006, the CPSD of the CPUC issued its report regarding SCE's PBR program, recommending that the CPUC impose various refunds and penalties on SCE. Subsequently, in September 2006, the CPSD and other intervenors, such as the CPUC's Division of Ratepayer Advocates and The Utility Reform Network, filed testimony on these matters recommending various refunds and penalties to be imposed upon SCE. On October 16, 2006, SCE filed testimony opposing the various refund and penalty recommendations of the CPSD and other intervenors. Based on SCE's proposal for refunds and the combined recommendations of the CPSD and other intervenors, the potential refunds and penalties could range from \$52 million up to \$388 million. SCE has recorded an accrual at the lower end of this range of potential loss and is accruing interest on collected amounts that SCE has proposed to refund to customers. Evidentiary hearings which addressed the planning and meter reading components of customer satisfaction, safety, issues related to SCE's administration of the survey, and statutory fines associated with those matters took place in the fourth quarter of 2006. A schedule has not been set to address the other components of customer satisfaction, system reliability, and other issues in a second phase of the proceeding, although the CPSD has indicated its intent to complete a report by August 2007. A Presiding Officer's Decision is expected during the second quarter of 2007 on the issues addressed during phase one. At this time, SCE cannot predict the outcome of these matters or reasonably estimate the potential amount of any additional refunds, disallowances, or penalties that may be required above the lower end of the range.

ISO Disputed Charges

On April 20, 2004, the FERC issued an order concerning a dispute between the ISO and the Cities of Anaheim, Azusa, Banning, Colton and Riverside, California over the proper allocation and characterization of certain transmission service related charges. The order directed the ISO to shift the charges from scheduling coordinators in the affected zone to the responsible participating transmission owner, SCE. The potential cost to SCE, net of amounts SCE expects to receive through the PX, SCE's scheduling coordinator at the time, is estimated to be approximately \$20 million to \$25 million, including interest. On March 29, 2007, the FERC issued an order agreeing with SCE's position that the charges incurred by the ISO were related to voltage support and should be allocated to the scheduling coordinators rather than to SCE as a transmission owner. The Cities filed a request for rehearing of the FERC's order on April 27, 2007. SCE believes that the most recent FERC order correctly allocates responsibility for these ISO charges. However, SCE cannot provide assurance as to the final outcome of the Cities request for rehearing. If a subsequent regulatory decision changes the allocation of responsibility for these charges and SCE is required to pay these charges as a transmission owner, SCE may seek recovery in its reliability service rates. SCE cannot provide any assurance that recovery of these charges in its reliability service rates would be permitted.

Midway-Sunset Cogeneration Company

San Joaquin Energy Company, a wholly owned subsidiary of EME, owns a 50% general partnership interest in Midway-Sunset, which owns a 225-MW cogeneration facility near Fellows, California. Midway-Sunset is a party to several proceedings pending at the FERC because Midway-Sunset was a seller in the PX and ISO markets during 2000 and 2001, both for its own account and on behalf of SCE and PG&E, the utilities to which the majority of Midway-Sunset's power was contracted for sale. As a seller into the PX and ISO markets, Midway-Sunset is potentially liable for refunds to purchasers in these markets. See discussion above in "FERC Refund Proceedings".

The claims asserted against Midway-Sunset for refunds related to power sold into the PX and ISO markets, including power sold on behalf of SCE and PG&E, are estimated to be less than \$70 million for all periods under consideration. Midway-Sunset did not retain any proceeds from power sold into the PX and ISO markets on behalf of SCE and PG&E in excess of the amounts to which it was entitled under the pre-existing power sales contracts, but instead passed through those proceeds to the utilities. Since the proceeds were passed through to the utilities, EME believes that PG&E and SCE are obligated to reimburse Midway-Sunset for any refund liability that it incurs as a result of sales made into the PX and ISO markets on their behalves.

During this period, amounts SCE received from Midway-Sunset were credited to SCE's customers against power purchase expenses through the ratemaking mechanism in place at that time. SCE believes that any net amounts reimbursed to Midway-Sunset would be substantially recoverable from its customers through current regulatory mechanisms. SCE does not expect any reimbursement to Midway-Sunset to have a material impact on earnings.

Navajo Nation Litigation

The Navajo Nation filed a complaint in June 1999 in the District Court against SCE, among other defendants, arising out of the coal supply agreement for Mohave. The complaint asserts claims for, among other things, violations of the federal RICO statute, interference with fiduciary duties and contractual relations, fraudulent misrepresentations by nondisclosure, and various contract-related claims. The complaint claims that the defendants' actions prevented the Navajo Nation from obtaining the full value in royalty rates for the coal supplied to Mohave. The complaint seeks damages of not less than \$600 million, trebling of that amount, and punitive damages of not less than \$1 billion.

In April 2004, the District Court dismissed SCE's motion for summary judgment and concluded that a 2003 U.S. Supreme Court decision in an on-going related lawsuit by the Navajo Nation against the U.S. Government did not preclude the Navajo Nation from pursuing its RICO and intentional tort claims.

Pursuant to a joint request of the parties, the District Court granted a stay of the action on October 5, 2004 to allow the parties to attempt to negotiate a resolution of the issues associated with Mohave with the assistance of a facilitator. An initial organizational session was held with the facilitator on October 14, 2004 and negotiations are on-going. On July 28, 2005, the District Court issued an order removing the case from its active calendar, subject to reinstatement at the request of any party. On April 30, 2007, the District Court issued a minute order directing that the parties file a joint status report and recommendation for future proceedings no later than June 1, 2007 in light of the duration of the stay.

SCE cannot predict the outcome of the 1999 Navajo Nation's complaint against SCE, the ultimate impact on the complaint of the Supreme Court's 2003 decision and the on-going litigation by the Navajo Nation against the Government in the related case, or the impact on the facilitated negotiations of the Mohave co-owners' announced decisions to discontinue efforts to return Mohave to service.

Nuclear Insurance

Federal law limits public liability claims from a nuclear incident to \$10.8 billion. SCE and other owners of San Onofre and Palo Verde have purchased the maximum private primary insurance available (\$300 million). The balance is covered by the industry's retrospective rating plan that uses deferred premium charges to every reactor licensee if a nuclear incident at any licensed reactor in the United States results in claims and/or costs which exceed the primary insurance at that plant site. Federal regulations require this secondary level of financial protection. The NRC exempted San Onofre Unit 1 from this secondary level, effective June 1994. The current maximum deferred premium for each nuclear incident is \$101 million per reactor, but not more than \$15 million per reactor may be charged in any one year for each incident. The maximum deferred premium per reactor and the yearly assessment per reactor for each nuclear incident will be adjusted for inflation on a 5-year schedule. The next inflation adjustment will occur no later than August 20, 2008. Based on its ownership interests, SCE could be required to pay a maximum of \$201 million per nuclear incident. However, it would have to pay no more than \$30 million per incident in any one year. Such amounts include a 5% surcharge if additional funds are needed to satisfy public liability claims and are subject to adjustment for inflation. If the public liability limit above is insufficient, federal regulations may impose further revenue-raising measures to pay claims, including a possible additional assessment on all licensed reactor operators.

Property damage insurance covers losses up to \$500 million, including decontamination costs, at San Onofre and Palo Verde. Decontamination liability and property damage coverage exceeding the primary \$500 million also

has been purchased in amounts greater than federal requirements. Additional insurance covers part of replacement power expenses during an accident-related nuclear unit outage. A mutual insurance company owned by utilities with nuclear facilities issues these policies. If losses at any nuclear facility covered by the arrangement were to exceed the accumulated funds for these insurance programs, SCE could be assessed retrospective premium adjustments of up to \$44 million per year. Insurance premiums are charged to operating expense.

Procurement of Renewable Resources

California law requires SCE to increase its procurement of renewable resources by at least 1% of its annual retail electricity sales per year so that 20% of its annual electricity sales are procured from renewable resources by no later than December 31, 2010.

On October 19, 2006, the CPUC issued a decision that, among other things, implemented a “cumulative deficit banking” feature which would carry forward and accumulate annual deficits until the deficit has been satisfied at a later time through actual deliveries of eligible renewable energy and made an accounting determination that defines the annual targets for each year of the renewable portfolio standards program. Based on terms of the controlling California statute, in March 2007, SCE successfully challenged the CPUC’s accounting determination of SCE’s annual targets. This change is expected to enable SCE to meet its target for 2007 and possibly later years.

On April 3, 2007, SCE filed its renewable portfolio standard compliance report for 2004 through 2006. The compliance report confirms that SCE met its renewable goals for each of these years. In light of the annual target revisions that resulted from the March 2007 successful challenge to the CPUC’s accounting determination, the report also projects that SCE will meet its renewable goals for 2007 and 2008 but could have a potential deficit in 2009. The potential deficit in 2009, however, does not take into account future procurement opportunities or the full utilization by SCE of the CPUC’s rules for flexible compliance with annual targets. SCE continues to engage in several initiatives to procure additional renewable resources, including formal solicitations approved by the CPUC, bilateral negotiations with individual projects and other initiatives.

Under current CPUC decisions, potential penalties for SCE’s failure to achieve its renewable procurement objectives for any year will be considered by the CPUC in the context of the CPUC’s review of SCE’s annual compliance filing. Under the CPUC’s current rules, the maximum penalty for failing to achieve renewable procurement targets is \$25 million per year. SCE cannot predict whether it will be assessed penalties.

Scheduling Coordinator Tariff Dispute

Pursuant to the Amended and Restated Exchange Agreement, SCE serves as a scheduling coordinator for the DWP over the ISO-controlled grid. In late 2003, SCE began charging the DWP under a tariff subject to refund for FERC-authorized scheduling coordinator charges incurred by SCE on the DWP’s behalf. The scheduling coordinator charges are billed to the DWP under a FERC tariff that remains subject to dispute. The DWP has paid the amounts billed under protest but requested that the FERC declare that SCE was obligated to serve as the DWP’s scheduling coordinator without charge. The FERC accepted SCE’s tariff for filing, but held that the rates charged to the DWP have not been shown to be just and reasonable and thus made them subject to refund and further review by the FERC. As a result, SCE could be required to refund all or part of the amounts collected from the DWP under the tariff. As of March 31, 2007, SCE has an accrued liability of \$42 million for the potential refunds. In September 2006, SCE and DWP entered into a term sheet that would settle this dispute, among others surrounding the Exchange Agreement. If the settlement is effectuated, SCE would refund to DWP the scheduling coordinator charges collected, with an offset for losses, subject to being able to recover the scheduling coordinator charges from all transmission grid customers through another regulatory mechanism. The parties are currently negotiating the exact terms of the settlement which would be subject to FERC and ISO approval.

Spent Nuclear Fuel

Under federal law, the DOE is responsible for the selection and construction of a facility for the permanent disposal of spent nuclear fuel and high-level radioactive waste. The DOE did not meet its obligation to begin acceptance of spent nuclear fuel not later than January 31, 1998. It is not certain when the DOE will begin accepting spent nuclear fuel from San Onofre or other nuclear power plants. Extended delays by the DOE have led to the construction of costly alternatives and associated siting and environmental issues. SCE has paid the DOE the required one-time fee applicable to nuclear generation at San Onofre through April 6, 1983 (approximately \$24 million, plus interest). SCE is also paying the required quarterly fee equal to 0.1¢-per-kWh of nuclear-generated electricity sold after April 6, 1983. On January 29, 2004, SCE, as operating agent, filed a complaint against the DOE in the United States Court of Federal Claims seeking damages for the DOE's failure to meet its obligation to begin accepting spent nuclear fuel from San Onofre. The case was stayed through April 7, 2006, when SCE and the DOE filed a Joint Status Report in which SCE sought to lift the stay and the government opposed lifting the stay. On June 5, 2006, the Court of Federal Claims lifted the stay on SCE's case and established a discovery schedule. A Joint Status Report is due on September 7, 2007, regarding further proceedings in this case and presumably including establishing a trial date.

SCE has primary responsibility for the interim storage of spent nuclear fuel generated at San Onofre. Spent nuclear fuel is stored in the San Onofre Units 2 and 3 spent fuel pools and the San Onofre independent spent fuel storage installation where all of Unit 1's spent fuel located at San Onofre is stored. There is now sufficient space in the Unit 2 and 3 spent fuel pools to meet plant requirements through mid-2007 and mid-2008, respectively. In order to maintain a full core off-load capability, SCE began moving Unit 2 spent fuel into the independent spent fuel storage installation in late February 2007.

There are now sufficient dry casks and modules available at the independent spent fuel storage installation to meet plant requirements through 2008. SCE, as operating agent, plans to continually load casks on a schedule to maintain full core off-load capability for both units in order to meet the plant requirements after 2008 until 2022 (the end of the current NRC operating license).

In order to increase on-site storage capacity and maintain core off-load capability, Palo Verde has constructed an independent spent fuel storage facility. Arizona Public Service, as operating agent, plans to continually load dry casks on a schedule to maintain full core off-load capability for all three units.

Note 7. Supplemental Cash Flows Information

In millions	Three Months Ended March 31,	
	2007	2006
	(Unaudited)	
Cash payments for interest and taxes:		
Interest – net of amounts capitalized	\$ 86	\$ 90
Tax payments	—	29
Noncash investing and financing activities:		
Dividends declared but not paid:		
Common Stock	\$ 25	\$ 60
Preferred and Preference stock not subject to mandatory redemption	9	10

Note 8. Regulatory Assets and Liabilities

Regulatory assets included in the consolidated balance sheets are:

In millions	March 31, 2007	December 31, 2006
	(Unaudited)	
Current:		
Regulatory balancing accounts	\$ 103	\$ 128
Rate reduction notes – transition cost deferral	165	219
Direct access procurement charges	42	63
Energy derivatives	16	88
Purchased-power settlements	25	31
Deferred FTR proceeds	68	14
Other	24	11
	443	554
Long-term:		
Flow-through taxes – net	1,158	1,023
Unamortized nuclear investment – net	428	435
Nuclear-related asset retirement obligation investment – net	312	317
Unamortized coal plant investment – net	100	102
Unamortized loss on reacquired debt	313	318
SFAS No. 158 pensions and postretirement benefits	304	303
Energy derivatives	88	145
Environmental remediation	75	77
Other	96	98
	2,874	2,818
Total Regulatory Assets	\$ 3,317	\$ 3,372

Deferred FTR proceeds represent the deferral of congestion revenue SCE received as a transmission owner from the annual ISO FTR auction. The deferred FTR proceeds will be recognized over the period April 2007 through January 2008.

Regulatory liabilities included in the consolidated balance sheets are:

In millions	March 31, 2007	December 31, 2006
	(Unaudited)	
Current:		
Regulatory balancing accounts	\$ 998	\$ 912
Direct access procurement charges	42	63
Energy derivatives	28	7
Deferred FTR costs	92	11
Other	3	7
	1,163	1,000
Long-term:		
Asset retirement obligations	744	732
Costs of removal	2,174	2,158
SFAS No. 158 pensions and other postretirement benefits	149	145
Energy derivatives	12	27
Employee benefit plans	78	78
	3,157	3,140
Total Regulatory Liabilities	\$ 4,320	\$ 4,140

Deferred FTR costs represent the deferral of the costs associated with FTRs that SCE purchased during the annual ISO auction process. The FTRs provide SCE with scheduling priority in certain transmission grid congestion areas in the day-ahead market. The deferred FTR costs are recognized as FTRs are used or expire during the period April 2007 through March 2008.

Note 9. Business Segments

SCE's reportable business segments include the rate-regulated electric utility segment and the variable interest entities (VIEs) segment. The VIEs were consolidated as of March 31, 2004. Additional details on the VIE segment are in Note 14 of "Notes to Consolidated Financial Statements" included in SCE's 2006 Annual Report on Form 10-K. The VIEs are gas-fired power plants that sell both electricity and steam. The VIE segment consists of non-rate-regulated entities (all in California). SCE's management has no control over the resources allocated to the VIE segment and does not make decisions about its performance.

SCE's business segment information including all line items with VIE activities, is:

In millions	Electric Utility	VIEs	Eliminations	SCE
(Unaudited)				
Balance Sheet Items as of March 31, 2007:				
Cash and equivalents	\$ 5	\$ 80	\$ —	\$ 85
Accounts receivable – net	837	135	(94)	878
Inventory	221	13	—	234
Other current assets	192	3	—	195
Nonutility property – net of depreciation	721	312	—	1,033
Other long-term assets	478	6	—	484
Total assets	26,136	549	(94)	26,591
Accounts payable	583	146	(94)	635
Other current liabilities	573	2	—	575
Long-term debt	5,117	45	—	5,162
Asset retirement obligations	2,764	14	—	2,778
Minority interest	—	342	—	342
Total liabilities and shareholder's equity	\$ 26,136	\$ 549	\$ (94)	\$ 26,591
Balance Sheet Items as of December 31, 2006:				
Cash and equivalents	\$ 5	\$ 78	\$ —	\$ 83
Accounts receivable – net	893	141	(95)	939
Inventory	218	14	—	232
Other current assets	50	4	—	54
Nonutility property – net of depreciation	727	319	—	1,046
Other long-term assets	481	7	—	488
Total assets	25,642	563	(95)	26,110
Accounts payable	809	142	(95)	856
Other current liabilities	622	2	—	624
Long-term debt	5,117	54	—	5,171
Asset retirement obligations	2,735	14	—	2,749
Minority interest	—	351	—	351
Total liabilities and shareholder's equity	\$ 25,642	\$ 563	\$ (95)	\$ 26,110

In millions	Electric Utility	VIEs	Eliminations*	SCE
	(Unaudited)			
Income Statement Items for the				
Three Months Ended March 31, 2007:				
Operating revenue	\$ 2,128	\$ 260	\$ (166)	\$ 2,222
Fuel	123	187	—	310
Purchased power	483	—	(166)	317
Other operation and maintenance	575	26	—	601
Depreciation, decommissioning and amortization	267	9	—	276
Total operating expenses	1,792	222	(166)	1,848
Operating income	336	38	—	374
Interest income	11	—	—	11
Interest expense – net of amounts capitalized	107	—	—	107
Income tax expense	53	—	—	53
Minority interest	—	38	—	38
Net income	\$ 193	\$ —	\$ —	\$ 193
Income Statement Items for the				
Three Months Ended March 31, 2006:				
	(Unaudited)			
Operating revenue	\$ 2,100	\$ 309	\$ (192)	\$ 2,217
Fuel	86	225	—	311
Purchased power	1,205	—	(192)	1,013
Other operation and maintenance	592	25	—	617
Depreciation, decommissioning and amortization	244	9	—	253
Total operating expenses	1,818	259	(192)	1,885
Operating income	282	50	—	332
Interest income	15	—	—	15
Interest expense – net of amounts capitalized	97	—	—	97
Income tax expense	83	—	—	83
Minority interest	—	50	—	50
Net income	\$ 133	\$ —	\$ —	\$ 133

* VIE segment revenue includes sales to the electric utility segment, which is eliminated in revenue and purchased power in the consolidated statements of income.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

This Management's Discussion and Analysis of Financial Condition and Results of Operation for the three-month period ended March 31, 2007 discusses material changes in the financial condition, results of operations and other developments of SCE since December 31, 2006, and as compared to the three-month period ended March 31, 2006. This discussion presumes that the reader has read or has access to SCE's MD&A for the calendar year 2006 (the year-ended 2006 MD&A), which was included in SCE's 2006 annual report to shareholders and incorporated by reference into SCE's Annual Report on Form 10-K for the year ended December 31, 2006, filed with the Securities and Exchange Commission.

