

January 22, 2005

Mr. Robert G. Foster, President
Southern California Edison
8631 Rush Street; Building GO4
Rosemead, California 91770

Dear Mr. Foster:

Alan Edelstein, whose firm represents us at the Capital, spoke to you last year about our company, USCL Corporation. We are a Sacramento based firm that is pioneering sophisticated, cost-effective AMI devices that will respond to policymakers' interests while providing added value to utilities. Tommy Ross and Alan worked together in securing funding for a rollout of a demonstration project in SCE territory as discussed below.

Southern California Edison has the opportunity to position itself as the nation's leader in utility customer service and inexpensive sophisticated demand response. This will speak well to regulators and policymakers seeking to enhance customer information and demand response controls. This does not necessarily imply mass deployment of AMI.

The recent administrative law ruling at the CPUC concerning an Advanced Meter Infrastructure has caused SCE to do an extensive analysis of various AMI scenarios. As you know, all show a NPV or net present value to be far too negative for realistic consideration.

Key to cost effective AMI is a real time two-way communication link between the utility and the customer. This implies a customer user interface or information display that communicates in real time with the customer's electric meter and the utility. This allows greater return on investment through multiple cost center savings, and the establishment of new non-core revenue streams.

Secondly, the cost of the associated equipment must be very low. This requires a much higher level of integration between the various system components beyond the classical kWh meter interfaces, AMR modules, data collectors, and wide area network communications systems.

Cost of a system wide AMI can be reduced by a factor of 3 over the SCE best case projections. The in-home graphic user interface that communicates with the utility, power meter, and controls loads

such as HVAC, large appliances, etc., will be a part of such system. Operational efficiencies will be gained, customer service greatly enhanced, and new revenue streams generated.

The correct approach to accomplish this is to partner with a technical and management resource group which can define the project based on measurable and quantifiable milestones, and then invest in the engineering to reduce product cost to levels associated with high volume consumer electronics, and integration with a reliable and accepted meter manufacturer(s).

When handled properly, this would put SCE in the position of enabling the creation of state-of-the-art AMI system components and tools that truly allow customers to “*flex their power,*” when needed. The product can be offered to Southern California Edison customers under the SCE name. The product can also be offered to other utilities such as Pacific Gas & Electric who is now concerned with the cost effective deployment of an AMI topology to support 9 million gas and electric meters per their November 2, 2004 Press Release. In this instance the product might be marketed under the name “Edison International” as an example. Thus, any modest investment in the product commercialization may easily be recovered through future earnings based on product sales. Please see Exhibit “1” Pacific Gas & Electric November 2, 2004 Press Release, in the attached references.

One example of a large deployment of an AMI and related metering and display products is that of Enel Electric in the country of Italy. The project will ultimately target 27 million meters. Today approximately 13 million have been installed and connected. The monthly run rate is about 700,000. This technology has successfully incorporated a simple user display. Unfortunately, the display is very limiting in its presentation due to the age of the design and level of technological integration. Please refer to Exhibit “2” Enel Electric Meter Manual, in the attached references.

A much more state-of-the-art display and associated radio frequency based AMI made by USCL appears on page 26 through 29 of a recent Primen white paper on customer information display products as commissioned by Southern California Edison under the California SPP. Please refer to Exhibit “3” Primen Final Report, in the attached references.

The Primen Final Report notes that over the years many studies have been conducted which demonstrate that when consumers have direct real-time feedback concerning their power usage, they conserve when it is in their economic best interest to do so. Page 29 of this report references an article written by the undersigned and published in the September-October 1992 issue of *Public Power Magazine* wherein this concept was discussed and the specter raised that consumers would pay for this portion of an AMI. Please refer to Exhibit “4” Public Power Magazine article, in the attached references.

Southern California Edison and the County of Los Angeles is participating in a CPUC funded E-3792 Energy Efficiency partnership program with USCL Corporation, a Sacramento based company. The project will deploy 350 EMS-2020 units as described on page 28, paragraph 2 of the Primen white paper. It is anticipated that the initial installation will take place in April 2005.

It should be noted that this partnership is funded by three parties. SCE and Los Angeles County are funding slightly less than 2/3 of the project with funds allocated by the CPUC under the E-3792 grant program. USCL is contributing approximately \$60,000 to the project beyond its cost of goods sold.

USCL feels that it is important for this technology to be developed and demonstrated and therefore has made this investment. Please refer to Exhibit "5" Letter from Senator Tom Torlakson to Michael Peavey, President CPUC, in the attached references.

We suggest that SCE strongly explore and pursue a four-phase program. This would involve partnering to:

Phase 1 Current SCE & LA County beta site project. 350 units. Goal is to prove concept and user conservation efficacy and gain favor with State regulators. This is a little known yet highly visible project with various interested parties including Joe Desmond, Dr. Arthur Rosenfeld, and several CPUC Commissioners. On May 1, 2004 I made a personal presentation regarding this project with Governor Arnold Schwarzenegger and Vice Prime Minister, Ehud Olmert, State of Israel. Please see letter from Los Angeles County Supervisor Michael D. Antonovich to the Governor's office, Tel Aviv announcement with the Governor, and associated Los Angeles County Housing Authority presentation as Exhibit "6."

Phase 2 First pass cost reduction and technology assessment. 3,500 to 10,000 units. Goal is to insure product reliability, user interface optimization, and first pass cost reduction. Time frame of Q 2 to Q3 2005. Begin the process of introducing the product to other utilities for test such as PG&E.

Phase 3 "Next Generation" design implementing custom ICs and optimal reduced cost display technology. 50,000 to 250,000 units. Goal is to gain significant cost reduction and develop operating history to insure acceptable MTBF, customer satisfaction and begin marketing of non-core revenue opportunities. Time frame of Q2 2006.

Phase 4 Commercially viable product production. 250,000 to 10,000,000 units. Final integration of AMI communications electronics and meter metrology on one very low cost circuit board under license to major meter manufacturer such as Landis+Gyr. Time Frame Q4 2006.

The product will support all advanced metering functions to allow use of peak demand tariffs, time interval tariffs, real time pricing, CPP tariffs, remote connect and disconnect, revenue diversion detection, service outage and restoration reporting, and customer presentation of billing information.

Further, the product will enable future revenue stream generation by serving as an information, messaging, and advertising media delivery system, and the downloading of customer loyalty and coupon content through the internal smart card interface. As an example, the entire Sunday *LA Times* retail coupons can easily be downloaded to a consumer's smart card that may be read by participating retail outlets POS and cash collection systems.

The product will be produced under the protection of various patents and other forms of IP protection to insure SCE and its partners a proprietary position in the product, and substantially increase the barriers to entry of any future would be competitors. As of this writing, the first step has been taken through the filing of an U. S. provisional patent disclosure that will be fully prosecuted shortly. Please see Exhibit "7."

We are prepared to make the necessary presentations and proposals to your staff and various

departments charged with the investigation and preparation of recommendations in this emerging technology field. Please see Exhibit "8" AMI roadmap.

Thank you for your consideration.

Sincerely,
USCL Corporation

Tom D. Tamarkin
President & CEO

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Enclosures: Reference Exhibits

CC: Alan L. Edelstein, Edelstein & Gilbert