EDISON INTERNATIONAL
Form 10-Q
July 26, 2018

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

FORM 10-Q
(Mark One)

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018

o 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 | Exact Name of Registrant as specified in its charter | State or Other Jurisdiction of Incorporation or Organization | IRS Employer Identification Number |
|---|---|---|---|
| 1-9936 | EDISON INTERNATIONAL | California | 95-4137452 |
| 1-2313 | SOUTHERN CALIFORNIA EDISON COMPANY | California | 95-1240335 |

EDISON INTERNATIONAL
2244 Walnut Grove Avenue
(P.O. Box 976)
Rosemead, California 91770
(Address of principal executive offices)
(626) 302-2222
(Registrant's telephone number, including area code)

SOUTHERN CALIFORNIA EDISON COMPANY
2244 Walnut Grove Avenue
(P.O. Box 800)
Rosemead, California 91770
(Address of principal executive offices)
(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.
Edison International Yes þ No o Southern California Edison Company Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Edison International Yes þ No o Southern California Edison Company Yes þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-12 of the Exchange Act. (Check One):

| | Large Accelerated Filer | Accelerated Filer | Non-accelerated Filer | Smaller Reporting Company | Emerging growth company |
|---|---|---|---|---|---|
| Edison International | þ | ¨ | ¨ | ¨ | ¨ |

| | | | | | |
|---|---|---|---|---|---|
| Southern California Edison Company | Large Accelerated Filer ¨ | Accelerated Filer ¨ | Non-accelerated Filer þ | Smaller Reporting Company ¨ | Emerging growth company ¨ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.
Edison International o Southern California Edison Company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Edison International Yes ¨ No þ Southern California Edison Company Yes ¨ No þ

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

Common Stock outstanding as of July 23, 2018:

| | |
|---|---|
| Edison International | 325,811,206 shares |
| Southern California Edison Company | 434,888,104 shares |

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This is a combined Form 10-Q separately filed by Edison International and Southern California Edison Company. Information contained herein relating to an individual company is filed by such company on its own behalf.

GLOSSARY

The following terms and abbreviations appearing in the text of this report have the meanings indicated below.

| | |
|---|---|
| 2017 Form 10-K | Edison International's and SCE's combined Annual Report on Form 10-K for the year-ended December 31, 2017 |
| AFUDC | allowance for funds used during construction |
| ALJ | administrative law judge |
| ARO(s) | asset retirement obligation(s) |
| Bcf | billion cubic feet |
| bonus depreciation | Current federal tax deduction of a percentage of the qualifying property placed in service during periods permitted under tax laws |
| BRRBA | Base Revenue Requirement Balancing Account |
| CAISO | California Independent System Operator |
| Cal Fire | California Department of Forestry and Fire Protection |
| CCAs | Community Choice Aggregators which are cities, counties, and certain other public agencies with the authority to generate and/or purchase electricity for their local residents and businesses |
| CPUC | California Public Utilities Commission |
| December 2017 Wildfires | several wind-driven wildfires, including the Thomas Fire, that occurred in December 2017 and impacted portions of SCE's service territory |
| DERs | distributed energy resources |
| DOE | U.S. Department of Energy |
| DRP | Distributed Resources Plan |
| Edison Energy | Edison Energy, LLC, a wholly-owned subsidiary of Edison Energy Group that advises and provides energy solutions to large energy users |
| Edison Energy Group | Edison Energy Group, Inc., the holding company for subsidiaries engaged in competitive businesses focused on providing energy services, including distributed generation and/or storage, to commercial and industrial customers |
| EME | Edison Mission Energy |
| EME Settlement Agreement | Settlement Agreement by and among Edison Mission Energy, Edison International and the Consenting Noteholders identified therein, dated February 18, 2014 |
| ERRA | Energy Resource Recovery Account |
| FASB | Financial Accounting Standards Board |
| FERC | Federal Energy Regulatory Commission |
| GAAP | generally accepted accounting principles |
| GHG | greenhouse gas |
| GRC | general rate case |
| GWh | gigawatt-hours |
| HLBV | hypothetical liquidation at book value |
| IRS | Internal Revenue Service |
| Joint Proxy Statement | Edison International's and SCE's definitive Proxy Statement filed with the SEC in connection with Edison International's and SCE's Annual Shareholders' Meeting held on April 26, 2018 |
| MD&A | Management's Discussion and Analysis of Financial Condition and Results of Operations in this report |
| MHI | Mitsubishi Heavy Industries, Inc. and related companies |
| Montecito Mudslides | the mudslides and flooding in Montecito, Santa Barbara County, that occurred in January 2018 |
| MW | megawatts |

| | |
|---|---|
| MWdc | megawatts measured for solar projects representing the accumulated peak capacity of all the solar modules |
| NDCTP | Nuclear Decommissioning Cost Triennial Proceeding |