This MD&A contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect SCE's current expectations and projections about future events based on SCE's knowledge of present facts and circumstances and assumptions about future events and include any statement that does not directly relate to a historical or current fact. Other information distributed by SCE that is incorporated in this report, or that refers to or incorporates this report, may also contain forward-looking statements. In this report and elsewhere, the words "expects," "believes," "anticipates," "estimates," "projects," "intends," "plans," "probable," "may," "will," "could," "would," "should," and variations of such words and similar expressions, or discussions of strategy or of plans, are intended to identify forward-looking statements. Such statements necessarily involve risks and uncertainties that could cause actual results to differ materially from those anticipated. Some of the risks, uncertainties and other important factors that could cause results to differ, or that otherwise could impact SCE or its subsidiaries, include, but are not limited to:

- the ability of SCE to recover its costs in a timely manner from its customers through regulated rates;
- decisions and other actions by the CPUC, the FERC and other regulatory authorities and delays in regulatory actions;
- market risks affecting SCE's energy procurement activities;
- access to capital markets and the cost of capital;
- changes in interest rates and rates of inflation;
- governmental, statutory, regulatory or administrative changes or initiatives affecting the electricity industry, including the market structure rules applicable to each market;
- environmental regulations that could require additional expenditures or otherwise affect the cost and manner of doing business;
- risks associated with operating nuclear and other power generating facilities, including operating risks, nuclear fuel storage, equipment failure, availability, heat rate, output, and availability and cost of spare parts and repairs;
- the availability of labor, equipment and materials;
- the ability to obtain sufficient insurance, including insurance relating to SCE's nuclear facilities;
- effects of legal proceedings, changes in or interpretations of tax laws, rates or policies, and changes in accounting standards;
- the cost and availability of coal, natural gas, fuel oil, nuclear fuel, and associated transportation;
- the ability to provide sufficient collateral in support of hedging activities and purchased power and fuel;
- the risk of counter-party default in hedging transactions or power-purchase and fuel contracts;

- general political, economic and business conditions;
- weather conditions, natural disasters and other unforeseen events; and
- changes in the fair value of investments and other assets.

Additional information about risks and uncertainties, including more detail about the factors described above, are discussed throughout this MD&A and in the “Risk Factors” section included in Part I, Item 1A of SCE’s 2006 Annual Report on Form 10-K. Readers are urged to read this entire report, including the information incorporated by reference, and carefully consider the risks, uncertainties and other factors that affect SCE’s business. Forward-looking statements speak only as of the date they are made and SCE is not obligated to publicly update or revise forward-looking statements. Readers should review future reports filed by SCE with the Securities & Exchange Commission.

This MD&A includes information about SCE, an investor-owned utility company providing electricity to retail customers in central, coastal and southern California. SCE is regulated by the CPUC and FERC.

This MD&A is presented in 8 major sections: (1) current developments; (2) liquidity; (3) regulatory matters; (4) other developments; (5) market risk exposures; (6) results of operations and historical cash flow analysis; (7) new accounting pronouncements; and (8) commitments and indemnities.

CURRENT DEVELOPMENTS

This section is intended to be a summary of those current developments that management believes are of most importance since year-end December 31, 2006. This section is not intended to be an all-inclusive list of all current developments and should be read together with all sections of this MD&A.

2008 Cost of Capital Proceeding

On May 8, 2007, SCE filed its 2008 cost of capital application requesting a rate-making capital structure of 43% long-term debt, 9% preferred equity and 48% common equity. In addition, SCE is seeking a cost of long-term debt of 6.20%, cost of preferred equity of 5.98% and a return on common equity of 11.80%.

LIQUIDITY

Overview

As of March 31, 2007, SCE had cash and equivalents of \$85 million (\$80 million of which was held by SCE’s consolidated VIEs). As of March 31, 2007, long-term debt, including current maturities of long-term debt, was \$5.5 billion. On February 23, 2007, SCE amended its credit facility, increasing the amount of borrowing capacity to \$2.5 billion, extending the maturity to February 2012 and removing the first mortgage bond security pledge. As a result of removing the first mortgage bond security, the credit facility’s pricing changed to an unsecured basis per the terms of the credit facility agreement. At March 31, 2007, the credit facility supported \$304 million in letters of credit and \$120 million in commercial paper leaving \$2.1 billion available for liquidity purposes.

SCE’s estimated cash outflows during the twelve-month period following March 31, 2007 consist of:

- Debt maturities of approximately \$334 million, including \$184 million of rate reduction notes that have a separate nonbypassable recovery mechanism approved by state legislation and CPUC decisions. The rate reduction notes are scheduled to be paid off in December 2007 and the nonbypassable rates being charged to customers are expected to cease as of January 1, 2008;
- Projected capital expenditures of \$1.9 billion remaining for 2007 primarily to replace and expand distribution and transmission infrastructure and construct and replace major components of generation assets (see “—Capital Expenditures” below);

- Dividend payments to SCE’s parent company. On February 22, 2007, the Board of Directors of SCE declared a \$25 million dividend to Edison International which was paid in April 2007. On April 26, 2007 the Board of Directors of SCE declared a \$25 million dividend to be paid to Edison International;
- Fuel and procurement-related costs (see “Regulatory Matters—Current Regulatory Developments—Energy Resource Recovery Account Proceedings”); and
- General operating expenses.

SCE expects to meet its continuing obligations, including cash outflows for operating expenses, including power-procurement, through cash and equivalents on hand, operating cash flows and short-term borrowings, when necessary. Projected capital expenditures are expected to be financed through operating cash flows and the issuance of short-term and long-term debt and preferred equity.

SCE’s liquidity may be affected by, among other things, matters described in “Regulatory Matters” and “Commitments and Indemnities.”

Capital Expenditures

As discussed under the heading “Liquidity—Capital Expenditures” in the year-ended 2006 MD&A, SCE is experiencing significant growth in actual and planned capital expenditures to replace and expand its distribution and transmission infrastructure, and to construct and replace major components of generation assets. On February 22, 2007, the Finance Committee of the Board of Directors approved SCE’s 2007 through 2011 capital investment plan which includes total capital spending of up to \$17.3 billion. During the first quarter of 2007, SCE spent \$495 million for capital expenditures related to its 2007 capital plan.

Credit Ratings

At March 31, 2007, SCE’s credit ratings were as follows:

	Moody’s Rating	S&P Rating	Fitch Rating
Long-term senior secured debt	A2	BBB+	A+
Short-term (commercial paper)	P-2	A-2	F-1

SCE cannot provide assurance that its current credit ratings will remain in effect for any given period of time or that one or more of these ratings will not be changed. These credit ratings are not recommendations to buy, sell or hold its securities and may be revised at any time by a rating agency.

Dividend Restrictions and Debt Covenants

The CPUC regulates SCE’s capital structure and limits the dividends it may pay Edison International. In SCE’s most recent cost of capital proceeding, the CPUC set an authorized capital structure for SCE which included a common equity component of 48%. SCE determines compliance with this capital structure based on a 13-month weighted-average calculation. At March 31, 2007, SCE’s 13-month weighted-average common equity component of total capitalization was 49.48%. At March 31, 2007, SCE had the capacity to pay \$171 million in additional dividends based on the 13-month weighted-average method. However, based on recorded March 31, 2007 balances, SCE’s common equity to total capitalization ratio (as adjusted for rate-making purposes) was 50.18%. SCE had the capacity to pay \$252 million of additional dividends to Edison International based on March 31, 2007 recorded balances.

SCE has a debt covenant in its credit facility that requires a debt to total capitalization ratio of less than or equal to 0.65 to 1 to be met. At March 31, 2007, SCE’s debt to total capitalization ratio was 0.45 to 1.

Margin and Collateral Deposits

SCE has entered into certain margining agreements for power and gas trading activities in support of its procurement plan as approved by the CPUC. SCE's margin deposit requirements under these agreements can vary depending upon the level of unsecured credit extended by counterparties and brokers, changes in market prices relative to contractual commitments, and other factors. At March 31, 2007, SCE had a net deposit of \$300 million (consisting of \$36 million in cash and reflected in "Margin and collateral deposits" on the consolidated balance sheet and \$264 million in letters of credit) with counterparties. In addition, SCE has deposited \$40 million in letters of credit with other brokers. Cash deposits with brokers and counterparties earn interest at various rates.

REGULATORY MATTERS

Current Regulatory Developments

This section of the MD&A describes significant regulatory issues that may impact SCE's financial condition or results of operations.

Impact of Regulatory Matters on Customer Rates

SCE is concerned about high customer rates, which were a contributing factor that led to the deregulation of the electric services industry during the mid-1990s. On January 1, 2007 SCE's system average rate was 14.5¢ per-kWh (including 3.1¢ per-kWh related to CDWR which is not recognized as revenue by SCE). On February 14, 2007, SCE's system average rate decreased to 13.9¢-per-kWh (including 3.0¢ per-kWh related to CDWR) mainly as the result of estimated lower natural gas prices in 2007, as well as the refund of overcollections in the ERRA balancing account that occurred in 2006 from lower than expected natural gas prices and higher than expected summer 2006 kWh sales (see "—Energy Resource Recovery Account Proceedings" below). In addition, the rate change incorporates the collection of the residential rate increase deferral discussed in the year-ended 2006 MD&A under the heading "Regulatory Matters—Current Regulatory Developments—Impact of Regulatory Matters on Customer Rates."

Energy Resource Recovery Account Proceedings

As discussed under the heading "Regulatory Matters—Current Regulatory Developments—Energy Resource Recovery Account Proceedings" in the year-ended 2006 MD&A, the ERRA is the balancing account mechanism to track and recover SCE's fuel and procurement-related costs. At December 31, 2006, the ERRA was overcollected by \$526 million, which was 13.2% of SCE's prior year's generation revenue. On January 25, 2007, the CPUC approved SCE's request to reduce the 2007 ERRA revenue requirement by \$630 million. The CPUC also authorized SCE to consolidate the decreased ERRA revenue requirement with the authorized revenue requirement changes in other SCE proceedings resulting in lower rate levels implemented in February 2007. See "—Impact of Regulatory Matters on Customer Rates" above for further discussion. At March 31, 2007 the ERRA was overcollected by \$605 million. The ERRA overcollection increased since December 31, 2006 mainly as a result of lower procurement costs recorded during the first quarter of 2007 compared to forecast costs incorporated into rates; however SCE still anticipates this overcollection will decrease during 2007, based on the reduced ERRA revenue requirement approved by the CPUC on January 25, 2007.

ISO Disputed Charges

As discussed under the heading "Regulatory Matters—Current Regulatory Developments—ISO Disputed Charges" in the year-ended 2006 MD&A, on April 20, 2004, the FERC issued an order concerning a dispute between the ISO and the Cities of Anaheim, Azusa, Banning, Colton and Riverside, California over the proper allocation and characterization of certain transmission service related charges. On March 29, 2007, the FERC

issued an order agreeing with SCE's position that the charges incurred by the ISO were related to voltage support and should be allocated to the scheduling coordinators, rather than to SCE as a transmission owner. The Cities filed a request for rehearing of the FERC's order on April 27, 2007. SCE believes that the most recent FERC order correctly allocates responsibility for these ISO charges. However, SCE cannot provide assurance as to the final outcome of the Cities request for rehearing. If a subsequent regulatory decision changes the allocation of responsibility for these charges, and SCE is required to pay these charges as a transmission owner, SCE may seek recovery in its reliability service rates. SCE cannot provide any assurance that recovery of these charges in its reliability service rates would be permitted.

Peaker Plant Generation Projects

As discussed under the heading "Regulatory Matters—Current Regulatory Developments—Peaker Plant Generation Projects" in the year-ended 2006 MD&A, on August 15, 2006, the CPUC issued a ruling addressing electric reliability needs in Southern California for the summer of 2007 and directing, among other things, that SCE pursue new utility-owned peaker generation (which would be available on notice during peak demand periods) that would be online by August 2007. SCE continues to pursue the construction of five combustion turbine peaker plants, each with a capacity of approximately 45 MW. As of April 4, 2007, SCE had received construction permits for four of the five projects. SCE cannot predict when it will receive the permit for the fifth project and cannot estimate the impact that this delay will have on the project's construction schedule. SCE believes that construction of all five peakers will help meet electric reliability needs, notwithstanding the delay encountered by one of the projects. SCE has revised its initial budget from \$250 million to approximately \$275 million for these projects. SCE expects to fully recover its costs from these projects, but cannot predict the outcome of regulatory proceedings. As of March 31, 2007 SCE had spent or firmly committed approximately \$133 million.

Procurement of Renewable Resources

California law requires SCE to increase its procurement of renewable resources by at least 1% of its annual retail electricity sales per year so that 20% of its annual electricity sales are procured from renewable resources by no later than December 31, 2010.

On October 19, 2006, the CPUC issued a decision that, among other things, implemented a "cumulative deficit banking" feature which would carry forward and accumulate annual deficits until the deficit has been satisfied at a later time through actual deliveries of eligible renewable energy and made an accounting determination that defines the annual targets for each year of the renewable portfolio standards program. Based on terms of the controlling California statute, in March 2007, SCE successfully challenged the CPUC's accounting determination of SCE's annual targets. This change is expected to enable SCE to meet its target for 2007 and possibly later years.

On April 3, 2007, SCE filed its renewable portfolio standard compliance report for 2004 through 2006. The compliance report confirms that SCE met its renewable goals for each of these years. In light of the annual target revisions that resulted from the March 2007 successful challenge to the CPUC's accounting determination, the report also projects that SCE will meet its renewable goals for 2007 and 2008 but could have a potential deficit in 2009. The potential deficit in 2009, however, does not take into account future procurement opportunities or the full utilization by SCE of the CPUC's rules for flexible compliance with annual targets. SCE continues to engage in several initiatives to procure additional renewable resources, including formal solicitations approved by the CPUC, bilateral negotiations with individual projects and other initiatives.

Under current CPUC decisions, potential penalties for SCE's failure to achieve its renewable procurement objectives for any year will be considered by the CPUC in the context of the CPUC's review of SCE's annual compliance filing. Under the CPUC's current rules, the maximum penalty for failing to achieve renewable procurement targets is \$25 million per year. SCE cannot predict whether it will be assessed penalties.

FERC Refund Proceedings

SCE is participating in several related proceedings seeking recovery of refunds from sellers of electricity and natural gas who manipulated the electric and natural gas markets during the 2000 – 2001 California energy crisis or who benefited from the manipulation by receiving inflated market prices. SCE is required to refund to customers 90% of any refunds actually realized by SCE, net of litigation costs, and 10% will be retained by SCE as a shareholder incentive.

During the course of the refund proceedings, the FERC ruled that governmental power sellers, like private generators and marketers that sold into the California market, should refund the excessive prices they received during the crisis period. However, on September 21, 2005, the Ninth Circuit ruled that the FERC does not have authority directly to enforce its refund orders against governmental power sellers. The Court, however, clarified that its decision does not preclude SCE or other parties from pursuing civil claims against the governmental power sellers. On March 16, 2006, SCE, PG&E and the California Electricity Oversight Board jointly filed suit in federal court against several governmental power sellers, seeking damages based on the reduced prices set by the FERC for transactions during the crisis period. In March 2007, the federal court dismissed this suit concluding that the claims should have been filed in state court. SCE, along with PG&E, the Oversight Board and SDG&E, re-filed on April 9, 2007 in the Los Angeles Superior Court. In addition, on March 12, 2007, SCE, PG&E and the Oversight Board filed a similar group of claims in the U.S. Court of Federal Claims against two federal agencies that sold power into California during the energy crisis. SCE cannot predict whether it may be able to recover any damages from governmental power sellers as a result of these suits.

In November 2005, SCE and other parties entered into a settlement agreement with Enron Corporation and a number of its affiliates, most of which are debtors in Chapter 11 bankruptcy proceedings pending in New York. In 2006, SCE received distributions of approximately \$55 million on its allowed bankruptcy claim. In April 2007, SCE received and recorded an additional distribution on its allowed bankruptcy claim of approximately \$12 million and 55,465 shares of Portland General Electric Company stock, with an aggregate value of less than \$2 million. Additional distributions are expected but SCE cannot currently predict the amount or timing of such distributions.

On August 2, 2006, the Ninth Circuit issued an opinion regarding the scope of refunds issued by the FERC. The Ninth Circuit broadened the time period during which refunds could be ordered to include the summer of 2000 based on evidence of pervasive tariff violations and broadened the categories of transactions that could be subject to refund. As a result of this decision, SCE may be able to recover additional refunds from sellers of electricity during the crisis with whom settlements have not been reached.

OTHER DEVELOPMENTS

Environmental Matters

SCE is subject to numerous federal and state environmental laws and regulations, which require them to incur substantial costs to operate existing facilities, construct and operate new facilities, and mitigate or remove the effect of past operations on the environment. SCE believes that its operating affiliates are in substantial compliance with existing environmental regulatory requirements.

SCE's power plants, in particular their coal-fired plants, may be affected by recent developments in federal and state environmental laws and regulations. These laws and regulations, including those relating to SO₂ and NO_x emissions, mercury emissions, ozone and fine particulate matter emissions, regional haze, water quality, and climate change, may require significant capital expenditures at these facilities. These laws and regulations will continue to be monitored to assess what implications, if any, they will have on the operation of domestic power plants owned or operated by SCE, or the impact on SCE's results of operations or financial position.

