

HOW SOUTHERN CALIFORNIA EDISON MAKES MONEY

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Southern California Edison doesn't follow the typical business model of making a profit from the sale of its products and services. That is because the state of California, through the California Public Utilities Commission, wants to encourage customers to conserve power and to ensure investor-owned utilities like SCE continue investing in the electrical system infrastructure to keep it reliable. This separation of sales and profit means SCE doesn't make more money when sales increase.

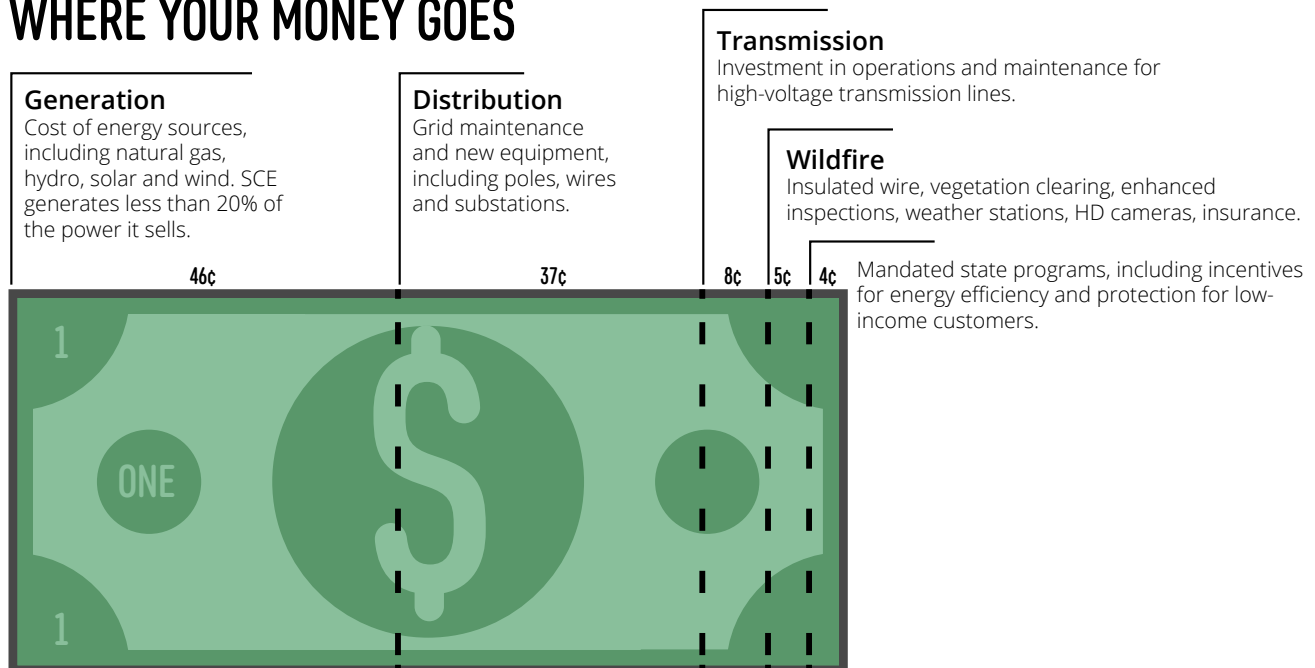
Typically, about 46 cents of each dollar pays for the cost of generating energy. Of that, nearly 41 cents is for power SCE purchases from other parties, such as developers of natural gas-fired plants and large-scale sources of renewable energy. These amounts are passed on to customers "at cost," with no markup. The other 5 cents pays for generation from facilities, which SCE invests in or owns, like the Big Creek Hydroelectric Project and the Mountainview natural gas-fired plant.

About 45 cents of each dollar goes to costs of transmission and distribution infrastructure, including day-to-day operations and maintenance expenses. About 5 cents goes to wildfire-related costs, such as making poles and wires more fire-resistant, vegetation clearance and enhancing aerial inspections, as well as costs of wildfire insurance. The remaining 4 cents includes costs for several state programs, including energy-efficiency incentives.

The commission reviews all these costs for each investor-owned utility every four years (previously three) through a transparent process called the General Rate Case, which includes public input and participation by groups such as the Public Advocates Office and The Utility Reform Network.

Through this process, the commission allows SCE to earn a fixed return on its capital investments — the infrastructure you see every day in your communities, such as poles, wires, substations, power plants and more. In sum, SCE does not earn revenue by selling electricity, but by building, operating and maintaining the electric grid that serves customers throughout its 50,000-square-mile service area.

WHERE YOUR MONEY GOES



*This breakdown shows SCE's costs to serve customers and implement state policies. It is based on calculations from June 2021.