| | |
|---|---|
| NEIL | Nuclear Electric Insurance Limited |
| NEM | net energy metering |
| NERC | North American Electric Reliability Corporation |
| NOL | net operating loss |
| NRC | Nuclear Regulatory Commission |
| ORA | CPUC's Office of Ratepayers Advocates |
| OII | Order Instituting Investigation |
| OII Parties | SCE, SDG&E, The Alliance for Nuclear Responsibility, The California Large Energy Consumers Association, California State University, Citizens Oversight dba Coalition to Decommission San Onofre, the Coalition of California Utility Employees, the Direct Access Customer Coalition, Ruth Henricks, ORA, TURN, and Women's Energy Matters, all of whom are parties to the Revised San Onofre Settlement Agreement |
| Palo Verde | nuclear electric generating facility located near Phoenix, Arizona in which SCE holds a 15.8% ownership interest |
| PBOP(s) | postretirement benefits other than pension(s) |
| Prior San Onofre Settlement Agreement | San Onofre OII Settlement Agreement by and among TURN, ORA, SDG&E, the Coalition of California Utility Employees, and Friends of the Earth, dated November 20, 2014 |
| Revised San Onofre Settlement Agreement | Revised San Onofre OII Settlement Agreement among OII Parties, dated January 30, 2018 |
| ROE | return on common equity |
| S&P | Standard & Poor's Ratings Services |
| San Onofre | retired nuclear generating facility located in south San Clemente, California in which SCE holds a 78.21% ownership interest |
| San Onofre OII Settlement Agreement | Settlement Agreement by and among SCE, TURN, ORA, SDG&E, the Coalition of California Utility Employees, and Friends of the Earth, dated November 20, 2014 |
| SCE | Southern California Edison Company |
| SDG&E | San Diego Gas & Electric |
| SEC | U.S. Securities and Exchange Commission |
| SED | Safety and Enforcement Division of the CPUC |
| SoCalGas | Southern California Gas Company |
| SoCore Energy | SoCore Energy LLC, a former subsidiary of Edison Energy Group that was sold in April 2018 |
| TAMA | Tax Accounting Memorandum Account |
| Tax Reform | Tax Cuts and Jobs Act signed into law on December 22, 2017 |
| TURN | The Utility Reform Network |
| US EPA | U.S. Environmental Protection Agency |

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FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect Edison International's and SCE's current expectations and projections about future events based on Edison International's and SCE's knowledge of present facts and circumstances and assumptions about future events and include any statements that do not directly relate to a historical or current fact. Other information distributed by Edison International and 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 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 from those currently expected, or that otherwise could impact Edison International and SCE, include, but are not limited to the:

- ability of SCE to recover its costs through regulated rates, including costs related to uninsured wildfire-related and mudslide-related liabilities, spending on grid modernization and other capital spending incurred prior to explicit regulatory approval;
- ability to obtain sufficient insurance at a reasonable cost, including insurance relating to SCE's nuclear facilities and wildfire-related and mudslide-related exposure, and to recover the costs of such insurance or, in the absence of insurance, the ability to recover uninsured losses;
- decisions and other actions by the CPUC, the FERC, the NRC and other regulatory authorities, including determinations of authorized rates of return or return on equity, the 2018 GRC, the recoverability of wildfire-related and mudslide-related costs, and delays in regulatory actions;
- ability of Edison International or SCE to borrow funds and access the bank and capital markets on reasonable terms;
- actions by credit rating agencies to downgrade our credit ratings or those of our subsidiaries or to place those ratings on negative watch or outlook;
- risks associated with the decommissioning of San Onofre, including those related to public opposition, permitting, governmental approvals, on-site storage of spent nuclear fuel, and cost overruns;
- extreme weather-related incidents and other natural disasters (including earthquakes and events caused, or exacerbated, by climate change, such as wildfires), which could cause, among other things, public safety and operational issues;
- risks associated with cost allocation resulting in higher rates for utility bundled service customers because of possible customer bypass or departure due to CCAs;
- risks inherent in SCE's transmission and distribution infrastructure investment program, including those related to project site identification, public opposition, environmental mitigation, construction, permitting, power curtailment costs (payments due under power contracts in the event there is insufficient transmission to enable acceptance of power delivery), changes in the CAISO's transmission plans, and governmental approvals;
- risks associated with the operation of transmission and distribution assets and power generating facilities, including public safety issues, failure, availability, efficiency and output of equipment, and availability and cost of spare parts;
- physical security of Edison International's and SCE's critical assets and personnel and the cybersecurity of Edison International's and SCE's critical information technology systems for grid control, and business, employee and customer data;
- ability of Edison International to develop competitive businesses, manage new business risks, and recover and earn a return on its investment in newly developed or acquired businesses;
- changes in tax laws and regulations, at both the state and federal levels, or changes in the application of those laws, that could affect recorded deferred tax assets and liabilities and effective tax rate;
- changes in the fair value of investments and other assets;

- changes in interest rates and rates of inflation, including escalation rates (which may be adjusted by public utility regulators);

1

- governmental, statutory, regulatory, or administrative changes or initiatives affecting the electricity industry, including the market structure rules applicable to each market adopted by the NERC, CAISO, Western Electricity Council, and similar regulatory bodies in adjoining regions;
- availability and creditworthiness of counterparties and the resulting effects on liquidity in the power and fuel markets and/or the ability of counterparties to pay amounts owed in excess of collateral provided in support of their obligations;
- cost and availability of labor, equipment and materials;
- potential for penalties or disallowance for non-compliance with applicable laws and regulations; and
- cost of fuel for generating facilities and related transportation, which could be impacted by, among other things, disruption of natural gas storage facilities, to the extent not recovered through regulated rate cost escalation provisions or balancing accounts.