For a discussion of SCE's environmental matters, refer to "Other Developments—Environmental Matters" in the year-ended 2006 MD&A. There have been no significant developments with respect to environmental matters affecting SCE since the filing of SCE's Annual Report on Form 10-K, except as follows:

Climate Change

On April 2, 2007, the United States Supreme Court issued an opinion in *Massachusetts et. al. v. Environmental Protection Agency, et. al.*, ruling that US EPA has the authority to regulate greenhouse gas emissions of new motor vehicles under the Clean Air Act and that it has a duty to (i) determine whether greenhouse gas emissions of new motor vehicles contribute to climate change or (ii) offer a reasoned explanation for its failure to make such a determination when presented with a request for a rulemaking on the issue by the state claimants. The Court ruled that US EPA's failure to make the necessary determination or offer a reasonable explanation for its refusal to do so was impermissible. While this case hinged on a provision of the Clean Air Act related to emissions of motor vehicles, a parallel provision of the Clean Air Act applies to stationary sources such as electric generators. SCE believes that the Court's *Massachusetts* decision may spur additional congressional action to require reductions of greenhouse gas emissions by all material sources, including electric generators.

Environmental Remediation

SCE records its environmental remediation liabilities when site assessments and/or remedial actions are probable and a range of reasonably likely cleanup costs can be estimated. SCE reviews its sites and measures the liability quarterly, by assessing a range of reasonably likely costs for each identified site using currently available information, including existing technology, presently enacted laws and regulations, experience gained at similar sites, and the probable level of involvement and financial condition of other potentially responsible parties. These estimates include costs for site investigations, remediation, operations and maintenance, monitoring and site closure. Unless there is a probable amount, SCE records the lower end of this reasonably likely range of costs (classified as other long-term liabilities) at undiscounted amounts.

As of March 31, 2007, SCE's recorded estimated minimum liability to remediate its 23 identified sites is \$76 million. The ultimate costs to clean up SCE's identified sites may vary from its recorded liability due to numerous uncertainties inherent in the estimation process, such as: the extent and nature of contamination; the scarcity of reliable data for identified sites; the varying costs of alternative cleanup methods; developments resulting from investigatory studies; the possibility of identifying additional sites; and the time periods over which site remediation is expected to occur. SCE believes that, due to these uncertainties, it is reasonably possible that cleanup costs could exceed its recorded liability by up to \$125 million. The upper limit of this range of costs was estimated using assumptions least favorable to SCE among a range of reasonably possible outcomes. In addition to its identified sites (sites in which the upper end of the range of costs is at least \$1 million), SCE also has 32 immaterial sites whose total liability ranges from \$3 million (the recorded minimum liability) to \$8 million.

The CPUC allows SCE to recover environmental remediation costs at certain sites, representing \$29 million of its recorded liability, through an incentive mechanism (SCE may request to include additional sites). Under this mechanism, SCE will recover 90% of cleanup costs through customer rates; shareholders fund the remaining 10%, with the opportunity to recover these costs from insurance carriers and other third parties. SCE has successfully settled insurance claims with all responsible carriers. SCE expects to recover costs incurred at its remaining sites through customer rates. SCE has recorded a regulatory asset of \$75 million for its estimated minimum environmental-cleanup costs expected to be recovered through customer rates.

SCE's identified sites include several sites for which there is a lack of currently available information, including the nature and magnitude of contamination and the extent, if any, that SCE may be held responsible for contributing to any costs incurred for remediating these sites. Thus, no reasonable estimate of cleanup costs can be made for these sites.

SCE expects to clean up its identified sites over a period of up to 30 years. Remediation costs in each of the next several years are expected to range from \$11 million to \$31 million. Recorded costs for the twelve months ended March 31, 2007 were \$16 million.

Based on currently available information, SCE believes it is unlikely that it will incur amounts in excess of the upper limit of the estimated range for its identified sites and, based upon the CPUC's regulatory treatment of environmental remediation costs, SCE believes that costs ultimately recorded will not materially affect its results of operations or financial position. There can be no assurance, however, that future developments, including additional information about existing sites or the identification of new sites, will not require material revisions to such estimates.

Federal and State Income Taxes

Edison International received Revenue Agent Reports from the IRS in August 2002 and in January 2005 asserting deficiencies in federal corporate income taxes with respect to audits of its 1994 – 1996 and 1997 – 1999 tax years, respectively. Edison International expects to conclude the administrative phase of the 1994 – 1996 tax years during the first half of 2007. Many of the asserted tax deficiencies are timing differences and, therefore, amounts ultimately paid (exclusive of penalties), if any, would be deductible on future tax returns of Edison International and would benefit SCE. Edison International has also submitted affirmative claims to the IRS and state tax agencies which are being addressed in administrative proceedings. Any benefits would be recorded at the earlier of when Edison International believes that the affirmative claim position has a more likely than not probability of being sustained or when a settlement is reached. Certain affirmative claims have been recorded as part of the implementation of FIN 48.

The IRS Revenue Agent Report for the 1997 – 1999 audit also asserted deficiencies with respect to a transaction entered into by an SCE subsidiary which may be considered substantially similar to a listed transaction described by the IRS as a contingent liability company. While Edison International and SCE intend to defend its tax return position with respect to this transaction, the tax benefits relating to this transaction have been valued at an amount equal to the settlement offer made by the Internal Revenue Service pursuant to FIN 48.

In April 2004, Edison International filed California Franchise Tax amended returns for tax years 1997 – 2002 to mitigate the possible imposition of new California penalty provisions on transactions that may be considered as listed or substantially similar to listed transactions described in an IRS notice that was published in 2001. These transactions include the SCE subsidiary contingent liability company transaction described above. Edison International filed these amended returns under protest retaining its appeal rights.

In December 2006, Edison International reached a settlement with the California Franchise Tax Board regarding the sourcing of gross receipts from the sale of electric services for California state tax apportionment purposes for tax years 1981 to 2004. In the fourth quarter of 2006, SCE recorded a \$49 million benefit related to a tax reserve adjustment as a result of this settlement. In addition to this tax reserve adjustment, SCE received a net cash refund of \$52 million in April 2007 as a result of this same settlement.

MARKET RISK EXPOSURES

SCE's primary market risks include fluctuations in interest rates, commodity prices and volumes, and counterparty credit. Fluctuations in interest rates can affect earnings and cash flows. Fluctuations in commodity prices and volumes and counterparty credit losses may temporarily affect cash flows, but are not expected to affect earnings due to expected recovery through regulatory mechanisms. SCE uses derivative financial instruments, as appropriate, to manage its market risks.

Commodity Price Risk

As discussed under the heading "Market Risk Exposures—Commodity Price Risk" in the year-ended 2006 MD&A, SCE is exposed to commodity price risk associated with its purchases for additional capacity and

ancillary services to meet its peak energy requirements as well as exposure to natural gas prices associated with power purchased from QFs, fuel tolling arrangements, and its own gas-fired generation, including the Mountainview plant.

SCE has an active hedging program in place to minimize ratepayer exposure to spot-market price spikes; however, to the extent that SCE does not mitigate the exposure to commodity price risk, the unhedged portion is subject to the risks and benefits of spot-market price movements, which are ultimately passed-through to ratepayers.

To mitigate SCE's exposure to spot-market prices, SCE entered into energy options, tolling arrangements, and forward physical contracts. In the first quarter of 2007 SCE secured FTRs through the annual ISO auction. These FTRs provide SCE with scheduling priority in certain transmission grid congestion areas in the day-ahead market and qualify as derivative instruments. SCE records its derivative instruments on its consolidated balance sheets at fair value unless they meet the definition of a normal purchase or sale. The normal purchases and sales exception requires, among other things, physical delivery in quantities expected to be used or sold over a reasonable period in the normal course of business. SCE enters into contracts for power and gas options, as well as swaps and futures, in order to mitigate its exposure to increases in natural gas and electricity pricing. These transactions are pre-approved by the CPUC or executed in compliance with CPUC-approved procurement plans. The derivative instrument fair values are marked to market at each reporting period. Any fair value changes for recorded derivatives are recorded in purchased-power expense and offset through the provision for regulatory adjustment clauses – net; therefore, fair value changes do not affect earnings. Hedge accounting is not used for these transactions due to this regulatory accounting treatment. The following table summarizes the fair values of outstanding derivative financial instruments used at SCE to mitigate its exposure to spot market prices:

In millions	March 31, 2007		December 31, 2006	
	Assets	Liabilities	Assets	Liabilities
Energy options	\$ —	\$ 27	\$ —	\$ 10
FTRs	102	—	—	—
Forward physicals (power) and tolling arrangements	10	—	—	1
Gas options, swaps and forward arrangements	27	—	—	101
Total	\$ 139	\$ 27	\$ —	\$ 112

Quoted market prices, if available, are used for determining the fair value of contracts, as discussed above. If quoted market prices are not available, internally maintained standardized or industry accepted models are used to determine the fair value. The models are updated with spot prices, forward prices, volatilities and interest rates from regularly published and widely distributed independent sources.

SCE recorded net unrealized gains of \$134 million for the first quarter of 2007, compared to net unrealized losses of \$334 million for the first quarter of 2006. The 2007 net unrealized gains were primarily due to higher forward natural gas prices in the first quarter of 2007 compared to the same period in 2006.

RESULTS OF OPERATIONS AND HISTORICAL CASH FLOW ANALYSIS

The following subsections of “Results of Operations and Historical Cash Flow Analysis” provide a discussion on the changes in various line items presented on the Consolidated Statements of Income, as well as a discussion of the changes on the Consolidated Statements of Cash Flows.

Results of Operations

Net Income Available for Common Stock

SCE’s net income available for common stock in the first quarter of 2007 was \$180 million, compared with \$121 million in the first quarter of 2006. The increase was mainly due to earnings of \$31 million reflecting progress in an administrative appeal process with the IRS related to the income tax treatment of costs associated with environmental remediation. In addition, earnings increased due to the delay in receiving the 2006 GRC decision. When the decision was received in May 2006, SCE was authorized to recover its revenue requirement effective back to January 12, 2006.

Operating Revenue

The following table sets forth the major changes in operating revenue:

In millions	2007 vs. 2006
Operating revenue	
Rate changes (including unbilled)	\$ 127
Sales volume changes (including unbilled)	66
Balancing account over/under collections	(128)
Sales for resale	(31)
SCE’s VIEs	(23)
Other (including inter company transactions)	(6)
Total	\$ 5

SCE’s retail sales represented approximately 88% and 85% of operating revenue for the quarters ended March 31, 2007 and 2006, respectively. Due to warmer weather during the summer months, operating revenue during the third quarter of each year is generally significantly higher than other quarters.

Total operating revenue increased by \$5 million for the three-month period ended 2007 (as shown in the table above). The increase resulting from rate changes was primarily due to the delay in implementing the decreased ERRA revenue requirement resulting in increased rates in the first quarter of 2007 (see “Regulatory Matters—Current Regulatory Developments—Impact of Regulatory Matters on Customer Rates,” and “—Energy Resource Recovery Account Proceedings” for further discussion of these rate changes). The increase in operating revenue resulting from sales volume changes was mainly due to an increase in customer growth. Balancing account over/undercollections represent the difference between recorded retail revenue and authorized retail revenue that is subject to regulatory balancing account mechanisms. Recorded retail revenue exceeded authorized revenue resulting in a revenue deferral of approximately \$21 million for the three-month period ended March 31, 2007. For the same period in 2006, authorized revenue exceeded recorded revenue resulting in a revenue recognition of approximately \$107 million. Operating revenue from sales for resale represents the sale of excess energy. Excess energy from SCE sources which may exist at certain times is resold in the energy markets. Sales for resale revenue decreased due to lower excess energy resulting from higher demand from customer growth in the first quarter of 2007, as compared to the same period in 2006. Revenue from sales for resale is refunded to customers through the ERRA balancing account and does not impact earnings. SCE’s VIE revenue represents the recognition of revenue resulting from the consolidation of four gas-fired power plants where SCE is considered the primary beneficiary. These VIEs affect SCE’s revenue, but do not affect earnings; the decrease in revenue from SCE’s VIEs is primarily due to lower steam and energy prices and for, one of the projects, lower volumes sold in 2007.

Amounts SCE bills and collects from its customers for electric power purchased and sold by the CDWR to SCE's customers, CDWR bond-related costs and a portion of direct access exit fees are remitted to the CDWR and none of these collections are recognized as revenue by SCE. These amounts were \$587 million and \$568 million for the three-month periods ended March 31, 2007 and 2006, respectively.

Operating Expenses

Fuel Expense

SCE's fuel expense decreased slightly for the three-month period ended March 31, 2007. The decrease was mainly due to lower fuel expense of approximately \$40 million related to SCE's VIEs driven by lower natural gas prices and lower fuel expense of approximately \$5 million at SCE's Mohave Generating Station resulting from the plant shutdown on December 31, 2005. These decreases were almost entirely offset by an increase of \$20 million primarily resulting from newly constructed Mountainview Unit 4 beginning operations mid-January 2006, higher nuclear fuel expense of \$15 million resulting primarily from a planned refueling and maintenance outages at SCE's San Onofre Unit 2 in 2006, and a Department of Energy settlement refund of approximately \$10 million related to crude oil overcharges in 2006. The settlement refund was returned to ratepayers through the ERRA mechanism.

Purchased-Power Expense

The following is a summary of purchased-power expense:

In millions	Three-Month Period Ended March 31,	2007	2006
Purchased-power expense		\$ 480	\$ 688
Unrealized (gains) / losses on economic hedging activities		(134)	334
Energy settlements and refunds		(29)	(9)
Total purchased-power expense		\$ 317	\$ 1,013

Purchased-power expense decreased \$696 million for the three-month period ended March 31, 2007. The 2007 decrease was mainly due to net unrealized gains on economic hedging activities of \$134 million, compared to net unrealized losses on economic hedging activities of \$334 million for the same period in 2006 (see "Market Risk Exposures—Commodity Price Risk" for further discussion). The 2007 net unrealized gains were primarily due to higher forward natural gas prices in the first quarter of 2007, compared to the same period in 2006. In addition, the purchased-power decrease was also due to lower QF purchased power expense of approximately \$60 million resulting from lower average spot natural gas prices and lower kWh purchases (as further discussed below), and lower ISO-related purchases of approximately \$110 million resulting from lower kWh purchases.

Federal law and CPUC orders required SCE to enter into contracts to purchase power from QFs at CPUC-mandated prices. Energy payments to gas-fired QFs are generally tied to spot natural gas prices. Energy payments for most renewable QFs are at a fixed price of 5.37¢-per-kWh. In late 2006, certain renewable QF contracts were amended and energy payments for these contracts will be at a fixed price of 6.15¢-per-kWh, effective May 2007.

Provisions for Regulatory Adjustment Clauses – Net

Provisions for regulatory adjustment clauses – net increased \$652 million for the three-month period ended March 31, 2007. The 2007 increase was mainly due to net unrealized gains on economic hedging activities (mentioned above in purchased-power expense) of approximately \$134 million for the three-month period ended March 31, 2007, that, if realized, would be refunded to ratepayers, compared to net unrealized losses on economic hedging activities of \$334 million for the three-month period ended March 31, 2006, which, if realized,

would be recovered from the ratepayers (see “Market Risk Exposures—Commodity Price Risk” for further discussion). The increase also reflects higher net overcollections of purchased-power, fuel, and operation and maintenance expense of approximately \$185 million resulting from higher rates and lower procurement costs for the three-month period ended March 31, 2007, compared to the same period in 2006.

Other Operation and Maintenance Expense

SCE’s other operation and maintenance expense decreased \$16 million for the three-month period ended March 31, 2007. The 2007 decrease was mainly due to higher generation-related costs of approximately \$25 million resulting from the planned refueling and maintenance outages at SCE’s San Onofre Units 2 and 3 for the first quarter 2006, and a decrease in must-run and must offer obligation costs of approximately \$10 million related to the reliability of the California ISO systems. This decrease was partially offset by higher demand-side management and energy efficiency costs of approximately \$25 million (which are recovered through regulatory mechanisms approved by the CPUC).

Depreciation, Decommissioning and Amortization Expense

SCE’s depreciation, decommissioning and amortization expense increased \$23 million for the three-month period ended March 31, 2007. The increase in 2007 was mainly due to an increase in depreciation expense resulting from additions to transmission and distribution assets, as well as an increase from the implementation of the depreciation rates authorized in the 2006 GRC decision, and higher net investment earnings from SCE’s nuclear decommissioning trusts, which, due to its regulatory treatment, are recorded in operating revenue and are offset in decommissioning expense. As a result, these investment earnings have no impact on net income.

Other Income and Deductions

Other Nonoperating Income

SCE’s other nonoperating income decreased \$10 million for the three-month period ended March 31, 2007 mainly due to an higher incentive rewards in 2006 related to the efficient operation of Palo Verde. The incentive reward approved by the CPUC for the efficient operation of Palo Verde was \$13 million in the first quarter of 2006. This decrease was partially offset by an increase in allowance for funds used during construction – equity of approximately \$5 million resulting from an increase in construction work in progress due to planned capital expenditures (see “Liquidity—Capital Expenditures” for further discussion).

Interest Expense – Net of Amounts Capitalized

SCE’s interest expense – net of amounts capitalized increased \$10 million for the three-month period ended March 31, 2007 mainly due to higher interest expense on balancing account overcollections in 2007, as compared to 2006. The increase was also due to higher interest expense on long-term debt resulting from higher balances outstanding as of March 31, 2007, compared to the same period in 2006.

Income Tax Expense

The composite federal and state statutory income tax rate was approximately 40% (net of the federal benefit for state income taxes) for all periods presented. SCE’s effective tax rate from net income was 22% for the three-month period ended March 31, 2007 as compared to 38% for the three-month period ended March 31, 2006. The decreased effective tax rate was primarily caused by reductions made to the income tax reserve in 2007 to reflect progress in an administrative appeal process with the IRS related to the income tax treatment of costs associated with environmental remediation.

Historical Cash Flow Analysis

The “Historical Cash Flow Analysis” section of this MD&A discusses consolidated cash flows from operating, financing and investing activities.

Cash Flows from Operating Activities

Cash provided by operating activities from continuing operations was \$664 million for the three months ended 2007, compared to \$320 million for the comparable period in 2006, mainly due to an increase in cash collected from SCE's customers due to increased rates (see "Regulatory Matters—Current Regulatory Developments—Impact of Regulatory Matters on Customer Rates") which contributed to higher balancing account overcollections in 2007, as compared to the same period in 2006. In addition, the 2007 change was also due to the timing of cash receipts and disbursements related to working capital items.