Additional information about risks and uncertainties, including more detail about the factors described in this report, is contained throughout this report and in the 2017 Form 10-K, including the "Risk Factors" section. Readers are urged to read this entire report, including information incorporated by reference, as well as the 2017 Form 10-K, and carefully consider the risks, uncertainties, and other factors that affect Edison International's and SCE's businesses. Forward-looking statements speak only as of the date they are made and neither Edison International nor SCE are obligated to publicly update or revise forward-looking statements. Readers should review future reports filed by Edison International and SCE with the SEC. Edison International and SCE provide direct links to certain SCE and other parties' regulatory filings and documents with the CPUC and the FERC and certain agency rulings and notices in open proceedings at www.edisoninvestor.com (SCE Regulatory Highlights) so that such filings, rulings and notices are available to all investors. Edison International and SCE post or provide direct links to certain documents and information related to Southern California wildfires which may be of interest to investors at www.edisoninvestor.com (Southern California Wildfires) in order to publicly disseminate such information. Edison International and SCE also routinely post or provide direct links to presentations, documents and other information that may be of interest to investors at www.edisoninvestor.com (Events and Presentations) in order to publicly disseminate such information.

The MD&A for the six months ended June 30, 2018 discusses material changes in the consolidated financial condition, results of operations and other developments of Edison International and SCE since December 31, 2017, and as compared to the six months ended June 30, 2017. This discussion presumes that the reader has read or has access to Edison International's and SCE's MD&A for the calendar year 2017 (the "year-ended 2017 MD&A"), which was included in the 2017 Form 10-K.

Except when otherwise stated, references to each of Edison International, SCE, or Edison Energy Group mean each such company with its subsidiaries on a consolidated basis. References to "Edison International Parent and Other" mean Edison International Parent and its consolidated competitive subsidiaries and "Edison International Parent" mean Edison International on a stand-alone basis, not consolidated with its subsidiaries.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

MANAGEMENT OVERVIEW

Highlights of Operating Results

Edison International is the parent holding company of SCE and Edison Energy Group. SCE is an investor-owned public utility primarily engaged in the business of supplying and delivering electricity to an approximately 50,000 square mile area of southern California. Edison Energy Group is a holding company for subsidiaries engaged in competitive business opportunities, including Edison Energy which provides energy services to commercial and industrial customers. Edison Energy Group's business activities are currently not material to report as a separate business segment. References to Edison International refer to the consolidated group of Edison International and its subsidiaries. References to Edison International Parent and Other refer to Edison International Parent and its competitive subsidiaries. Unless otherwise described, all the information contained in this report relates to both filers.

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|---|---|---|---|---|---|
| (in millions) | 2018 | 2017 | Change | 2018 | 2017 | Change |
| Net income (loss) attributable to Edison International | | | | | | |
| Continuing operations | | | | | | |
| SCE | $297 | $307 | $ (10) | $583 | $656 | $(73) |
| Edison International Parent and Other | (21) | (29) | 8 | (89) | (16) | (73) |
| Edison International | 276 | 278 | (2) | 494 | 640 | (146) |
| Less: Non-core items | | | | | | |
| SCE | — | — | — | — | — | — |
| Edison International Parent and Other | 2 | — | 2 | (42) | 1 | (43) |
| Total non-core items | 2 | — | 2 | (42) | 1 | (43) |
| Core earnings (losses) | | | | | | |
| SCE | 297 | 307 | (10) | 583 | 656 | (73) |
| Edison International Parent and Other | (23) | (29) | 6 | (47) | (17) | (30) |
| Edison International | $274 | $278 | $ (4) | $536 | $639 | $(103) |

Edison International's earnings are prepared in accordance with GAAP. Management uses core earnings (losses) internally for financial planning and for analysis of performance. Core earnings (losses) are also used when communicating with investors and analysts regarding Edison International's earnings results to facilitate comparisons of the company's performance from period to period. Core earnings (losses) are a non-GAAP financial measure and may not be comparable to those of other companies. Core earnings (losses) are defined as earnings attributable to Edison International shareholders less non-core items. Non-core items include income or loss from discontinued operations, income resulting from allocation of losses to tax equity investors under the HLBV accounting method and income or loss from significant discrete items that management does not consider representative of ongoing earnings, such as write downs, asset impairments and other gains and losses related to certain tax, regulatory, or legal settlements or proceedings, and exit activities, including sale of certain assets and other activities that are no longer continuing.

Edison International's second quarter 2018 earnings decreased $2 million from the second quarter of 2017, comprised of a decrease in SCE's earnings of $10 million and a decrease in Edison International Parent and Other's losses of $8 million. Edison International's earnings for the six months ended June 30, 2018 decreased $146 million from the six months ended 2017, comprised of a decrease in SCE's earnings of $73 million and an increase in Edison International Parent and Other's losses of $73 million. SCE's lower quarter and year-to-date earnings resulted from higher operation

and maintenance expenses related to wildfire insurance and higher net financing costs, partially offset by higher revenue. Revenue increased in 2018 due to a refund to customers for prior overcollections recorded in 2017. In the first half of 2018, operation and maintenance expenses were also higher due to increased line clearing activity. Edison International Parent and Other's decrease in losses for the three months ended June 30, 2018 was due to lower core losses of $6 million and higher non-core earnings of $2 million. The decrease in core losses was due to a goodwill

impairment recorded during 2017 and lower corporate expenses, partially offset by the impact of Tax Reform on pre-tax losses and tax benefits recorded in 2017 related to the settlement of 2007 – 2012 federal income tax audits.

Edison International Parent and Other's increase in losses for the six months ended June 30, 2018 was due to higher core losses of $30 million and higher non-core losses of $43 million. The increase in core losses was due to tax benefits recorded in 2017 related to stock option exercises and the settlement of 2007 – 2012 federal income tax audits along with the impact of Tax Reform on pre-tax losses, partially offset by a goodwill impairment recorded in 2017 and lower corporate expenses in 2018.

Consolidated non-core income of $2 million ($3 million pre-tax) and non-core losses of $42 million ($57 million pre-tax) for the three and six months ended June 30, 2018, respectively, primarily related to the sale of SoCore Energy. The non-core losses for the six months ended June 30, 2018 were partially offset by income related to losses (net of distributions) allocated to tax equity investors under the HLBV accounting method.

Southern California Wildfires

In December 2017, several wind-driven wildfires impacted portions of SCE's service territory and caused substantial damage to both residential and business properties and service outages for SCE customers. The largest of these fires, known as the Thomas Fire, originated in Ventura County and burned acreage located in both Ventura and Santa Barbara Counties. According to the most recent California Department of Forestry and Fire Protection incident information reports, the Thomas Fire burned over 280,000 acres, destroyed an estimated 1,063 structures, damaged an estimated 280 structures and resulted in one fatality.

Determining wildfire origin and cause is often a complex and time-consuming process, and several investigations into the facts and circumstances of the Thomas Fire are believed to be ongoing. SCE has been advised that the origins and causes of the fire are being investigated by Cal Fire and the Ventura County Fire Department. In connection with its investigation of the Thomas Fire, Cal Fire has removed and retained certain of SCE's equipment that was located near suspected ignition points of the fire. The CPUC's SED is also conducting an investigation to assess the compliance of SCE and its facilities with applicable rules and regulations in areas impacted by the Thomas Fire. In addition, as it does in all wildfire matters in which its facilities may or are alleged to be involved, SCE is conducting its own review of the Thomas Fire. SCE's internal review of the Thomas Fire is complex and examines various matters including the number of ignition points, the location of those ignition points, fire progression and the attribution of damages to fires potentially ignited at separate ignition points. Due to these complexities, SCE cannot predict when its own review, or the investigations of Cal Fire, the Ventura County Fire Department or the SED, will be completed.

SCE is aware of multiple lawsuits filed related to the Thomas Fire naming SCE as a defendant. A number of the lawsuits also name Edison International as a defendant. Certain California courts have previously found utilities to be strictly liable for property damage, regardless of fault, by applying the theory of inverse condemnation when a utility's facilities were determined to be a substantial cause of a wildfire that caused the property damage. The extent of potential liability for December 2017 Wildfire-related damages depends on a number of factors, including whether SCE substantially caused, or contributed to, the damages and whether parties seeking recovery of damages will be required to show negligence in addition to causation.

Given the ongoing uncertainty as to the causes of the Thomas Fire, the complexity of several potential ignition points, and the potential for separate damages to be attributable to fires ignited at separate ignition points, Edison International and SCE are currently unable to reasonably estimate a range of losses that may be incurred, but such losses may be material.

For events that occurred in 2017, principally the December 2017 Wildfires, SCE has approximately $1 billion of wildfire-specific insurance coverage, subject to a self-insured retention of $10 million per occurrence. Various coverage limitations within the policies that make up SCE's wildfire insurance coverage could result in material self-insured costs in the event of multiple wildfire occurrences during a policy period. Should responsibility for a significant portion of the damages related to the December 2017 Wildfires be attributed to SCE, SCE's insurance may not be sufficient to cover all such damages. In addition, SCE may not be authorized to recover its uninsured damages

through electric service rates if, for example, the CPUC finds that the damages were incurred because SCE did not prudently manage its facilities.

Edison International and SCE are pursuing legislative, regulatory and legal strategies to address the application of a strict liability standard to wildfire-related damages without the ability to recover resulting damages in rates. Edison International and SCE cannot predict whether or when a solution mitigating the significant risk faced by a California investor-owned utility related to wildfires will be achieved.

For further information, see "Notes to Consolidated Financial Statements—Note 12. Commitments and Contingencies—Contingencies—Southern California Wildfires" and "Legal Proceedings—December 2017 Wildfire Litigation."

Current Wildfire Insurance Coverage

SCE has approximately $1 billion of wildfire-specific insurance coverage for events that may occur during the period June 1, 2018 through December 30, 2018 and approximately $940 million of wildfire-specific insurance coverage for events that may occur during the period December 31, 2018 through May 31, 2019. SCE may obtain additional wildfire insurance for these time periods in the future. SCE's insurance coverage for wildfire-related claims is subject to a self-insured retention of $10 million per occurrence. Various coverage limitations within the policies that make up SCE's wildfire insurance coverage could result in material self-insured costs in the event of multiple wildfire occurrences during a policy period or in the event of an exceptionally large wildfire.