Cash Flows from Financing Activities

Cash used by financing activities from continuing operations mainly consisted of long-term and short-term debt payments.

Financing activities in the first quarter of 2007 were as follows:

- During the first quarter of 2007, SCE issued \$120 million in commercial paper classified as short-term debt.
- Financing activities in the first quarter of 2007 also included dividend payments of \$60 million made to Edison International.

Financing activities in the first quarter of 2006 included activities related to the rebalancing of SCE's capital structure.

- In January 2006, SCE issued \$500 million of first and refunding mortgage bonds which consisted of \$350 million of 5.625% bonds due in 2036 and \$150 million of floating rate bonds due in 2009. The proceeds from this issuance were used in part to redeem \$150 million of variable rate first and refunding mortgage bonds due in January 2006 and \$200 million of its 6.375% first and refunding mortgage bonds due in January 2006.
- In January 2006, SCE issued two million shares of 6% Series C preference stock (noncumulative, \$100 liquidation value) and received net proceeds of \$197 million.
- Financing activities in the first quarter of 2006 also included dividend payments of \$71 million made to Edison International.

Cash Flows from Investing Activities

Cash flows from investing activities are affected by capital expenditures and SCE's funding of nuclear decommissioning trusts.

Investing activities include capital expenditures of \$560 million and \$494 million for the three months ended March 31, 2007 and 2006, respectively, primarily for transmission and distribution assets. Capital expenditures include \$20 million and \$17 million for the three months ended March 31, 2007 and 2006, respectively, for nuclear fuel acquisitions.

NEW ACCOUNTING PRONOUNCEMENTS

Accounting Pronouncement Adopted

In July 2006, the FASB issued FIN 48 which clarifies the accounting for uncertain tax positions. FIN 48 requires an enterprise to recognize, in its financial statements, the best estimate of the impact of a tax position by determining if the weight of the available evidence indicates it is more likely than not, based solely on the technical merits, that the position will be sustained on audit. SCE adopted FIN 48 effective January 1, 2007. Based on the current status of discussions with tax authorities related to open tax years under audit and other information currently available, implementation of FIN 48 resulted in a cumulative-effect adjustment that increased retained earnings by \$213 million. SCE will continue to monitor and assess new income tax developments.

Accounting Pronouncements Not Yet Adopted

In February 2007, the FASB issued SFAS No. 159, which provides an option to report eligible financial assets and liabilities at fair value, with changes in fair value recognized in earnings. Upon adoption, the first remeasurement to fair value would be reported as a cumulative-effect adjustment to the opening balance of retained earnings. SCE will adopt SFAS No. 159 on January 1, 2008. SCE is currently evaluating the impact of adopting SFAS No. 159 on its consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, which clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures on fair value measurements. SCE will adopt SFAS No. 157 on January 1, 2008. SCE is currently evaluating the impact of adopting SFAS No. 157 on its financial statements.

COMMITMENTS AND INDEMNITIES

Fuel Supply Contracts

SCE entered into service contracts associated with uranium enrichment and fuel fabrication during the first three months of 2007. SCE's additional nuclear fuel commitments for the remainder of 2007 are estimated to be \$70 million.

Operating and Capital Leases

SCE entered into a new operating lease for power contracts during the first three months of 2007. SCE's additional operating lease commitments for this new power contract are currently estimated to be \$68 million for 2008, \$114 million for 2009, \$114 million for 2010, and \$114 million for 2011.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information responding to Part I, Item 3 is included in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the heading "Market Risk Exposures" is incorporated herein by this reference.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

SCE's management, under the supervision and with the participation of the company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of SCE's disclosure controls and procedures (as that term is defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period, SCE's disclosure controls and procedures are effective.

Internal Control Over Financial Reporting

There were no changes in SCE's internal control over financial reporting (as that term is defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during the quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, SCE's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

Southern California Edison Company

- 10.1 Edison International 2007 Long-Term Incentives Terms and Conditions (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended March 31, 2007)*
- 10.2 Edison International Director Non-Qualified Stock Option Terms and Conditions (File No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2007)*
- 10.3 Edison International 2007 Performance Incentive Plan (File No. 1-9936, filed as Exhibit A to the Edison International and Southern California Edison Company Joint Proxy Statement filed on March 16, 2007)*
- 10.4 Edison International 2007 Executive Bonus Program (File No. 1-2313, filed as Exhibit 10.2 to Southern California Edison's Form 8-K dated April 26, 2007 and filed on May 2, 2007)*
- 10.5 Amended and Restated Credit Agreement, dated as of February 23, 2007, among Southern California Edison Company and JPMorgan Chase Bank, N.A., as Administrative Agent, Citicorp North America, Inc., as Syndication Agent, and Credit Suisse, Lehman Commercial Paper Inc., and Wells Fargo Bank, N.A., as documentation Agents and the lenders thereto.
- 31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
- 32 Statement Pursuant to 18 U.S.C. Section 1350

* Incorporated herein by reference pursuant to Rule 12b-32.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHERN CALIFORNIA EDISON COMPANY
(Registrant)

By /s/ LINDA G. SULLIVAN
Linda G. Sullivan
Vice President and Controller
(Duly Authorized Officer and
Principal Accounting Officer)

Dated: May 9, 2007

AMENDED AND RESTATED CREDIT AGREEMENT

Among

SOUTHERN CALIFORNIA EDISON COMPANY

**The Several Lenders
from Time to Time Parties Hereto**

**JPMORGAN CHASE BANK, N.A.,
as Administrative Agent**

**CITICORP NORTH AMERICA, INC.,
as Syndication Agent**

**CREDIT SUISSE, LEHMAN COMMERCIAL PAPER INC. and WELLS FARGO BANK,
N.A.,
as Documentation Agents**

Dated as of February 23, 2007

**J.P. MORGAN SECURITIES INC.
CITIGROUP GLOBAL MARKETS INC.,
as Lead Arrangers and Bookrunners**

Table of Contents

	<u>Page</u>
SECTION 1. DEFINITIONS	1
1.1. Defined Terms	1
1.2. Other Definitional Provisions	11
SECTION 2. AMOUNT AND TERMS OF THE CREDIT FACILITY	12
2.1. The Commitments; Increase in Total Commitments	12
2.2. Procedure for Borrowing	13
2.3. Fees	14
2.4. Repayment of Loans; Evidence of Debt	15
2.5. Prepayments and Termination or Reduction of Commitments	15
2.6. Conversion and Continuation Options	16
2.7. Minimum Amounts and Maximum Number of Tranches	16
2.8. Interest Rates and Payment Dates	16
2.9. Computation of Interest and Fees	17
2.10. Inability to Determine Interest Rate	17
2.11. Pro Rata Treatment and Payments	18
2.12. Illegality	18
2.13. Additional Costs	19
2.14. Taxes	20
2.15. Indemnity	22
2.16. Change of Lending Office	22
2.17. Replacement of Lenders under Certain Circumstances	23
2.18. Extension Option	23
SECTION 3. LETTERS OF CREDIT	24
3.1. General	24
3.2. Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions	24
3.3. Expiration Date	24
3.4. Participations	25
3.5. Reimbursement	25
3.6. Obligations Absolute	26
3.7. Disbursement Procedures	27
3.8. Interim Interest	27
3.9. Replacement of the Issuing Lender	27
SECTION 4. REPRESENTATIONS AND WARRANTIES	28
4.1. Financial Condition	28
4.2. No Change	28
4.3. Corporate Existence	28
4.4. Corporate Power; No Legal Bar	28
4.5. Authorization; Enforceability	28
4.6. ERISA	29
4.7. No Material Litigation	29

4.8. Taxes	29
4.9. Purpose of Loans	29
4.10. No Default	29
4.11. Environmental Matters	30
SECTION 5. CONDITIONS PRECEDENT	30
5.1. Conditions of Effectiveness	30
5.2. Conditions to Each Loan	31
SECTION 6. COVENANTS	31
6.1. Financial Statements; Certificates	31
6.2. Compliance; Maintenance of Existence	32
6.3. Inspection of Property; Books and Records; Discussions	32
6.4. Notices	33
6.5. Limitation on Fundamental Changes	33
6.6. Disposition of Property	33
6.7. Consolidated Capitalization Ratio	34
6.8. Limitation on Liens	34
SECTION 7. EVENTS OF DEFAULT	34
SECTION 8. THE ADMINISTRATIVE AGENT	36
8.1. Appointment	36
8.2. Delegation of Duties	37
8.3. Exculpatory Provisions	37
8.4. Reliance by Administrative Agent	37
8.5. Notice of Default	38
8.6. Non-Reliance on Administrative Agent and Other Lenders	38
8.7. Indemnification	38
8.8. Administrative Agent in Its Individual Capacity	39
8.9. Successor Administrative Agent	39
8.10. The Syndication Agent and Documentation Agents	39
SECTION 9. MISCELLANEOUS	39
9.1. Amendments and Waivers	40
9.2. Notices	40
9.3. No Waiver; Cumulative Remedies	40
9.4. Survival	41
9.5. Payment of Expenses and Taxes	41
9.6. Transfer Provisions	42
9.7. Adjustments; Set-Off	44
9.8. Counterparts	44
9.9. Severability	44
9.10. Integration	44
9.11. GOVERNING LAW	45
9.12. WAIVERS OF JURY TRIAL	45
9.13. Submission To Jurisdiction; Waivers	45
9.14. Confidentiality	45
9.15. USA Patriot Act	46

SCHEDULES

1.1 Lending Offices and Commitments

EXHIBITS

- A Form of Note
- B Form of Exemption Certificate
- C Form of Borrower Closing Certificate
- D-1 Form of Legal Opinion of Associate General Counsel of the Borrower
- D-2 Form of Opinion of Special Counsel to the Administrative Agent
- E Form of Assignment and Acceptance
- F Form of New Lender Supplement
- G Form of Commitment Increase Supplement

AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDED AND RESTATED CREDIT AGREEMENT, dated as of February 23, 2007 (as may be amended, supplemented or otherwise modified from time to time, this "Agreement"), is made by and among SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation (the "Borrower"), the several banks and other financial institutions from time to time parties hereto (the "Lenders"), CITICORP NORTH AMERICA, INC., as syndication agent (in such capacity the "Syndication Agent"), CREDIT SUISSE, LEHMAN COMMERCIAL PAPER INC. and WELLS FARGO BANK, N.A., as documentation agents (in their respective capacities as such, the "Documentation Agents"), and JPMORGAN CHASE BANK, N.A., as administrative agent for the Lenders (in such capacity, the "Administrative Agent" and, together with the Syndication Agent and the Documentation Agents, the "Agents").

WITNESSETH:

WHEREAS, the Borrower, the Lenders and the Agents are parties to the Amended and Restated Credit Agreement, dated as of December 15, 2005 (as amended, supplemented or otherwise modified prior to the date hereof, the "Existing Credit Agreement");

WHEREAS, the Borrower has requested that (i) the Lenders increase the loan commitments under the Existing Credit Agreement by \$800,000,000 (the "Revolving Commitment Increase") to \$2,500,000,000, (ii) the Lenders increase the letter of credit commitments under the Existing Credit Agreement by \$600,000,000 (the "Letter of Credit Commitment Increase") to \$2,000,000,000, (iii) the Administrative Agent release and return to Borrower the first mortgage bond held by the Administrative Agent as collateral under the Existing Credit Agreement, (iv) certain other amendments be made to the Existing Credit Agreement and (v) the Existing Credit Agreement be amended and restated in its entirety; and

WHEREAS, the Lenders are willing to make the Revolving Commitment Increase and the Letter of Credit Commitment Increase available to the Borrower and make certain other amendments to the Existing Credit Agreement upon the terms and conditions set forth herein;

NOW, THEREFORE, the Borrower, the Lenders and the Agents hereby agree that the Existing Credit Agreement shall be amended and restated in its entirety as follows:

SECTION 1. DEFINITIONS

1.1. Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"ABR": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

“ABR Loans”: Loans the rate of interest applicable to which is based upon the ABR.

“Act”: as defined in Section 9.15.

“Additional Costs”: as defined in Section 2.13(a).

“Administrative Agent”: as defined in the preamble hereto.

“Affiliate”: as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person.

“Agents”: as defined in the preamble hereto.

“Agreement”: as defined in the preamble hereto.

“Applicable Margin”: for any day, the applicable rate per annum set forth under the relevant column heading below, based upon the then most current senior unsecured debt ratings of the Borrower issued by S&P and Moody’s, respectively:

Level	Rating	Facility Fee Rate	Applicable Margin for ABR Loans	Applicable Margin for Eurodollar Loans	Letter of Credit Participation Fee Rate	Utilization Fee
1	A+/A1 or higher	0.040%	0%	0.110%	0.110%	0.05%
2	A/A2	0.050%	0%	0.150%	0.150%	0.05%
3	A-/A3	0.060%	0%	0.190%	0.190%	0.05%
4	BBB+/Baa1	0.070%	0%	0.280%	0.280%	0.05%
5	BBB/Baa2	0.090%	0%	0.360%	0.360%	0.05%
6	BBB-/Baa3	0.125%	0%	0.475%	0.475%	0.05%
7	BB+/Ba1	0.175%	0%	0.700%	0.700%	0.05%
8	Lower than BB+/Ba1	0.200%	0%	0.800%	0.800%	0.05%

Subject to the provisions of this paragraph regarding split ratings, changes in the Applicable Margin shall become effective on the date on which S&P and/or Moody’s changes its relevant rating. In the event of split ratings, the higher rating shall govern. In the event that, at any time, a rating is not available from one of such rating agencies, the Applicable Margin shall be determined on the basis of the rating from the other rating agency. In the event that, at any time, ratings from each such rating agency are not available for companies generally, the Applicable Margin shall be determined on the basis of the last rating(s) made available. In the event that, at any time, such ratings are not available for the Borrower but are generally available for other companies, then the Applicable Margin shall be as for Level 8.

“Approved Fund”: with respect to any Lender that is a fund that invests in bank loans, any other fund that invests in bank loans and is advised or managed by the same investment advisor as such Lender or by an affiliate of such investment advisor.

“Assignee”: as defined in Section 9.6(c).

“Assignment and Acceptance”: as defined in Section 9.6(c).

“Board”: the Board of Governors of the Federal Reserve System (or any successor).

“Borrower”: as defined in the preamble hereto.

“Borrowing Date”: any Business Day specified in a notice pursuant to Section 2.2 as a date on which the Borrower requests the Lenders to make Loans hereunder.

“Business Day”: a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close, except that, when used in connection with a Eurodollar Loan, the term “Business Day” shall mean any Business Day (as defined above) on which dealings in foreign currencies and exchange between banks may be carried on in London, England and in New York, New York.

“Closing Date”: February 23, 2007.

“Code”: the Internal Revenue Code of 1986, as amended from time to time.

“Commitment”: as to any Lender, the obligation of such Lender to make Loans and to acquire participations in Letters of Credit in the aggregate principal and/or face amount set forth under the heading “Commitment” opposite such Lender’s name on Schedule 1.1 or in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof, including Section 2.1.

“Commitment Increase Amount”: as defined in Section 2.1(b).

“Commitment Increase Notice”: as defined in Section 2.1(b).

“Commitment Period”: the period from and including the Closing Date to the Termination Date.

“Commitment Utilization Percentage”: on any day, the percentage equivalent of a fraction (a) the numerator of which is the Total Exposures and (b) the denominator of which is the Total Commitments (or, on any day after termination of the Commitments, the Total Commitments in effect immediately preceding such termination).

“Commonly Controlled Entity”: an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes the Borrower and which is treated as a single employer under Section 414 of the Code.

“Consolidated Capital”: at any time, the sum of, without duplication, (i) Consolidated Total Indebtedness plus (ii) the amount set forth opposite the captions “shareholder’s equity” and “preferred stock” (or similar captions) on a consolidated balance sheet of the Borrower prepared in accordance with GAAP plus (iii) the outstanding principal amount of any junior subordinated deferrable interest debentures or similar securities issued by the Borrower or any of its Subsidiaries after December 15, 2005.

“Consolidated Capitalization Ratio”: on the last day of any fiscal quarter, the ratio of (a) Consolidated Total Indebtedness to (b) Consolidated Capital.

“Consolidated Total Indebtedness”: at any date, the sum of (i) the aggregate principal amount of all Indebtedness of the Borrower and its Subsidiaries at such date determined on a GAAP consolidated basis and (ii) without duplication, the aggregate principal amount of all Indebtedness of any other Persons at such date determined on a GAAP consolidated basis to the extent the payment of such Indebtedness is guaranteed by the Borrower or any of its Subsidiaries.

“Contractual Obligation”: as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Conversion Date”: as defined in Section 2.6.

“Declining Lender”: as defined in Section 2.18.

“Default”: any of the events specified in Section 7, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

“Documentation Agents”: as defined in the preamble hereto.

“Dollars” and “\$”: dollars in lawful currency of the United States of America.

“Environmental Laws”: any and all federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of the environment, as now or may at any time hereafter be in effect.

“ERISA”: the Employee Retirement Income Security Act of 1974, as amended from time to time.

“Eurodollar Loans”: Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

“Eurodollar Rate”: with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum (rounded upwards, if necessary, to the next higher of 1/100th of 1%) equal to the rate for Dollar deposits for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on page 3750 of the Telerate screen at or about 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the Telerate screen (or otherwise on such screen), the “Eurodollar Rate” shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein, and in an amount comparable to the amount of its Eurodollar Loan.

“Eurodollar Tranche”: the collective reference to Eurodollar Loans the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

“Event of Default”: any of the events specified in Section 7, provided that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

“Excess Utilization Day”: each day on which the Commitment Utilization Percentage exceeds 50%.

“Existing Credit Agreement”: as defined in the recitals hereto.

“Existing Termination Date”: as defined in Section 2.18.

“Exposure”: with respect to any Lender at any time, an amount equal to the amount of such Lender’s outstanding Loans and LC Exposure at such time.

“Extending Lender”: as defined in Section 2.18.

“Facility Fee”: the facility fee payable pursuant to Section 2.3(a) at the Facility Fee Rate.

“Facility Fee Rate”: the facility fee rate per annum set forth in the definition of “Applicable Margin”.

“Federal Funds Effective Rate”: for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System

arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

“GAAP”: generally accepted accounting principles in the United States of America in effect from time to time.

“Governmental Authority”: any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

“Hedge Agreements”: all interest rate swaps, caps or collar agreements or similar arrangements dealing with interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies.