SCE's cost of obtaining wildfire insurance coverage has increased significantly as a result of, among other things, the December 2017 Wildfires. Based on policies currently in effect, SCE anticipates that its wildfire insurance expense, prior to any regulatory deferrals, will total approximately $237 million during 2018. SCE has requested approval from the CPUC for regulatory mechanisms to track and recover wildfire insurance premiums in excess of the amounts that are ultimately approved in a 2018 GRC decision.

For further information, see "Notes to Consolidated Financial Statements—Note 12. Commitments and Contingencies—Contingencies—Southern California Wildfires—Current Wildfire Insurance Coverage."

Montecito Mudslides

In January 2018, torrential rains in Santa Barbara County produced mudslides and flooding in Montecito and surrounding areas. According to Santa Barbara County initial reports, the Montecito Mudslides destroyed an estimated 135 structures, damaged an estimated 324 structures and resulted in at least 21 fatalities, with two additional fatalities presumed.

Of the lawsuits mentioned above, several allege that SCE has responsibility for the Thomas Fire and that the Thomas Fire proximately caused the Montecito Mudslides, resulting in the plaintiffs' claimed damages. Some of the Montecito Mudslides lawsuits also name Edison International as a defendant. Edison International and SCE are currently unable to predict the outcome of the claims made against SCE and Edison International or reasonably estimate a range of losses that may be incurred. SCE and Edison International's potential liability related to the Montecito Mudslides could be material, SCE's insurance may not be sufficient to cover such damages, and SCE may not be authorized to recover any uninsured damages in rates.

For further information, see "Notes to Consolidated Financial Statements—Note 12. Commitments and Contingencies—Contingencies—Montecito Mudslides" and "Legal Proceedings—Montecito Mudslides Litigation."

Permanent Retirement of San Onofre

Entry into Revised Settlement Agreement

As discussed in the year-ended 2017 MD&A, on January 30, 2018, the OII Parties entered into a Revised San Onofre Settlement Agreement in the CPUC OII proceeding regarding the steam generator replacement project at San Onofre and the related outages and subsequent shutdown of San Onofre. If approved by the CPUC, the Revised San Onofre Settlement Agreement will resolve all issues under consideration in the San Onofre OII and will modify the Prior San Onofre Settlement Agreement. If approved by the CPUC, the Revised San Onofre Settlement Agreement will also result in the dismissal of a federal lawsuit currently pending in the Ninth Circuit Court of Appeals challenging the CPUC's authority to permit rate recovery of San Onofre costs. The Revised San Onofre Settlement Agreement was the result of multiple mediation sessions in 2017 and January 2018 and was signed on January 30, 2018 following a settlement conference in the OII, as required under CPUC rules.

In June 2018, the CPUC issued a proposed decision approving all of the terms of the Revised San Onofre Settlement Agreement other than a provision under which SCE and SDG&E agreed to fund an aggregate of $12.5 million for a Research, Development and Demonstration program intended to develop technologies and methodologies to reduce greenhouse gas emissions (the "GHG Reduction Funding Program"). On July 12, 2018, SCE and certain of the other OII Parties filed comments with the CPUC recommending that the CPUC modify the proposed decision to approve the Revised San Onofre Settlement Agreement in its entirety. Certain parties to the San Onofre OII have also filed comments with the CPUC asserting their respective positions regarding the Revised San Onofre Settlement Agreement, including suggesting alternatives to the elimination of the GHG Reduction Funding Program. On July 26, 2018, the CPUC approved the terms of the Revised San Onofre Settlement Agreement subject to the OII Parties eliminating the GHG Reduction Funding Program provision. The OII Parties, or a sufficient sub-set of the OII Parties, have ten days from July 26, 2018 to file a notice with the CPUC accepting elimination of the GHG Reduction Funding provision from the Revised San Onofre Settlement Agreement (the "Proposed Modification"). The Revised San Onofre Settlement Agreement with the Proposed Modification will become effective upon filing and service of the notice. If the OII Parties, or a sufficient sub-set of the OII Parties, do not file a notice accepting the Proposed Modification, the assigned ALJ will issue a ruling scheduling evidentiary hearings on the outstanding issues.

For further information, see "Notes to Consolidated Financial Statements—Note 12. Commitments and Contingencies—Contingencies—Permanent Retirement of San Onofre."

Capital Program

Total capital expenditures (including accruals) were $1.9 billion and $1.4 billion for the first six months of 2018 and 2017, respectively. SCE's capital spending for the first six months of 2018 was consistent with its 2018 plan and SCE continues to project 2018 capital expenditures of approximately $4.2 billion for 2018. As discussed in the year-ended 2017 MD&A, in the absence of a 2018 GRC decision, SCE has developed, and is executing against, a 2018 capital expenditure plan that will allow SCE to ramp up its capital spending program over the three-year GRC period to meet what is ultimately authorized in the 2018 GRC decision while minimizing the associated risk of unauthorized spending. Capital spending in 2019 and 2020 will be dependent upon the amount approved in a 2018 GRC decision. As discussed below, recent regulatory activity outside the 2018 GRC will also impact capital spending.

In May 2018, the CPUC issued a final decision approving a transportation electrification program to fund medium- and heavy-duty vehicle charging infrastructure, which would increase forecast capital spending by $38 million and $78 million in 2019 and 2020, respectively, and weighted average annual rate base by $19 million and $78 million in 2019 and 2020, respectively, in comparison to the forecast provided in the year-ended 2017 MD&A. See "—Distribution Grid Development—Transportation Electrification Programs."

In April 2018, the CPUC issued a proposed decision and in July 2018 the CPUC issued an alternate proposed decision, both denying SCE's ability to construct the Alberhill System Project based on a perceived lack of need. The alternate proposed decision would deny the Alberhill System Project without prejudice, such that SCE may re-submit an application containing new or updated information demonstrating a need for the project. SCE continues to believe the Alberhill System Project is needed and is unable to predict the outcome of this matter. SCE has filed comments on both the proposed decision and alternate proposed decision requesting that the CPUC grant the certificate of public convenience and necessity for the Alberhill System Project. If the project is ultimately cancelled, SCE's 2019 and 2020 forecast capital spending would be reduced by $35 million and $51 million, respectively, and its weighted average annual rate base for 2018, 2019 and 2020 would be reduced by $26 million, $60 million and $100 million, respectively, in comparison to the forecast provided in the year-ended 2017 MD&A.

Forecasted expenditures for capital projects are subject to change due to, among other things, timeliness of permitting, licensing, regulatory approvals, and contractor bids. For further information regarding the capital program, see "Liquidity and Capital Resources—SCE—Capital Investment Plan."

Distribution Grid Development

Charge Ready Program

In January 2016, the CPUC approved SCE's $22 million Charge Ready Program Pilot, which allows SCE to install light-duty electric vehicle charging infrastructure, provide rebates to offset the cost of qualified customer-owned charging stations, and implement a supporting marketing, education, and outreach campaign. As of June 30, 2018, SCE had executed agreements and reserved funding for 79 sites to deploy 1,266 charge ports. The results of this pilot have helped shape Charge Ready 2, phase 2 of the Charge Ready program. In June 2018, SCE filed an application to obtain approval for Charge Ready 2. In the application, SCE requested approval to install infrastructure and provide rebates to support 48,000 new electric vehicle charging ports as part of a four-year, $760 million ($561 million capital) program, which will also include a marketing, education, and outreach campaign. SCE is unable to estimate the amount of capital that will be approved in connection with Charge Ready 2.

Transportation Electrification Programs

In January 2017, SCE filed an application with the CPUC requesting approval of transportation electrification programs to accelerate the adoption of electric transportation, which is critical to California's climate change and GHG reduction objectives. The application proposed a five-year program to fund medium- and heavy-duty vehicle charging infrastructure that follows the model developed for SCE's Charge Ready program, as well as six pilot projects to be considered on an accelerated basis. In January 2018, the CPUC issued a final decision approving five pilot projects with a budget of $16 million ($10 million in capital). In May 2018, the CPUC issued a final decision approving the five-year program, with certain modifications, to install charging infrastructure to support the electrification of 8,490 medium- and heavy-duty electric vehicles at 870 sites, which must be fully contracted for by 2024. The final decision includes an approved five-year budget of $356 million ($242 million capital) in 2016 dollars or $407 million ($268 million capital) in nominal dollars.

SCE plans to propose additional programs and pilots in the future.

2018 General Rate Case

As discussed in the year-ended 2017 MD&A, SCE's GRC proceeding for the three-year period 2018 – 2020 is pending. SCE has requested a revenue requirement of $5.534 billion for its test year of 2018, a $106 million decrease from the 2017 GRC authorized revenue requirement, and revenue requirements for the post-test years of 2019 and 2020 of $5.965 billion and $6.468 billion, respectively.

A final 2018 GRC decision is not expected until later in 2018. Until a 2018 GRC decision is issued, SCE is recognizing revenue in 2018 based on the 2017 authorized revenue requirement, adjusted for the July 2017 cost of capital decision and Tax Reform. The CPUC has approved the establishment of a GRC memorandum account, which will make the 2018 revenue requirement adopted by the CPUC effective as of January 1, 2018. SCE cannot predict the revenue requirement the CPUC will authorize or provide assurance on the timing of a final decision.

RESULTS OF OPERATIONS

Southern California Edison Company

SCE's results of operations are derived mainly through two sources:

- Earning activities – representing revenue authorized by the CPUC and FERC, which is intended to provide SCE a reasonable opportunity to recover its costs and earn a return on its net investment in generation, transmission, and distribution assets. The annual revenue requirements are comprised of authorized operation and maintenance costs, depreciation, taxes, and a return consistent with the capital structure. Also, included in earnings activities are revenues or penalties related to incentive mechanisms, other operating revenue, and regulatory charges or disallowances.
- Cost-recovery activities – representing CPUC- and FERC- authorized balancing accounts, which allow for recovery of specific project or program costs, subject to reasonableness review or compliance with upfront standards.

Cost-recovery activities include rates which provide recovery, subject to reasonableness review of, among other things, fuel costs, purchased power costs, public purpose related-program costs (including energy efficiency and

demand-side management programs), and certain operation and maintenance expenses. SCE earns no return on these activities.

The following table is a summary of SCE's results of operations for the periods indicated.