“Indebtedness”: of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices) or representing reimbursement obligations in respect of letters of credit which have been funded, (b) any other indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument, (c) all indebtedness created or arising under any conditional sale or title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (d) all obligations of such Person as lessee which are capitalized in accordance with GAAP, (e) all direct and indirect guarantee obligations (whether by guarantee, reimbursement or indemnity or agreement to maintain financial condition or solvency or otherwise) of such Person in respect of any obligations of the type described in the preceding clauses (a) through (d) of any other Person, (f) all obligations of the kind referred to in clauses (a) through (d) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation and (g) for the purposes of Section 7(g) only, all obligations of such Person in respect of Hedge Agreements in an amount equal to the net amount that would be payable by such Person upon the acceleration, termination or liquidation thereof. Notwithstanding the foregoing, with respect to the Borrower, Indebtedness shall not include (i) notes outstanding pursuant to those certain Rate Reduction Certificates, Series 1997-1 issued by SCE Funding LLC, a Subsidiary of the Borrower, (ii) obligations under a Receivables Securitization of such Person, (iii) any junior subordinated deferrable interest debentures or similar securities issued by the Borrower or any of its Subsidiaries after December 15, 2005, (iv) power-purchase contract obligations and fuel contract obligations that in each case are included as indebtedness on the consolidated balance sheet of the Borrower and (v) indebtedness of variable interest entities that are consolidated with the Borrower for financial reporting purposes and whose indebtedness is non-recourse to the Borrower and its Subsidiaries (other than such entities).

“Indenture”: the Trust Indenture, dated as of October 1, 1923 between the Borrower and The Bank of New York Trust Company, N.A. and D.G. Donovan as trustees, as amended and supplemented from time to time.

“Interest Payment Date”: (a) as to any ABR Loan, the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan, (b) as to any Eurodollar Loan, having an Interest Period of three months or less, the last day of each Interest Period therefor, (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof (e.g., six months), after the first day of such Interest Period and the last day of such Interest Period and (d) as to any Eurodollar Loan the date of any repayment or prepayment made in respect thereof.

“Interest Period”: (a) with respect to any ABR Loan, the period commencing on the Borrowing Date or the Conversion Date, as the case may be, with respect to such ABR Loan and ending on the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan, and (b) with respect to any Eurodollar Loan:

(i) initially, the period commencing on the Borrowing Date or the Conversion Date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and

(ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto;

provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(1) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(2) any Interest Period for a Loan that would otherwise extend beyond the Termination Date shall end on the Termination Date; and

(3) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

“Issuing Lender”: JPMorgan Chase Bank and each other Lender which agrees to act as Issuing Lender hereunder, in its capacity as the issuer of Letters of Credit hereunder, and its successors in such capacity as provided in Section 3.9. The Issuing Lender may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of the Issuing Lender, in which case the term “Issuing Lender” shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

“JPMorgan Chase Bank”: JPMorgan Chase Bank, N.A., a national banking association.

“LC Disbursement”: a payment made by the Issuing Lender pursuant to a Letter of Credit.

“LC Exposure”: at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Percentage of the total LC Exposure at such time.

“Lenders”: as defined in the preamble hereto; provided that, wherever appropriate, each reference herein to the Lenders shall be deemed to include the Issuing Lender.

“Lending Office”: each Lender’s lending office designated in Schedule 1.1 or such other office of such Lender notified to the Administrative Agent and Borrower.

“Letter of Credit”: any letter of credit issued pursuant to this Agreement.

“Letter of Credit Commitment Increase”: as defined in the recitals hereto.

“Letter of Credit Fronting Fee”: as defined in Section 2.3(c).

“Letter of Credit Participation Fee”: the letter of credit participation fee payable pursuant to Section 2.3(c) at the Letter of Credit Participation Fee Rate.

“Letter of Credit Participation Fee Rate”: the letter of credit participation fee rate per annum set forth in the definition of “Applicable Margin”.

“Lien”: any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any capitalized lease obligation having substantially the same economic effect as any of the foregoing).

“Loan”: any loan made by any Lender pursuant to Section 2.1.

“Loan Documents”: this Agreement and any Notes.

“Material Adverse Effect”: a material adverse effect on the business, property, operations or financial condition of the Borrower and its consolidated Subsidiaries taken as a whole.

“Materials of Environmental Concern”: any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including asbestos, polychlorinated biphenyls and urea-formaldehyde insulation, but excluding any such substances, materials or wastes that are used or present on any property in conformance with the Requirements of Law.

“Moody’s”: Moody’s Investors Service, Inc.

“New Lender”: as defined in Section 2.1(c).

“Non-Excluded Taxes”: as defined in Section 2.14(a).

“Non-U.S. Lender”: as defined in Section 2.14(d).

“Note”: as defined in Section 2.4(e).

“Noticed Anniversary Date”: as defined in Section 2.18.

“Other Taxes”: any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Participants”: as defined in Section 9.6(b).

“PBGC”: the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

“Percentage”: as to any Lender at any time, the percentage which such Lender’s Commitment then constitutes of the Total Commitments or, at any time after the Commitments shall have terminated, the percentage which the aggregate principal amount of such Lender’s Exposure at such time constitutes of the Total Exposures at such time.

“Person”: an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“Plan”: at a particular time, any employee benefit plan which is covered by ERISA and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Prime Rate”: the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by JPMorgan Chase Bank in connection with extensions of credit to debtors).

“Receivables Securitization”: any financing pursuant to which accounts receivable of the Borrower or any of its Subsidiaries are (or are purported to be) sold or pledged, which financing shall be non-recourse (except for customary limited recourse provisions) to the Borrower and its Subsidiaries.

“Register”: as defined in Section 9.6(d).

“Regulation FD”: as defined in Section 9.14.

“Regulatory Change”: as to any Lender or the Issuing Lender, any change occurring or taking effect after the date of this Agreement in federal, state, local or foreign laws or regulations, or the adoption or making or taking effect after such date of any interpretations, directives, or requests applying to a class of lenders including the Lenders or to the Issuing Lender, as the case may be, of or under any federal, state, local or foreign laws or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof.

“Required Lenders”: at any date, the holders of more than 50% of the Total Commitments then in effect or, if the Commitments have terminated or for the purposes of determining whether to accelerate the Loans pursuant to Section 7, the Total Exposures at such time.

“Requirement of Law”: as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Responsible Officer”: the Chief Financial Officer, the Treasurer or any Assistant Treasurer of the Borrower, or any employee of the Borrower designated by any of the foregoing.

“Revolving Commitment Increase”: as defined in the recitals hereto.

“S&P”: Standard & Poor’s Ratings Group.

“Significant Subsidiary”: as defined in Regulation S-X of the United States Securities and Exchange Commission (or any successor), as the same may be amended or supplemented from time to time.

“Subsidiary”: as to any Person, a corporation, partnership or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a “Subsidiary” or to “Subsidiaries” in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

“Syndication Agent”: as defined in the preamble hereto.

“Termination Date”: the date upon which the Commitments shall terminate, which shall be February 23, 2012 unless extended pursuant to Section 2.18.

“Total Commitments”: at any time, the aggregate amount of the Commitments then in effect. The amount of the Total Commitments as of the Closing Date is \$2,500,000,000.

“Total Exposures”: at any time, the aggregate amount of the Exposures of all Lenders at such time.

“Transferee”: as defined in Section 9.6(f).

“Type”: as to any Loan, its nature as an ABR Loan or a Eurodollar Loan.

“Utilization Fee”: the utilization fee payable pursuant to Section 2.3(d) at the Utilization Fee Rate.

“Utilization Fee Rate”: the utilization fee rate per annum set forth in the definition of “Applicable Margin”.

1.2. Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have their defined meanings when used in the Notes or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the Notes and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Borrower and its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF THE CREDIT FACILITY

2.1. The Commitments; Increase in Total Commitments. (a) Subject to the terms and conditions hereof, each Lender severally agrees to make revolving credit loans to the Borrower from time to time during the Commitment Period in an aggregate principal amount at any one time outstanding that will not result in such Lender's Exposure exceeding such Lender's Commitment. During the Commitment Period the Borrower may use the Commitments by borrowing, prepaying the Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. Notwithstanding anything to the contrary in this Agreement, in no event may Loans be borrowed under this Section 2 if, after giving effect thereto, the aggregate principal amount of the Total Exposures at such time would exceed the Total Commitments then in effect. The Loans may from time to time be Eurodollar Loans or ABR Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.2 and 2.6.

(b) In the event that the Borrower wishes from time to time to increase the Total Commitments, it shall notify the Administrative Agent in writing of the amount (the "Commitment Increase Amount") of such proposed increase (such notice, a "Commitment Increase Notice"), and the Administrative Agent shall notify each Lender of such proposed increase. The Borrower may, at its election (i) offer one or more of the Lenders the opportunity to participate in all or a portion of the Commitment Increase Amount pursuant to paragraph (d) below and/or (ii) with the consent of the Administrative Agent and the Issuing Lender (which consent shall not be unreasonably withheld or delayed), offer one or more additional banks, financial institutions or other entities the opportunity to participate in all or a portion of the Commitment Increase Amount pursuant to paragraph (c) below. Each Commitment Increase Notice shall specify which Lenders and/or banks, financial institutions or other entities the Borrower desires to participate in such Commitment increase. The Borrower or, if requested by the Borrower, the Administrative Agent, will notify such Lenders and/or banks, financial institutions or other entities of such offer. Each Commitment Increase Amount shall be at least \$50,000,000.

(c) Any additional bank, financial institution or other entity which the Borrower selects to offer participation in the increased Commitments and which elects to become a party to this Agreement and provide a Commitment in an amount so offered and accepted by it pursuant to Section 2.1(b)(ii) shall execute a New Lender Supplement with the Borrower and the Administrative Agent, substantially in the form of Exhibit F, whereupon such bank, financial institution or other entity (herein called a "New Lender") shall become a Lender for all purposes and to the same extent as if originally a party hereto and shall be bound by and entitled to the benefits of this Agreement, and Schedule 1.1 shall be deemed to be amended to add the name and Commitment of such New Lender, provided that the Commitment of any such new Lender shall be in an amount not less than \$5,000,000.

(d) Any Lender which accepts an offer to it by the Borrower to increase its Commitment pursuant to Section 2.1(b)(i) shall, in each case, execute a Commitment Increase Supplement with the Borrower and the Administrative Agent, substantially in the form of Exhibit G, whereupon such Lender shall be bound by and entitled to the benefits of this Agreement with respect to the full amount of its Commitment as so increased, and Schedule 1.1 shall be deemed to be amended to so increase the Commitment of such Lender.

(e) Notwithstanding anything to the contrary in this Section 2.1, (i) in no event shall any increase effected pursuant to this Section 2.1 cause the Total Commitments hereunder to exceed \$3,000,000,000 and (ii) no Lender shall have any obligation to increase its Commitment unless it agrees to do so in its sole discretion.

(f) On the effective date of each increase in the Commitments pursuant to this Section 2.1 and notwithstanding other provisions of this Agreement to the contrary (i) the Lenders shall make such payments as shall be directed by the Administrative Agent in order that the outstanding Loans shall be held ratably by the Lenders based on their respective Commitments and (ii) participations in outstanding Letters of Credit shall be deemed to be reallocated according to the respective Commitments of the Lenders. Payments of interest, fees and commissions with respect to the Loans and Letters of Credit shall be made to give effect to any adjustments in the Loans and participations in the Letters of Credit made pursuant to this Section 2.1.

(g) On the effective date of each increase in the Commitments pursuant to this Section 2.1, the conditions set forth in paragraphs (b), (c), (e), (f) (with appropriate modifications) and (g) of Section 5.1 shall have been satisfied with respect to such increased Commitments as if such paragraphs applied to such increase, mutatis mutandis.

2.2. Procedure for Borrowing. The Borrower may borrow under the Commitments during the Commitment Period on any Business Day, provided that the Borrower shall give the Administrative Agent irrevocable notice, which notice must be executed by a Responsible Officer of the Borrower and received by the Administrative Agent prior to (a) 12:30 P.M., New York City time, three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) 12:00 Noon, New York City time, on the requested Borrowing Date, in the case of ABR Loans. Each such notice shall specify (i) the amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be of Eurodollar Loans, ABR Loans, or a combination thereof and (iv) if the borrowing is to be entirely or partly of Eurodollar Loans, the respective lengths of the initial Interest Periods therefor. Each borrowing under the Commitments shall be in an amount equal to (x) in the case of ABR Loans, \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof and (y) in the case of Eurodollar Loans, \$10,000,000 or a whole multiple of \$1,000,000 in excess thereof; provided that a borrowing under the Commitments that is an ABR Loan may be in any aggregate amount that is required to finance the reimbursement of all or a part of an LC Disbursement as contemplated by Section 3.5. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Lender thereof. Each Lender will make the amount of its pro rata share of each borrowing available to the Administrative Agent for the account of the Borrower at the office of the Administrative Agent specified in Section 9.2 prior to 1:00 P.M., New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the

Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Lenders promptly upon receipt thereof and in like funds as received by the Administrative Agent; provided that Loans made to finance the reimbursement of an LC Disbursement as provided in Section 3.5 shall be remitted by the Administrative Agent to the applicable Issuing Lender.

2.3. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a Facility Fee for the period from and including the first day of the Commitment Period to and excluding the Termination Date, computed at the Facility Fee Rate on the average daily amount of the Commitment of such Lender (or, following termination of the Commitment of such Lender, on the average daily amount of the Exposure of such Lender) during the period for which payment is made, payable in arrears on the last day of each March, June, September and December and on the Termination Date and, following termination of the Commitments, on demand.

(b) The Borrower agrees to pay to the Administrative Agent for its own account any fees separately agreed to by the Borrower and the Administrative Agent in writing.

(c) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender (including the Issuing Lender) a Letter of Credit Participation Fee with respect to its participations in Letters of Credit, which shall accrue at the Letter of Credit Participation Fee Rate on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Closing Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the Issuing Lender a fronting fee (the "Letter of Credit Fronting Fee"), which shall accrue at the rate per annum separately agreed with the Issuing Lender on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Closing Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as the Issuing Lender's standard fees with respect to the issuance, amendment, renewal, extension or administration of any Letter of Credit or processing of drawings thereunder, such standard fees of JPMorgan Chase Bank as Issuing Lender as in effect as of the Closing Date having been disclosed in writing to Borrower prior to the Closing Date. Letter of Credit Participation Fees and Letter of Credit Fronting Fees accrued through and including the last day of March, June, September and December of each year shall be payable on each such last day, commencing on the first such date to occur after the Closing Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Lender pursuant to this paragraph shall be payable within 15 Business Days after demand.

(d) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a Utilization Fee for the period from and including the first day of the Commitment Period to and excluding the Termination Date, computed at the Utilization Fee Rate on the average daily amount of the Exposure of such Lender for each Excess Utilization Day during the

period for which payment is made, payable in arrears on the last day of each March, June, September and December and on the Termination Date and, following termination of the Commitments, on demand.

2.4. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan of such Lender on the Termination Date (or such earlier date on which the Loans become due and payable pursuant to Section 7). The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in Section 2.8.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain the Register pursuant to Section 9.6(d), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder, the Type thereof and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.4(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to such Borrower by such Lender in accordance with the terms of this Agreement.

(e) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will execute and deliver to such Lender a promissory note of the Borrower evidencing the Loans of such Lender, substantially in the form of Exhibit A with appropriate insertions as to date and principal amount (a "Note").

2.5. Prepayments and Termination or Reduction of Commitments. (a) The Borrower may, upon not less than three Business Days' notice to the Administrative Agent, terminate or reduce the unutilized amount of the Commitments. Any reduction of the Commitments shall be in an amount equal to \$10,000,000 or a whole multiple of \$1,000,000 in excess thereof and shall reduce permanently the Commitments then in effect.

(b) The Borrower may at any time and from time to time prepay the Loans, in whole or in part, without premium or penalty, upon at least three Business Days' irrevocable notice to the Administrative Agent. Each such notice shall specify the date and amount of prepayment and whether the prepayment is of Eurodollar Loans, ABR Loans or a combination

thereof, and, if of a combination thereof, the amount allocable to each. Upon receipt of any such notice the Administrative Agent shall promptly notify each Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with any amounts payable pursuant to Section 2.15 and (except in the case of ABR Loans) accrued interest to but excluding such date on the amount prepaid. Partial prepayments shall be in an aggregate principal amount of \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof.

2.6. Conversion and Continuation Options. ABR Loans may, at any time, be converted into Eurodollar Loans and Eurodollar Loans may, on the last day of any Interest Period applicable thereto, be converted into ABR Loans or continued as Eurodollar Loans (the date of any such conversion, the “Conversion Date”), as follows:

(a) In order to continue outstanding Eurodollar Loans as Eurodollar Loans for another Interest Period, or to convert ABR Loans to Eurodollar Loans, the Borrower shall give the Administrative Agent irrevocable notice thereof prior to 12:30 P.M. New York City time, three Business Days before the first day of the Interest Period to be applicable to such continued or converted Eurodollar Loans, which notice shall specify the length of the Interest Period requested by the Borrower to be applicable to such Loans.

(b) No Loan may be converted into, or continued as, a Eurodollar Loan when any Event of Default has occurred and is continuing and the Administrative Agent has or the Required Lenders have determined in its or their sole discretion not to permit such a continuation.

(c) If the Borrower fails to give a notice as described above in this Section 2.6 to continue an outstanding Eurodollar Loan or to convert such Loan to an ABR Loan, or if such continuation or conversion is not permitted pursuant to paragraph (b) above, such Loans shall be automatically converted to ABR Loans on the last day of the then expiring Interest Period applicable to such Loans.

(d) The Administrative Agent shall promptly notify each Lender of each notice received by the Administrative Agent from the Borrower pursuant to this Section 2.6.

2.7. Minimum Amounts and Maximum Number of Tranches. All borrowings, prepayments, conversions and continuations of Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of the Loans comprising each Eurodollar Tranche shall be equal to \$10,000,000 or a whole multiple of \$1,000,000 in excess thereof. In no event shall there be more than five Eurodollar Tranches outstanding at any time.

2.8. Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin therefor.

(b) Each ABR Loan shall bear interest for each day from the applicable Borrowing Date at a rate per annum equal to the ABR plus the Applicable Margin therefor.

(c) If all or a portion of (i) the principal amount of any Loan or reimbursement obligation in respect of any LC Disbursement, (ii) any interest payable thereon or (iii) any fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall, to the extent permitted by applicable law, bear interest at a rate per annum which is equal to the rate applicable to ABR Loans pursuant to Section 2.8(b) plus 2% from the date of such non-payment to (but excluding) the date on which such amount is paid in full (after as well as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this Section shall be payable from time to time on demand.