Three months ended June 30, 2018 versus June 30, 2017

| (in millions) | Three months ended June 30, 2018 | | | Three months ended June 30, 2017 | | |
|---|---|---|---|---|---|---|
| | Earning Activities | Cost-Recovery Activities | Total Consolidated | Earning Activities | Cost-Recovery Activities | Total Consolidated |
| Operating revenue | $1,535 | $1,268 | $ 2,803 | $1,584 | $ 1,369 | $ 2,953 |
| Purchased power and fuel | — | 1,112 | 1,112 | — | 1,175 | 1,175 |
| Operation and maintenance[1] | 512 | 182 | 694 | 473 | 202 | 675 |
| Depreciation and amortization | 462 | — | 462 | 510 | — | 510 |
| Property and other taxes | 97 | — | 97 | 84 | 1 | 85 |
| Other operating income | (1) | — | (1) | — | — | — |
| Total operating expenses | 1,070 | 1,294 | 2,364 | 1,067 | 1,378 | 2,445 |
| Operating income | 465 | (26) | 439 | 517 | (9) | 508 |
| Interest expense | (162) | (2) | (164) | (146) | — | (146) |
| Other income and expenses[1] | 22 | 28 | 50 | 24 | 9 | 33 |
| Income before income taxes | 325 | — | 325 | 395 | — | 395 |
| Income tax (benefits) expense | (2) | — | (2) | 57 | — | 57 |
| Net income | 327 | — | 327 | 338 | — | 338 |
| Preferred and preference stock dividend requirements | 30 | — | 30 | 31 | — | 31 |
| Net income available for common stock | $297 | $— | $ 297 | $307 | $ — | $ 307 |
| Net income available for common stock | | | $ 297 | | | $ 307 |
| Less: | | | | | | |
| Non-core earnings | | | — | | | — |
| Core earnings[2] | | | $ 297 | | | $ 307 |

[1] Expenses for the three months ended June 30, 2017 were updated to reflect the implementation of the accounting standard update for net periodic benefit costs related to the defined benefit pension and other postretirement plans. For further information, see Note 1 in the "Notes to Consolidated Financial Statements."

[2] See use of non-GAAP financial measures in "Management Overview—Highlights of Operating Results."

Earning Activities

Earning activities were primarily affected by the following:

- Lower operating revenue of $49 million primarily due to the following:
- A decrease of $10 million in CPUC revenue primarily resulting from recognizing 2018 revenue based on the 2017 authorized revenue requirement, adjusted for the July 2017 cost of capital decision and the impact of Tax Reform, partially offset by a $17 million revenue reduction recorded in 2017 for a refund to customers of prior overcollections. See "Management Overview—2018 General Rate Case" for further information.
- A decrease in FERC revenue of $16 million primarily due to the reduction in the federal corporate income tax rate resulting from Tax Reform.
- A decrease in revenue related to San Onofre of $49 million related to the 2017 recovery of amortization of the San Onofre regulatory asset (offset in depreciation and amortization below) and authorized return as provided by the Prior San Onofre Settlement Agreement. There was no revenue recorded in 2018 for San Onofre as a result of the Revised San Onofre Settlement Agreement (see "Management Overview—Permanent Retirement of San Onofre" for further information).
- An increase in revenue of $23 million related to tax balancing account activities (offset in income taxes below), consisting of $41 million of lower 2018 incremental tax benefits refunded to customers partially offset by $18 million resulting from the amortization of excess deferred tax assets as a result of Tax Reform. See the year-ended 2017 MD&A, "Management Overview—Tax Reform" for further information.
- Higher operation and maintenance costs of $39 million primarily due to higher insurance premiums associated with wildfire insurance (see "Management Overview—Southern California Wildfires—Current Wildfire Insurance Coverage" for further information).
- Lower depreciation and amortization expense of $48 million primarily related to the amortization of the San Onofre regulatory asset in 2017 (offset in revenue above) and lower intangible plant amortization.
- Higher property and other taxes of $13 million primarily due to higher assessed values for property taxes in 2018.
- Higher interest expense of $16 million primarily due to increased borrowings and higher interest on balancing account overcollections.
- Lower income tax expense of $59 million primarily due to lower pre-tax income for the second quarter of 2018 at a lower federal income tax rate. In addition, SCE had lower tax benefits refunded to customers in 2018 offset by tax benefits from the amortization of excess deferred tax assets as a result of Tax Reform (offset in revenue above). See the year-ended 2017 MD&A, "Management Overview—Tax Reform" for further information.

Cost-Recovery Activities

Cost-recovery activities were primarily affected by the following:

- Lower purchased power and fuel costs of $63 million primarily driven by the receipt of settlement funds related to the California energy crisis of 2000 and 2001 and higher congestion revenue right credits, partially offset by higher power volume experienced in 2018 relative to 2017.
- Lower operation and maintenance expense of $20 million primarily driven by lower employee benefit costs and lower spending on various public purpose programs.
- Higher other income and expenses of $19 million primarily driven by higher net periodic benefit income related to the non-service cost components in 2018 relative to 2017. See "Notes to Consolidated Financial Statements—Note 9. Compensation and Benefit Plans" for further information.

The following table is a summary of SCE's results of operations for the periods indicated.