2.9. Computation of Interest and Fees. (a) Interest calculated on the basis of the Prime Rate shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed; and, otherwise, interest and Facility Fees, Letter of Credit Participation Fees, Letter of Credit Fronting Fees and Utilization Fees shall be calculated on the basis of a 360-day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of each determination of a Eurodollar Rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall deliver to the Borrower upon request a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.8(a) or (b).

2.10. Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower, absent manifest error) that the Eurodollar Rate can not be determined by any of the means set forth in the definition of "Eurodollar Rate" and, by reason of circumstances affecting the eurodollar market, quotations of interest rates for the relevant deposits are not being provided to JPMorgan Chase Bank in the relevant amount or for the relevant maturities for purposes of determining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Required Lenders that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders, absent manifest error) of making or maintaining their affected Loans during such Interest Period, the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as ABR Loans, (y) any ABR Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as ABR Loans and (z) any outstanding Eurodollar Loans shall be converted, on the first day of such Interest Period, to ABR Loans. Each such Lender shall promptly notify the Administrative Agent upon any change in such determination of the

adequacies and fairness of the Eurodollar Rate, and the Administrative Agent shall promptly withdraw its notice to the Borrower following receipt of such notices from the Required Lenders. Until such withdrawal by the Administrative Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrower have the right to convert ABR Loans to Eurodollar Loans.

2.11. Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower from the Lenders hereunder, each payment by the Borrower of any Facility Fee, Letter of Credit Participation Fee or Utilization Fee hereunder, each payment (including each prepayment) by the Borrower on account of principal of and interest on the Loans, and any reduction of the Commitments of the Lenders shall be made pro rata according to the Percentages of the Lenders, in each case except to the extent another provision of this Agreement specifies a different treatment. All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without set off or counterclaim and shall be made prior to 4:00 P.M., New York City time, on the due date thereof to the Administrative Agent (except payments to be made directly to the Issuing Lender as expressly provided herein), for the account of the Lenders, at the Administrative Agent's office specified in Section 9.2, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(b) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the daily average Federal Funds Effective Rate for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error. If such Lender's pro rata share of such borrowing is not made available to the Administrative Agent by such Lender within three Business Days of such Borrowing Date, the Administrative Agent shall also be entitled to repayment of such amount with interest thereon at the rate per annum otherwise applicable to such Loans hereunder, on demand, from the Borrower and, upon such payment, no further interest shall be payable with respect to such amount. The payment of interest by a Lender to the Administrative Agent pursuant to this Section 2.11(b) shall not be deemed to be a waiver of any right the Borrower may have against such Lender for such Lender's failure to make Loans to the Borrower as required hereunder.

2.12. Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this

Agreement (a) such Lender shall promptly give notice thereof to the Borrower and the Administrative Agent, (b) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert ABR Loans to Eurodollar Loans shall forthwith be cancelled and (c) such Lender's outstanding Eurodollar Loans, if any, shall be converted automatically to ABR Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law.

2.13. Additional Costs. (a) If, as a result of any Regulatory Change:

(i) any Lender or the Issuing Lender shall be subject to any tax of any kind whatsoever with respect to amounts payable to it under this Agreement or any Eurodollar Loan made by it, or the basis of taxation of payments to such Lender or the Issuing Lender in respect thereof is changed (except, in each case, for Non-Excluded Taxes covered by Section 2.14, net income taxes and franchise taxes, and changes in the rate of tax on the overall net income of such Lender); or

(ii) any reserve, special deposit, or capital adequacy, or similar requirements relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, any Lender or the Issuing Lender are imposed, modified, or deemed applicable; or

(iii) any other condition affecting this Agreement, any Eurodollar Loans or any Letter of Credit or participation therein is imposed on any Lender or the Issuing Lender after the date hereof; and

any Lender or the Issuing Lender, as the case may be, determines that, by reason thereof, the cost to such Lender of making or maintaining its Commitment or any of its Eurodollar Loans to the Borrower, or the cost (including reduced rate of return) to such Lender or the Issuing Lender of participating in, issuing or maintaining any Letter of Credit, as the case may be, is increased or any amount receivable by such Lender or the Issuing Lender hereunder in respect of any of such Loans or Letters of Credit is reduced, in each case by an amount reasonably deemed by such Lender or the Issuing Lender to be material (such increases in cost and reductions in amounts receivable being herein called "Additional Costs"), then the Borrower shall pay to such Lender or the Issuing Lender, as the case may be, upon its request the additional amount or amounts as will compensate such Lender or the Issuing Lender, as the case may be, for such Additional Costs within 15 Business Days after written notice of such Additional Costs is received by the Borrower; provided, however, that if all or any such Additional Costs would not have been payable or incurred but for such Lender's voluntary decision to designate a new Lending Office, the Borrower shall have no obligation under this Section 2.13 to compensate such Lender for such amount relating to such Lender's decision; provided, further, that the Borrower shall not be required to make any payments to such Lender or the Issuing Lender for Additional Costs resulting from capital adequacy requirements incurred more than 60 days prior to the date that such Lender or the Issuing Lender, as the case may be, notifies the Borrower of such Lender's intention to claim compensation therefor. Each Lender will notify the Borrower and the Administrative Agent of any Regulatory Change occurring after the date of this Agreement which will entitle such Lender or the Issuing Lender, as the case may be, to compensation pursuant to this Section 2.13(a) as promptly as practicable after it obtains knowledge thereof and

determines to request such compensation. If such Lender or the Issuing Lender requests compensation under this Section 2.13(a) in respect of any Regulatory Change, the Borrower may, by notice to such Lender or the Issuing Lender, as applicable, require that such Lender or the Issuing Lender forward to the Borrower a statement setting forth the basis for requesting such compensation and the method for determining the amount thereof.

(b) Without limiting the effect of the provisions of Section 2.13(a) (but without duplication thereof), the Borrower will pay to any Lender, within 15 Business Days of receipt by the Borrower of notice from such Lender, for each day such Lender is required to maintain reserves against “Eurocurrency liabilities” under Regulation D of the Board as in effect on the date of this Agreement, an additional amount determined by such Lender equal to the product of the following:

- (i) the principal amount of the Eurodollar Loan;
- (ii) the remainder of (x) a fraction the numerator of which is the Eurodollar Rate for such Eurodollar Loan and the denominator of which is one minus the rate at which such reserve requirements are imposed on such Lender on such day minus (y) such numerator; and
- (iii) 1/360.

Such Lender shall request payment under this Section 2.13(b) by giving notice to the Borrower as of the last day of each Interest Period for each Eurodollar Loan (and, if such Interest Period exceeds three months’ duration, also as of three months, or a whole multiple thereof, after the first day of such Interest Period). Such notice shall specify the basis for requesting such compensation and the method for determining the amount thereof. Such Lender shall provide any evidence of such requirement to maintain reserves as the Borrower may reasonably request.

(c) Determinations by any Lender or the Issuing Lender for purposes of this Section 2.13 of the effect of any Regulatory Change shall be conclusive, provided that such determinations are made absent manifest error.

2.14. Taxes. (a) All payments made by the Borrower under this Agreement and any Notes shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent, the Issuing Lender or any Lender as a result of a present or former connection between the Administrative Agent, the Issuing Lender or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent, the Issuing Lender or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document), unless the Borrower is compelled by law to make such deduction or withholding. If any such non-excluded taxes, levies, imposts, duties, charges, fees deductions or withholdings (“Non-Excluded Taxes”) or any Other Taxes are

required to be withheld from any amounts payable to the Administrative Agent, the Issuing Lender or any Lender hereunder or under any Note, the amounts so payable to the Administrative Agent, the Issuing Lender or such Lender shall be increased to the extent necessary to yield to the Administrative Agent, the Issuing Lender or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts they would have received had no such obligation been imposed on the Borrower; provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes that are attributable to such Lender's designation of a different Lending Office (provided that such Non-Excluded Taxes are imposed at the time of the first payment to such Lender under this Agreement following such designation and excluding any designation required by any Requirement of Law or occurring pursuant to Section 2.16) or failure to comply with the requirements of paragraph (d) of this Section 2.14.

(b) In addition, the Borrower shall pay any Other Taxes (other than Other Taxes that are being or promptly will be contested in good faith by appropriate proceedings and for which the Borrower has set aside on its books adequate reserves in accordance with GAAP, provided that the Borrower shall be permitted not to pay such Other Taxes being so contested only so long as such nonpayment could not reasonably be expected to have any adverse effect on the rights or remedies of the Lenders hereunder or under any other Loan Document) to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes (other than Other Taxes that are being or promptly will be contested in good faith by appropriate proceedings and for which the Borrower has set aside on its books adequate reserves in accordance with GAAP, provided that the Borrower shall be permitted not to pay such Other Taxes being so contested only so long as such nonpayment could not reasonably be expected to have any adverse effect on the rights or remedies of the Lenders hereunder or under any other Loan Document) are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for the account of the Administrative Agent or the relevant Lender or Issuing Lender, as the case may be, certificates or other valid vouchers or receipts received by the Borrower showing payment thereof. If the Borrower fails to pay any such Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent, the Issuing Lender and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent, the Issuing Lender or any Lender as a result of any such failure.

(d) Each Lender (or Transferee) that is not a "United States person" as defined in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN (certifying as to entitlement to treaty benefits) or Form W-8ECI (claiming exemption from withholding because the income is effectively connected with a U.S. trade or business), or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit B and a Form W-8BEN

(certifying as to beneficial ownership), or any subsequent versions thereof or successors thereto properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender, or upon the reasonable request by the Borrower or the Administrative Agent. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Each Non-U.S. Lender agrees to (i) promptly notify the Administrative Agent and Borrower if any fact set forth in any such certificate ceases to be true and correct and (ii) take such steps and may be reasonably necessary to avoid any applicable Requirements of Law that Borrower make any deduction or withholding for taxes from amounts payable to the Non-U.S. Lender under this Agreement. Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph after the date it becomes a party to this Agreement (or, in the case of any Participant, after the date such Participant purchases the related participation) that such Non-U.S. Lender is not legally able to deliver.

2.15. Indemnity. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of Eurodollar Loans or in the conversion into or continuation of Eurodollar Loans, after the Borrower has given a notice requesting or accepting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment of Eurodollar Loans after the Borrower has given a notice thereof in accordance with the provisions of this Agreement, or (c) the making of a prepayment of Eurodollar Loans on a day which is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if applicable, of (i) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to but excluding the last day of the relevant Interest Period (or proposed Interest Period) at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin) over (ii) the amount of interest (as reasonably determined by such Lender) which would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market.

2.16. Change of Lending Office. Each Lender agrees that if it makes any demand for payment under Sections 2.13 or 2.14(a), or if any adoption or change of the type described in Section 2.12 shall occur with respect to it, it will use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions and so long as such efforts would not be disadvantageous to it, as determined in its sole discretion) to designate a different Lending Office if the making of such a designation would reduce or obviate the need for the Borrower to make payments under Sections 2.13 or 2.14(a), or would eliminate or reduce the effect of any adoption or change described in Section 2.12.

2.17. **Replacement of Lenders under Certain Circumstances.** The Borrower shall be permitted to replace any Lender (a) which requests reimbursement for amounts owing pursuant to Sections 2.13 or 2.14 (for itself or its Participant) or for which amounts are otherwise payable by the Borrower pursuant to Section 2.14, (b) which is affected in the manner described in Section 2.12 and as a result thereof any of the actions described in said Section is required to be taken, (c) which defaults in its obligation to make Loans hereunder, with a replacement bank or other financial institution or (d) which is a Declining Lender; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) the Borrower shall repay (or the replacement bank or institution shall purchase, at par), without duplication, all Loans, participations in LC Disbursements and other amounts owing to such replaced Lender on or prior to the date of replacement, (iv) the Borrower shall be liable to such replaced Lender under Section 2.15 if any outstanding Eurodollar Loan owing to such replaced Lender shall be prepaid (or purchased) other than on the last day of the Interest Period relating thereto, (v) the replacement bank or institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (vi) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 9.6 (c) and (e) (provided that the Borrower or the replacement bank or institution shall be obligated to pay the registration and processing fee referred to therein), (vii) until such time as such replacement shall be consummated, the Borrower shall pay all additional amounts (if any) required pursuant to Sections 2.13 or 2.14, as the case may be, and (viii) any such replacement shall not be deemed to be a waiver of any rights which the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

2.18. **Extension Option.** The Borrower may request that the Total Commitments be renewed for additional one year periods by providing notice of such request to the Administrative Agent no earlier than 45 days but no later than 30 days prior to January 12, 2008 or any anniversary thereof (each, a "Noticed Anniversary Date"). If a Lender agrees, in its individual and sole discretion, to renew its Commitment (an "Extending Lender"), it will notify the Administrative Agent, in writing, of its decision to do so no earlier than 30 days prior to the applicable Noticed Anniversary Date (but in any event no later than 20 days prior to such Noticed Anniversary Date). The Administrative Agent will notify the Borrower, in writing, of the Lenders' decisions no later than 15 days prior to such Noticed Anniversary Date. The Extending Lenders' Commitments will be renewed for an additional year from the then existing Termination Date, provided that (i) more than 50% of the Total Commitments is extended or otherwise committed to by Extending Lenders and any new Lenders and (ii) all representations and warranties made by the Borrower in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except (A) any representations and warranties which are explicitly stated as having been made as of a specific date, which representations and warranties shall be true and correct in all material respects on and as of such date and (B) the representations and warranties set forth in Sections 4.2 and 4.7 shall not be required to be restated. Any Lender that declines or does not respond to the Borrower's request for commitment renewal (a "Declining Lender") will have its Commitment terminated on the earlier of (i) the then existing Termination Date (without regard to any renewals by other Lenders) (the "Existing Termination Date") and (ii) the date such Declining Lender is replaced in accordance with Section 2.17. The Borrower will have the right to accept commitments from third party financial institutions acceptable to the Administrative

Agent in an amount equal to the amount of the Commitments of any Declining Lenders, provided that the Extending Lenders will have the right to increase their Commitments up to the amount of the Declining Lenders' Commitments before the Borrower will be permitted to substitute any other financial institutions for the Declining Lenders. The Borrower may only so extend the Termination Date twice.

SECTION 3. LETTERS OF CREDIT

3.1. General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit for its own account, in a form reasonably acceptable to the Administrative Agent and the Issuing Lender and in all respects consistent with the terms of this Agreement, at any time and from time to time during the period from and including the Closing Date to the date which is 15 Business Days prior to the Termination Date. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Lender relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

3.2. Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the Issuing Lender) to the Issuing Lender and the Administrative Agent (three Business Days in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with Section 3.3), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the Issuing Lender, the Borrower also shall submit a letter of credit application on the Issuing Lender's standard form (it being understood that this Agreement shall govern in the event of any inconsistency between any such application and this Agreement) in connection with any request for the issuance of a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed \$2,000,000,000 and (ii) the sum of the Total Exposures shall not exceed the Total Commitments. Letters of Credit issued under the Existing Credit Agreement which are outstanding on the Closing Date shall be deemed to be Letters of Credit issued under this Agreement on the Closing Date.

3.3. Expiration Date. No Letter of Credit shall expire later than the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is one year following the Termination Date; provided that (A) with respect to any Letter of Credit having an expiration date beyond the Termination Date, the Borrower shall cash collateralize such Letter of Credit on the Termination Date in an amount

equal to the amount of such Letter of Credit and otherwise on terms satisfactory to the Administrative Agent or the Borrower shall provide to the Issuing Lender a standby letter of credit in an amount equal to the amount of such Letter of Credit and otherwise in form and substance satisfactory to the Issuing Lender, (B) no Letter of Credit may terminate after the Existing Termination Date if, after giving effect to such Letter of Credit, the Total Commitments of the Extending Lenders (including any entity that becomes a Lender pursuant to Section 2.17) for the period following the Existing Termination Date would be less than the LC Exposure of the Letters of Credit expiring after the Existing Termination Date and (C) the Letter of Credit participations of any Declining Lender provided for in Section 3.4 shall terminate on the Existing Termination Date.

3.4. Participations. By the issuance, amendment, renewal or extension of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the Issuing Lender or the Lenders, the Issuing Lender hereby grants to each Lender, and each Lender hereby acquires from the Issuing Lender, a participation in such Letter of Credit equal to such Lender's Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the Issuing Lender, such Lender's Percentage of each LC Disbursement made by the Issuing Lender and not reimbursed by the Borrower on the date due as provided in Section 3.5, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including (i) any setoff, counterclaim, recoupment, defense or other right that such Lender may have against the Issuing Lender, the Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5, (iii) any adverse change in the condition (financial or otherwise) of the Borrower, the Issuing Lender, any Lender or any other Person, (iv) any breach of this Agreement or any other Loan Document by the Borrower or any other Lender or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

3.5. Reimbursement. If the Issuing Lender shall make any LC Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 4:00 P.M., New York City time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 12:00 P.M., New York City time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 4:00 P.M., New York City time, on the Business Day immediately following the day that the Borrower receives such notice; provided that (a) if the unreimbursed amount of such LC Disbursement is \$5,000,000 or less or (b) if the unreimbursed amount of all LC Disbursements made by the Issuing Lender on any given Business Day are, in the aggregate, \$5,000,000 or less, the Borrower may reimburse such unreimbursed amount or, if the Borrower does not do so, the Administrative Agent may, in its discretion, finance such unreimbursed amount on behalf of the Lenders with an ABR Loan in an equivalent amount (and, if not promptly reimbursed by the Borrower, shall notify the Lenders of the making of such ABR Loan). If the unreimbursed amount of such LC Disbursement(s) is more than \$5,000,000 and the Borrower fails to reimburse

such LC Disbursement(s) when due, or if the unreimbursed amount of such LC Disbursement(s) is \$5,000,000 or less and the Administrative Agent has not funded an ABR Loan in accordance with the immediately preceding sentence, the Administrative Agent shall notify each Lender of the unreimbursed amount of each applicable LC Disbursement and such Lender's Percentage thereof. Promptly following receipt of such notice (or notice that the Administrative Agent has funded an ABR Loan in accordance with the immediately preceding sentence), each Lender shall pay to the Administrative Agent its Percentage of the unreimbursed amount of each such LC Disbursement (it being understood that each Lender hereby agrees to pay such amount notwithstanding that any condition to the making of a Loan hereunder may not be satisfied), in the same manner as provided in Section 2.2 with respect to Loans made by such Lender (and Section 2.11(b) shall apply, mutatis mutandis, to the payment obligations of the Lenders to the Administrative Agent pursuant to this Section 3.5), and the Administrative Agent shall promptly pay to the Issuing Lender the amounts so received by it from the Lenders. Any payment made by a Lender pursuant to this paragraph to reimburse the Issuing Lender for any LC Disbursement (other than the funding of ABR Loans as contemplated above) shall be treated as an ABR Loan that is immediately due and payable in the principal amount of such LC Disbursement. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the Issuing Lender or, to the extent that Lenders have made payments pursuant to this Section to reimburse the Issuing Lender, then to such Lenders and the Issuing Lender as their interests may appear.

3.6. Obligations Absolute. The Borrower's obligation to reimburse LC Disbursements as provided in Section 3.5 shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by the Issuing Lender under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor the Issuing Lender, nor any of their directors, officers, employees, affiliates and agents, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the Issuing Lender; provided that the foregoing shall not be construed to excuse the Issuing Lender from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by the Issuing Lender's gross negligence or willful misconduct in (i) making payment under any Letter of Credit against presentation of a draft or other document that on its face does not comply with the terms of such Letter of Credit, (ii) failing to make payment under any Letter of Credit against

presentation of any draft or other document that is in strict compliance with the terms of such Letter of Credit or (iii) retaining drafts or other documents presented under a Letter of Credit. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the Issuing Lender may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

3.7. Disbursement Procedures. The Issuing Lender shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. The Issuing Lender shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether the Issuing Lender has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse the Issuing Lender and the Lenders with respect to any such LC Disbursement.

3.8. Interim Interest. If the Issuing Lender shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement by payment or by an ABR Loan, at the rate per annum then applicable to ABR Loans; provided that, if the Borrower fails to reimburse such LC Disbursement within one Business Day of the date when due pursuant to Section 3.5, then Section 2.8(c) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the Issuing Lender, except that interest accrued on and after the date of payment by any Lender pursuant to Section 3.5 to reimburse the Issuing Lender shall be for the account of such Lender to the extent of such payment.

3.9. Replacement of the Issuing Lender. The Issuing Lender may be replaced at any time (i) by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Lender and the successor Issuing Lender or (ii) at the Borrower's election by written notice to the Administrative Agent and the Issuing Lender to be replaced but only if the credit rating of the Lender then serving as Issuing Lender is not, at the time of such election, reasonably acceptable to the Borrower. The Administrative Agent shall notify the Lenders of any such replacement of the Issuing Lender. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Lender pursuant to Section 2.3(c). From and after the effective date of any such replacement, (i) the successor Issuing Lender shall have all the rights and obligations of the Issuing Lender under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Lender" shall be deemed to refer to such successor or to any previous Issuing Lender, or to such successor and all previous Issuing Lenders, as the context shall require. After the replacement of an Issuing Lender hereunder, the replaced Issuing Lender shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Lender under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, as the case may be, the Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

4.1. Financial Condition. (i) The consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at December 31, 2005 and the related consolidated statements of income and of cash flows for the fiscal year ended on such date, reported on by PricewaterhouseCoopers LLP, and (ii) the consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at September 30, 2006 and the related consolidated statements of income and of cash flows for the nine-month period ended on such date, copies of which have been included, respectively, in the Borrower's Annual Report on Form 10-K and Quarterly Report on Form 10-Q for the fiscal year and nine-month period, respectively, ended as of such dates, as filed with the Securities and Exchange Commission, present fairly in all material respects the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at such dates, and the consolidated results of their operations and their consolidated cash flows for the fiscal year and nine-month period, respectively, then ended. Such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the period involved (subject, in the case of unaudited interim financial statements, to normal year-end adjustments).

4.2. No Change. From September 30, 2006, there has been no development or event which has had a Material Adverse Effect.

4.3. Corporate Existence. The Borrower (a) is a corporation duly organized, validly existing and in good standing under the laws of the State of California and has the corporate power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged and (b) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.4. Corporate Power; No Legal Bar. The execution, delivery, and performance by the Borrower of this Agreement and any Note are within its corporate powers, have been duly authorized by all necessary corporate action, and do not violate any provision of law or any agreement, indenture, note, or other instrument binding upon or affecting it or its charter or by-laws or give cause for acceleration of any of its Indebtedness, except to the extent that such violation or acceleration would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.5. Authorization; Enforceability. All authorizations, approvals, and other actions by, and notices to and filings with all Governmental Authorities required for the due execution, delivery and performance of this Agreement and any Note have been obtained or made and are in full force and effect, except to the extent that the failure to obtain or make, or to have in full force and effect, such authorizations, approvals, other actions, notices and filings would not, in the aggregate, reasonably be expected to have a Material Adverse Effect. Each of this Agreement and each Note executed in connection herewith is a legally valid and binding

obligation of the Borrower enforceable in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

4.6. ERISA. No "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) or "accumulated funding deficiency" (as defined in Section 302 of ERISA) or "reportable event" (herein defined as any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder) has occurred in the last five years with respect to any Plan which would reasonably be expected to have a Material Adverse Effect with respect to the consolidated financial condition of the Borrower and its consolidated Subsidiaries. The present value of all benefits vested under all Plans maintained by the Borrower or any Commonly Controlled Entity (based on those assumptions used to fund the Plans) did not, as of the last annual valuation date, exceed the value of the assets of the Plan allocable to such vested benefits.

4.7. No Material Litigation. There are no legal or arbitral proceedings or any proceedings by or before any governmental or regulatory authority or agency, now pending or, to the knowledge of the Borrower, threatened against the Borrower or any Significant Subsidiary of the Borrower which have not been disclosed in public filings with the Securities and Exchange Commission (a) that would reasonably be expected to have a Material Adverse Effect or (b) with respect to any of the Loan Documents.

4.8. Taxes. All United States Federal income tax returns of the Borrower and its Significant Subsidiaries that file consolidated income tax returns with the Borrower have been examined and closed through the fiscal year of the Borrower ended December 31, 1993. The Borrower and such Significant Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any such Significant Subsidiary, except (a) any taxes that are being or promptly will be contested in good faith by appropriate proceedings and for which the Borrower or such Significant Subsidiary, as applicable, has set aside on its books adequate reserves in accordance with GAAP or (b) any taxes that are immaterial in amount. The charges, accruals and reserves on the books of the Borrower and such Significant Subsidiaries in respect of any taxes and other governmental charges are, in the opinion of the Borrower, adequate.

4.9. Purpose of Loans. The proceeds of the Loans shall be used by the Borrower for general corporate purposes (including to refinance and repay its commercial paper issuances). Letters of Credit shall be issued for general corporate purposes of the Borrower. The use of proceeds of the Loans and the issuance of and use of proceeds of Letters of Credit shall be in compliance with all applicable decisions of the California Public Utilities Commission. No part of the proceeds of any Loans, and no other extensions of credit hereunder, will be used for "buying" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect.

4.10. No Default. Neither the Borrower nor any of its Significant Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect that would reasonably be expected to have a Material Adverse Effect and no Default or Event of Default has occurred and is continuing. The execution, delivery and performance of the Loan Documents do not contravene any provision of the Indenture.

4.11. Environmental Matters. The Borrower and its Significant Subsidiaries do not have liabilities under Environmental Laws or relating to Materials of Environmental Concern that have not been disclosed in public filings with the Securities and Exchange Commission as of the Closing Date that would reasonably be expected to have a Material Adverse Effect.

SECTION 5. CONDITIONS PRECEDENT

5.1. Conditions of Effectiveness. The effectiveness of this Agreement is subject to the satisfaction of the following conditions precedent on or prior to March 31, 2007:

(a) Execution of Agreement. (i) This Agreement shall have been executed and delivered by a duly authorized officer of each of the Borrower and the Administrative Agent and (ii) the Administrative Agent shall have received an executed counterpart hereof (or a copy thereof by facsimile transmission) from each Lender listed on Schedule 1.1.

(b) Closing Certificate. The Administrative Agent shall have received a certificate of the Borrower, dated as of such effective date, substantially in the form of Exhibit C, executed by any Responsible Officer and the Secretary or any Assistant Secretary of the Borrower, and attaching the documents referred to in Sections 5.1(c), (d) and (e).

(c) Corporate Proceedings. The Administrative Agent shall have received a copy of the resolutions, in form and substance satisfactory to the Administrative Agent, of the Board of Directors of the Borrower (or a duly authorized committee thereof) authorizing (i) the execution, delivery and performance of this Agreement and the other Loan Documents and (ii) the borrowings contemplated hereunder.

(d) Corporate Documents. The Administrative Agent shall have received a copy of the articles of incorporation and by-laws of the Borrower.

(e) Regulatory Approvals. The Administrative Agent shall have received copies of any required orders of the California Public Utilities Commission approving the Borrower's execution, delivery and performance of this Agreement and the other Loan Documents and the borrowings hereunder.

(f) Legal Opinions. The Administrative Agent shall have received the following executed legal opinions, with a copy for each Lender:

(i) the executed legal opinion of Barbara E. Mathews, Vice President, Associate General Counsel, Chief Governance Officer and Corporate Secretary to the Borrower, substantially in the form of Exhibit D-1; and

(ii) the executed legal opinion of Simpson Thacher & Bartlett LLP, special New York counsel to the Administrative Agent, substantially in the form of Exhibit D-2.

(g) Approvals. All governmental and third party approvals necessary in connection with this Agreement and the other Loan Documents and the transactions contemplated hereby and thereby shall have been obtained and be in full force and effect.

5.2. Conditions to Each Loan. The agreement of each Lender to make any Loan requested to be made by it on any date (including, without limitation, its initial Loan) and of the Issuing Lender to issue, amend, renew or extend any Letter of Credit to be issued by it on any date is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by the Borrower in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except (i) any representations and warranties which are explicitly stated as having been made as of a specific date, which representations and warranties shall be true and correct in all material respects on and as of such date and (ii) the representations and warranties set forth in Sections 4.2 and 4.7 shall not be required to be restated on any date (including, for the avoidance of doubt, any Borrowing Date) after the Closing Date.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Loans requested to be made, or the Letters of Credit requested to be issued, amended, renewed or extended, on such date.

Each borrowing or request for a Letter of Credit (or extension thereof) by the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date thereof that the conditions contained in this Section 5.2 have been satisfied.

SECTION 6. COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect, any Letter of Credit remains outstanding or any amount is owing to any Lender or the Administrative Agent hereunder or under any other Loan Document:

6.1. Financial Statements; Certificates. The Borrower shall furnish to the Administrative Agent, who shall forward to each Lender:

(a) as soon as practicable, but in any event within 120 days after the end of each fiscal year of the Borrower, a copy of the consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such year and the related consolidated statements of income, retained earnings and cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a qualification arising out of the scope of the audit, by PricewaterhouseCoopers LLP or other independent certified public accountants of nationally recognized standing;

(b) as soon as practicable, but in any event not later than 90 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and retained earnings and of cash flows of the Borrower and its consolidated Subsidiaries for such

quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments);

(c) within fourteen days after the same are sent, copies of all financial statements and reports which the Borrower sends to its stockholders generally, and within three days after the same are filed, notice by electronic mail of the filing of any financial statements and reports which the Borrower may make to, or file with, the Securities and Exchange Commission or any successor or analogous Governmental Authority;

(d) promptly, such additional financial and other information as the Administrative Agent or any Lender through the Administrative Agent may from time to time reasonably request; and

(e) concurrently with the delivery of any quarterly or annual financial statements pursuant to this Section 6.1, a certificate of a Responsible Officer (i) stating that, to the best of each such Responsible Officer's knowledge, the Borrower during such period has observed or performed all of its covenants and other agreements in this Agreement and the other Loan Documents to be observed or performed by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) containing all information and calculations necessary for determining compliance by the Borrower with the provisions of Section 6.8 of this Agreement as of the last day of the fiscal quarter or fiscal year of the Borrower, as the case may be.

All such financial statements in (a) and (b) shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

6.2. Compliance; Maintenance of Existence. The Borrower will, and will cause each of its Significant Subsidiaries to (a) comply with all Requirements of Law and material Contractual Obligations except to the extent that failure to comply therewith would not materially and adversely affect the ability of the Borrower to perform its obligations hereunder; and (b)(i) preserve, renew and keep in full force and effect its organizational existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except in the case of clauses (i) and (ii) above, as permitted by Section 6.5 and except, in the case of clause (ii) above, to the extent that failure to do so would not reasonably be expected to have a Material Adverse Effect.

6.3. Inspection of Property; Books and Records; Discussions. The Borrower will, and will cause each of its Significant Subsidiaries to (a) keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit representatives of any Lender (not more frequently than once per year if no Default or Event of Default exists) upon reasonable notice to the Borrower to visit and inspect its properties

and request and obtain copies of its financial records and to discuss the business, operations, properties and financial and other condition of the Borrower and its Significant Subsidiaries with officers of the Borrower and such Significant Subsidiaries and with their independent certified public accountants.

6.4. Notices. The Borrower shall promptly give notice to the Administrative Agent, and the Administrative Agent shall in turn give notice to each Lender, of:

- (a) the occurrence of any Default or Event of Default;
- (b) any downgrade in the senior unsecured debt ratings of the Borrower issued by S&P or Moody's; and
- (c) any litigation or proceeding or, to the knowledge of the Borrower, investigation that relates to any Loan Document.

Each notice pursuant to clause (a) shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrower proposes to take with respect thereto.

6.5. Limitation on Fundamental Changes. The Borrower will not enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of, all or substantially all of its property, business or assets, except that:

(a) the Borrower may be merged or consolidated with another Person so long as the Borrower is the continuing or surviving corporation and after giving effect to such merger or consolidation, no Default or Event of Default shall have occurred or be continuing; and

(b) the Borrower may be merged or consolidated with, or sell all or substantially all of its property, business and assets to, another Person so long as, if the Borrower is not the continuing or surviving corporation, (i) the senior unsecured debt rating of the survivor or purchaser shall be at least BBB- by S&P and at least Baa3 by Moody's, (ii) the survivor or purchaser shall assume the Borrower's obligations hereunder in accordance with documentation reasonably acceptable to the Administrative Agent and (iii) after giving effect to such merger, consolidation or sale, no Default or Event of Default shall have occurred or be continuing.

6.6. Disposition of Property. The Borrower shall not, nor shall it permit any of its Subsidiaries to, dispose of a substantial portion of its property, whether now owned or hereafter acquired (except (i) dispositions of inventory in the ordinary course of business, (ii) disposition of obsolete or worn out property in the ordinary course of business and (iii) dispositions of assets having a value, in the aggregate for all such dispositions from and after the Closing Date, not exceeding 25% of the book value of the consolidated assets of the Borrower and its Subsidiaries as reflected on the financial statements most recently furnished by the Borrower to the Administrative Agent pursuant to Section 6.1(a) or (b) prior to such disposition; provided, that if no financial statements have been provided pursuant to Section 6.1(a) or (b) since the Closing Date, as reflected on the most recent financial statements referred to in Section 4.1).

6.7. Consolidated Capitalization Ratio. The Borrower shall not permit the Consolidated Capitalization Ratio on the last day of any fiscal quarter to exceed 0.65 to 1.0.

6.8. Limitation on Liens. The Borrower shall not, nor shall it permit any of its Significant Subsidiaries to, create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except for Liens not prohibited by the Indenture.

SECTION 7. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when due in accordance with the terms hereof, or to pay any interest on any Loan, or any other amount payable hereunder, within 5 Business Days after any such amount becomes due in accordance with the terms hereof;

(b) Any representation or warranty made to the Administrative Agent or any Lender in connection with the execution and delivery of this Agreement or any other Loan Document or the making of Loans hereunder proves to have been incorrect in any material respect when made;

(c) The Borrower shall default in the performance of (i) any agreement contained in Section 6.5 or 6.8 of this Agreement or (ii) any other term, covenant, or provision contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) and (b) of this Section) and, in the case of any default under this clause (ii), such default shall continue unremedied for 30 days after the Administrative Agent shall have given notice thereof to the Borrower;

(d) The Borrower or any of its Significant Subsidiaries shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of all or a substantial part of its property, (b) admit in writing its inability, or be generally unable, to pay its debts as such debts become due, (c) make a general assignment for the benefit of its creditors, (d) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (e) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts, (f) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against the Borrower or any of its Significant Subsidiaries in an involuntary case under such federal laws, or (g) take any corporate action for the purpose of affecting any of the foregoing;

(e) A case or other proceeding shall be commenced (including commencement of such case or proceeding by way of service of process on the Borrower or any of its Significant Subsidiaries), in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution or winding-up, or the composition or readjustment

of debts of the Borrower or any of its Significant Subsidiaries, (b) the appointment of a trustee, receiver, custodian, liquidator, or the like of the Borrower or any of its Significant Subsidiaries or of all or any substantial part of the assets of the Borrower or such Significant Subsidiary, (c) similar relief in respect of the Borrower or any of its Significant Subsidiaries under any law relating to bankruptcy, insolvency, reorganization, winding up, or composition or readjustment of debts, or a warrant of attachment, execution, or similar process shall be issued against a substantial part of the property of the Borrower or any of its Significant Subsidiaries and such case, proceeding, warrant, or process shall continue undismissed or unstayed and in effect for a period of 45 days, or an order, judgment, or decree approving or ordering any of the foregoing shall be entered in an involuntary case under such federal bankruptcy laws;

(f) A trustee shall be appointed to administer any Plan under Section 4042 of ERISA, or the PBGC shall institute proceedings to terminate, or to have a trustee appointed to administer any Plan and such proceedings shall continue undismissed or unstayed and in effect for a period of 30 days, and any such event shall result in any liability which is material in relation to the consolidated financial condition of the Borrower and its consolidated Subsidiaries;

(g) The Borrower or any of its Significant Subsidiaries shall (i) default in any payment of principal or interest on any Indebtedness in an aggregate amount in excess of \$75,000,000 or in the payment of any guarantee thereof beyond the period of grace, if any, provided in the instrument or agreement under which such indebtedness or guarantee thereof was created; or (ii) default beyond any applicable grace period in the observance or performance of any other agreement or condition relating to any such Indebtedness or guarantee thereof or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity; provided, however, that if such default shall be cured by the Borrower or such Significant Subsidiary or waived by the holders of such Indebtedness and any acceleration of maturity having resulted from such default shall be rescinded or annulled, in each case in accordance with the terms of such agreement or instrument, without any modification of the terms of such Indebtedness requiring the Borrower or such Significant Subsidiary to furnish additional or other security therefor reducing the average life to maturity thereof or increasing the principal amount thereof, or any agreement by the Borrower or such Significant Subsidiary to furnish additional or other security therefor or to issue in lieu thereof Indebtedness secured by additional or other collateral or with a shorter average life to maturity or in a greater principal amount, then any default hereunder by reason thereof shall be deemed likewise to have been thereupon cured or waived unless payment of the Loans hereunder has been accelerated prior to such cure or waiver; or

(h) There shall have been entered by a court of competent jurisdiction within the United States and shall not have been vacated, discharged or stayed within sixty (60) days from the entry thereof (or such longer period as may be provided by law) one or more final judgments or final decrees for payment of money against the Borrower or any of its Significant Subsidiaries involving in the aggregate a liability (to the extent not paid or covered by insurance) in excess of \$75,000,000;

then, and in any such event, (A) if such event is an Event of Default specified in paragraph (d) or (e) of this Section with respect to the Borrower, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including all obligations in respect of LC Exposure, whether or not such obligations are contingent or unmatured and whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Commitments to be terminated forthwith, whereupon the Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including all obligations in respect of LC Exposure, whether or not such obligations are contingent or unmatured and whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. With respect to all Letters of Credit with respect to which presentment for honor for the full amount thereof shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the other Loan Documents. After all such Letters of Credit shall have expired or been fully drawn upon, all obligations in respect of the LC Exposure shall have been satisfied and all other obligations of the Borrower hereunder and under the other Loan Documents shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto). Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

SECTION 8. THE ADMINISTRATIVE AGENT

8.1. Appointment. Each Lender hereby designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Loan Documents, and each such Lender authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents; and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or

responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

8.2. Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible to the Lenders for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

8.3. Exculpatory Provisions. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (i) liable to any Lender for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except for its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of the Borrower to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower.

8.4. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

8.5. Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a “notice of default”. In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

8.6. Non-Reliance on Administrative Agent and Other Lenders. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrower which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

8.7. Indemnification. The Lenders agree to indemnify each Agent in its capacity as the Administrative Agent or the Syndication Agent or a Documentation Agent, as the case may be (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Commitments shall have terminated, the Letters of Credit shall have terminated or expired and the Loans shall have been paid in full, ratably in accordance with such Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans or the termination or expiration of the Letters of Credit) be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the

other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

8.8. Administrative Agent in Its Individual Capacity. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Administrative Agent were not the Administrative Agent hereunder and under the other Loan Documents. With respect to the Loans made by it, the Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

8.9. Successor Administrative Agent. Subject to the appointment and acceptance of a successor Administrative Agent, the Administrative Agent may resign as Administrative Agent at any time upon 15 days notice by notifying the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, subject to approval by the Borrower, whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. In the event that no such successor Administrative Agent is so appointed by the Required Lenders within 30 days of the Administrative Agent's notice of resignation, the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent (subject to the approval of the Borrower). After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

8.10. The Syndication Agent and Documentation Agents. Neither the Syndication Agent nor the Documentation Agents (nor any of them individually) in their respective capacities as such shall have any rights, duties or responsibilities hereunder, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Syndication Agent or either Documentation Agent in its capacity as such.

SECTION 9. MISCELLANEOUS

9.1. Amendments and Waivers. The Required Lenders may, or, with the written consent of the Required Lenders, the Administrative Agent may, from time to time, enter into with the Borrower written amendments, supplements, modifications or waivers hereto and to the other Loan Documents; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) (A) reduce the amount or extend the scheduled date of maturity of any Loan or reimbursement obligation in respect of any LC Disbursement, (B) alter the pro rata payment sharing requirements of the first sentence of Section 2.11(a), (C) reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof or (D) increase the amount or extend the termination date of any Lender's Commitment, in each case without the consent of each Lender affected thereby, or (ii) amend, modify or waive any provision of this Section or reduce the percentage specified in the definition of Required Lenders, in each case without the written consent of all the Lenders or (iii) amend, modify or waive any provision of Section 8 without the written consent of the then Administrative Agent or any provision directly affecting the rights or duties of the Issuing Lender without the written consent of the Issuing Lender.

9.2. Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by facsimile transmission), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, addressed as follows in the case of the Borrower and the Administrative Agent, and as set forth in Schedule 1.1 in the case of the other parties hereto, or to such other address as may be hereafter notified by the respective parties hereto:

The Borrower: Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
Attention: Manager of Cash Management
Fax: (626) 302-6823

The Administrative Agent: Loan and Agency Services Group
1111 Fannin, Floor 10
Houston, Texas 77002
Attention: Marshella Williams
Fax: (713) 427-6307
and
Attention: Tom Casey
Fax: (212) 270-3089

provided that any notice, request or demand to or upon the Administrative Agent or the Lenders pursuant to Section 2.1, 2.2, 2.5, 2.6, 2.10 or 2.13 or Section 3 shall not be effective until received.

9.3. No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

9.4. Survival. (a) The agreements contained in Sections 2.13, 2.14, 2.15, 8.7 and 9.5 shall survive the termination of this Agreement, the expiration or termination of the Letters of Credit and the payment of the Loans and all other amounts payable hereunder.

(b) All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith or therewith shall survive the execution and delivery of this Agreement and the making of the Loans hereunder.

9.5. Payment of Expenses and Taxes. The Borrower agrees (a) to pay or reimburse the Administrative Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents including, without limitation, the reasonable fees and expenses of one joint counsel to the Agents in connection with this Agreement and the other Loan Documents, (b) to pay or reimburse each Lender and the Administrative Agent for all its out-of-pocket costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement or the other Loan Documents including, without limitation, the fees and disbursements of one joint counsel to the Lenders and the Administrative Agent, provided that, notwithstanding the foregoing, the Borrower agrees to pay or reimburse the fees and disbursements of separate counsel to any Lender or the Administrative Agent to the extent of any conflict of interest among the Lenders or between the Lenders and the Administrative Agent, (c) to pay, indemnify, or reimburse each Lender and the Administrative Agent for, and hold each Lender and the Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes (other than any net income or franchise taxes), if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents and (d) to pay, indemnify, and hold each Lender, the Issuing Lender and the Administrative Agent and their respective directors, officers, employees, affiliates and agents (each, an “indemnified person”) harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement and the other Loan Documents and the use of proceeds of the Loans or Letters of Credit (all the foregoing in this clause (d), collectively, the “indemnified liabilities”), provided, that the Borrower shall have no obligation hereunder to any indemnified person with respect to indemnified liabilities arising from the gross negligence or willful misconduct of such indemnified person, from the breach by such indemnified person of its Contractual Obligations to the Borrower or from negotiated settlements of pending or threatened legal actions entered into by such indemnified person without the Borrower’s consent (unless such consent has been unreasonably withheld).

9.6. Transfer Provisions. (a) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Administrative Agent and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Participations. Any Lender may, in the ordinary course of its commercial lending business and in accordance with applicable law, at any time sell to one or more banks or other entities (“Participants”) participating interests in any Loan owing to such Lender, any Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender’s obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement and the other Loan Documents. The Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.13, 2.14 and 2.15 with respect to its participation in the Commitments and the Loans outstanding from time to time as if such Participant were a Lender; provided that, in the case of Section 2.14, such Participant shall have complied with the requirements of said Section, and provided, further that such Participant shall have complied with the provisions of Section 2.16, and provided, further, that no Participant shall be entitled to receive any greater amount pursuant to any such Section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Assignments. Any Lender may, in the ordinary course of its commercial lending business and in accordance with applicable law, at any time and from time to time, assign to any Lender or any Affiliate or Approved Fund thereof or, with the consent of the Borrower, the Administrative Agent and the Issuing Lender (which consent of the Borrower, the Administrative Agent and the Issuing Lender shall not be unreasonably withheld or delayed and which consent shall not be required from the Borrower during the continuation of an Event of Default), to an additional bank or financial institution (an “Assignee”) all or any part of its rights and obligations under this Agreement and the other Loan Documents pursuant to an Assignment and Acceptance, substantially in the form of Exhibit E (an “Assignment and Acceptance”), executed by such Assignee, such assigning Lender, and (to the extent required by this paragraph) the Administrative Agent and the Issuing Lender (and, in the case of an Assignee that is not then a Lender or an Affiliate thereof, by the Borrower) and delivered to the Administrative Agent for its acceptance and recording in the Register, provided that, in the case of any such assignment to an additional bank or financial institution, (i) the sum (without duplication) of the aggregate principal amount of the Commitments and Exposure being assigned shall not be less than \$5,000,000 (or such lesser amount as may be agreed to by the Borrower and the Administrative Agent) and (ii) the sum (without duplication) of the aggregate principal amount of the Commitments and Exposure retained by the assigning Lender, if any, shall not be less than \$5,000,000 (or such lesser amount as may be agreed to by the Borrower and the Administrative Agent). Upon such execution, delivery, acceptance and recording, from and after the effective

date determined pursuant to such Assignment and Acceptance, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with a Commitment as set forth therein, and (y) the assigning Lender thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such assigning Lender shall cease to be a party hereto), but shall retain its rights pursuant to Sections 2.13, 2.14, 2.15 and 9.5 in respect of the period prior to such effective date.

(d) The Register. The Administrative Agent, on behalf of the Borrower, shall maintain at the address of the Administrative Agent referred to in Section 9.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the Commitment of, and principal amounts of the Loans and LC Exposure owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders may (and, in the case of any Loan or other obligation hereunder not evidenced by a Note, shall) treat each Person whose name is recorded in the Register as the owner of a Loan or other obligation hereunder for all purposes of this Agreement and the other Loan Documents, notwithstanding any notice to the contrary. Any assignment of any Loan or other obligation hereunder not evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Recordation. Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an Assignee, the Administrative Agent and the Issuing Lender (and, in the case of an Assignee that is not then a Lender or an Affiliate thereof, by the Borrower) together with payment to the Administrative Agent of a registration and processing fee of \$3,500, the Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Lenders and the Borrower.

(f) Disclosure. Subject to Section 9.14, the Borrower authorizes each Lender to disclose to any Participant or Assignee (each, a "Transferee") and any prospective Transferee, any and all financial information in such Lender's possession concerning the Borrower and its Affiliates which has been delivered to such Lender by or on behalf of the Borrower pursuant to this Agreement or which has been delivered to such Lender by or on behalf of the Borrower in connection with such Lender's credit evaluation of the Borrower and its Affiliates prior to becoming a party to this Agreement.

(g) Pledges. For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

9.7. Adjustments; Set-Off. (a) Except to the extent that this Agreement expressly provides for payments to be allocated to a particular Lender or Lenders, if any Lender (a “benefited Lender”) shall at any time receive any payment of all or part of its Loans, or interest thereon, or LC Exposure, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 7(d) or (e), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender’s Loans, or interest thereon, or LC Exposure, such benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender’s Loans and LC Exposure, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest. Notwithstanding the foregoing, no Lender shall exercise any right of set-off against the Borrower in connection with this Agreement without the consent of the Required Lenders.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.

9.8. Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile transmission), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

9.9. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

9.10. Integration. This Agreement and the other Loan Documents represent the agreement of the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

9.11. GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

9.12. WAIVERS OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.

9.13. Submission To Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower at its address set forth in Section 9.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

9.14. Confidentiality. Each of the Administrative Agent and the Lenders expressly agree, for the benefit of the Borrower and its Subsidiaries, to maintain the confidentiality of the Confidential Information (as defined below), except that Confidential Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and

agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Confidential Information and instructed to keep such Confidential Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an express agreement for the benefit of the Borrower and its Subsidiaries containing provisions substantially the same as those of this Section 9.14, to any assignee of or participant in, or any prospective assignee of or participant in, any of its rights or obligations under this Agreement, (g) with the prior express written consent of the Borrower or its Subsidiaries, as applicable, or (h) to the extent such Confidential Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower or its Subsidiaries. For the purposes of this Section 9.14, "Confidential Information" means all information, including material nonpublic information within the meaning of Regulation FD promulgated by the SEC ("Regulation FD"), received from the Borrower or its Subsidiaries relating to such entities or their respective businesses, other than any such information that is available to any Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by such entities; provided that, in the case of information received from the Borrower or its Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Confidential Information as provided in this Section 9.14 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Confidential Information as such Person would accord to its own confidential information; provided, however, that with respect to disclosures pursuant to clauses (b) and (c) of this Section, unless prohibited by law or applicable court order, each Lender and the Administrative Agent shall attempt to notify the Borrower and its Subsidiaries of any request by any governmental agency or representative thereof or other Person for disclosure of Confidential Information after receipt of such request, and if reasonable, practicable and permissible, before disclosure of such Confidential Information. It is understood and agreed that the Borrower, its Subsidiaries and their respective Affiliates may rely upon this Section 9.14 for any purpose, including without limitation to comply with Regulation FD.

9.15. USA Patriot Act. Each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

SOUTHERN CALIFORNIA EDISON COMPANY

By: /s/ George T. Tabata

Name: George T. Tabata

Title: Assistant Treasurer

JPMORGAN CHASE BANK, N.A.,
as Administrative Agent, as Issuing Lender and as a
Lender

By: /s/ Anthony Preware

Name: Anthony Preware

Title: Vice President

CITICORP NORTH AMERICA, INC.,
as Syndication Agent and as a Lender

By: /s/ Nietzsche Rodricks

Name: Nietzsche Rodricks

Title: Vice President

[SIGNATURE PAGE TO SOUTHERN CALIFORNIA EDISON AMENDED AND RESTATED CREDIT AGREEMENT]

CREDIT SUISSE, CAYMAN ISLANDS BRANCH,
as Documentation Agent and as a Lender

By: /s/ Doreen Barr

Name: Doreen Barr

Title: Vice President

By: Nupur Kumar

Name: Nupur Kumar

Title: Associate

[SIGNATURE PAGE TO SOUTHERN CALIFORNIA EDISON CREDIT AGREEMENT]

LEHMAN BROTHERS BANK, FSB,
as Documentation Agent and as a Lender

By: /s/ Gary Taylor

Name: Gary Taylor

Title: Senior Vice President

[SIGNATURE PAGE TO SOUTHERN CALIFORNIA EDISON CREDIT AGREEMENT]

WELLS FARGO BANK, N.A.,
as Documentation Agent and as a Lender

By: /s/ Ling Li
Name: Ling Li
Title: Vice President

[SIGNATURE PAGE TO SOUTHERN CALIFORNIA EDISON CREDIT AGREEMENT]

Signature page to the Amended and Restated Credit Agreement, dated as of February 23, 2007,

CITY NATIONAL BANK, as a Lender

By: /s/ Brandon Feitelson

Name: Brandon Feitelson

Title: Vice President

[SIGNATURE PAGE TO SOUTHERN CALIFORNIA EDISON AMENDED AND RESTATED CREDIT AGREEMENT]

Signature page to the Amended and Restated Credit Agreement, dated as of February 23, 2007,

MERRILL LYNCH BANK USA, as a Lender

By: /s/ Louis Alder

Name: Louis Alder

Title: Director

Signature page to the Amended and Restated Credit Agreement, dated as of February 23, 2007,

SUNTRUST BANK, as a Lender

By: /s/ Sean Drinan

Name: Sean Drinan

Title: Director

Signature page to the Amended and Restated Credit Agreement, dated as of February 23, 2007,

THE ROYAL BANK OF SCOTLAND PLC, as a Lender

By: /s/ Emily Freedman

Name: Emily Freedman

Title: Vice President

Signature page to the Amended and Restated Credit Agreement, dated as of February 23, 2007,

DEUTSCHE BANK AG NEW YORK BRANCH,
as a Lender

By: /s/ Frederick W. Laird

Name: Frederick W. Laird

Title: Managing Director

By: /s/ Ming K. Chu

Name: Ming K. Chu

Title: Vice President

Signature page to the Amended and Restated Credit Agreement, dated as of February 23, 2007,

The BANK OF NEW YORK, as a Lender

By: /s/ Jesus Williams

Name: Jesus Williams

Title: Vice President

Signature page to the Amended and Restated Credit Agreement, dated as of February 23, 2007,

The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as a Lender

By: /s/ Maria Ferradas

Name: Maria Ferradas

Title: Vice President

Signature page to the Amended and Restated Credit Agreement, dated as of February 23, 2007,

AMB AMRO BANK N.V., as a Lender

By: /s/ Kris Grosshans

Name: Kris Grosshans

Title: Managing Director

By: /s/ Ece Bennett

Name: Ece Bennett

Title: Director

Signature page to the Amended and Restated Credit Agreement, dated as of February 23, 2007,

Union Bank of California, N.A., as a Lender

By: /s/ Efrain Soto

Name: Efrain Soto

Title: Vice President

Signature page to the Amended and Restated Credit Agreement, dated as of February 23, 2007,

WILLIAM STREET COMMITMENT CORPORATION (Recourse only to assets of William Street Commitment Corporation), as a Lender

By: /s/ Mark Walton

Name: Mark Walton

Title: Assistant Vice President

Signature page to the Amended and Restated Credit Agreement, dated as of February 23, 2007,

UBS LOAN FINANCE LLC, as a Lender

By: /s/ Richard L. Tavrow
Name: Richard L. Tavrow
Title: Director
Banking Product Services, US

By: /s/ Irja R. Otsa
Name: Irja R. Otsa
Title: Associate Director
Banking Product Services, US

Signature page to the Amended and Restated Credit Agreement, dated as of February 23, 2007,

MELLON BANK, N.A., as a Lender

By: /s/ Mark W. Rogers

Name: Mark W. Rogers
Vice President

CERTIFICATION

I, ALAN J. FOHRER, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, of Southern California Edison Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2007

/s/ ALAN J. FOHRER

Alan J. Fohrer
Chief Executive Officer

CERTIFICATION

I, THOMAS M. NOONAN, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, of Southern California Edison Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2007

/s/ THOMAS M. NOONAN

Thomas M. Noonan
Senior Vice President and Chief Financial Officer

**STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350, AS
ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 (the "Quarterly Report"), of Southern California Edison Company (the "Company"), and pursuant to 18 U.S.C. Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies, to the best of his knowledge, that:

1. The Quarterly Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2007

/s/ ALAN J. FOHRER

Alan J. Fohrer
Chief Executive Officer
Southern California Edison Company

THOMAS M. NOONAN

Thomas M. Noonan
Chief Financial Officer
Southern California Edison Company

This statement accompanies the Quarterly Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.