Six months ended June 30, 2018 versus June 30, 2017

| (in millions) | Six months ended June 30, 2018 | | | Six months ended June 30, 2017 | | |
|---|---|---|---|---|---|---|
| | Earning Activities | Cost-Recovery Activities | Total Consolidated | Earning Activities | Cost-Recovery Activities | Total Consolidated |
| Operating revenue | $3,048 | $2,309 | $ 5,357 | $3,136 | $ 2,273 | $ 5,409 |
| Purchased power and fuel | — | 2,038 | 2,038 | — | 1,959 | 1,959 |
| Operation and maintenance[1] | 1,021 | 324 | 1,345 | 922 | 333 | 1,255 |
| Depreciation and amortization | 921 | — | 921 | 1,007 | — | 1,007 |
| Property and other taxes | 202 | — | 202 | 181 | 1 | 182 |
| Other operating income | (2) | — | (2) | — | — | — |
| Total operating expenses | 2,142 | 2,362 | 4,504 | 2,110 | 2,293 | 4,403 |
| Operating income | 906 | (53) | 853 | 1,026 | (20) | 1,006 |
| Interest expense | (317) | (2) | (319) | (287) | — | (287) |
| Other income and expenses[1] | 46 | 55 | 101 | 48 | 20 | 68 |
| Income before income taxes | 635 | — | 635 | 787 | — | 787 |
| Income tax (benefits) expense | (8) | — | (8) | 69 | — | 69 |
| Net income | 643 | — | 643 | 718 | — | 718 |
| Preferred and preference stock dividend requirements | 60 | — | 60 | 62 | — | 62 |
| Net income available for common stock | $583 | $— | $ 583 | $656 | $ — | $ 656 |
| Net income available for common stock | | | $ 583 | | | $ 656 |
| Less: | | | | | | |
| Non-core earnings | | | — | | | — |
| Core earnings[2] | | | $ 583 | | | $ 656 |

[1] Expenses for the six months ended June 30, 2017 were updated to reflect the implementation of the accounting standard update for net periodic benefit costs related to the defined benefit pension and other postretirement plans. For further information, see Note 1 in the "Notes to Consolidated Financial Statements."

[2] See use of non-GAAP financial measures in "Management Overview—Highlights of Operating Results."

Earning Activities

Earning activities were primarily affected by the following:

- Lower operating revenue of $88 million primarily due to the following:
- A decrease of $49 million in CPUC revenue primarily resulting from recognizing 2018 revenue based on the 2017 authorized revenue requirement, adjusted for the July 2017 cost of capital decision and the impact of Tax Reform, partially offset by a $17 million revenue reduction in 2017 for a refund to customers of prior overcollections. See "Management Overview—2018 General Rate Case" for further information.
- A decrease in FERC revenue of $32 million primarily due to the reduction in the federal corporate income tax rate resulting from Tax Reform.
- A decrease in revenue related to San Onofre of $26 million of which $91 million related to the recovery of amortization of the San Onofre regulatory asset (offset in depreciation and amortization) and authorized return as provided by the Prior San Onofre Settlement Agreement, partially offset by a $65 million reduction in 2017 revenue related to the tax abandonment of San Onofre (offset in income taxes below). There was no revenue recorded in 2018 for San Onofre as a result of the Revised San Onofre Settlement Agreement (see "Management Overview—Permanent Retirement of San Onofre" for further information).

- An increase in revenue of $17 million related to tax balancing account activities (offset in income taxes below), consisting of $53 million of lower 2018 incremental tax benefits refunded to customers partially offset by $36 million

resulting from the amortization of excess deferred tax assets as a result of Tax Reform. See the year-ended 2017 MD&A, "Management Overview—Tax Reform" for further information.

- Higher operation and maintenance costs of $99 million primarily due to higher insurance premiums associated with wildfire insurance and higher transmission and distribution costs for line clearing (see "Management Overview—Southern California Wildfires—Current Wildfire Insurance Coverage" for further information).
- Lower depreciation and amortization expense of $86 million primarily related to the amortization of the San Onofre regulatory asset in 2017 (offset in revenue above) and lower intangible plant amortization.
- Higher property and other taxes of $21 million primarily due to higher assessed values for property taxes in 2018.
- Higher interest expense of $30 million primarily due to increased borrowings and higher interest on balancing account overcollections.
- Lower income tax expense of $77 million primarily due to lower pre-tax income for the first six months of 2018 at a lower federal income tax rate partially offset by higher tax benefits in 2017 primarily related to the ratemaking treatment on the San Onofre tax abandonment. In addition, SCE had lower tax benefits refunded to customers in 2018 offset by tax benefits from the amortization of excess deferred tax assets as a result of Tax Reform (offset in revenue above). See the year-ended 2017 MD&A, "Management Overview—Tax Reform" for further information.

Cost-Recovery Activities

Cost-recovery activities were primarily affected by the following:

- Higher purchased power and fuel costs of $79 million primarily driven by higher power prices and volume experienced in 2018 relative to 2017, partially offset by higher congestion revenue right credits and the receipt of settlement funds related to the California energy crisis.
- Lower operation and maintenance expense of $9 million primarily driven by lower spending on various public purpose programs, partially offset by higher transmission access charges.
- Higher other income and expenses of $35 million primarily driven by higher net periodic benefit income related to the non-service cost components in 2018 relative to 2017. See "Notes to Consolidated Financial Statements—Note 9. Compensation and Benefit Plans" for further information.

Supplemental Operating Revenue Information

SCE's retail billed and unbilled revenue (excluding wholesale sales) was $2.6 billion and $2.7 billion for the three months ended June 30, 2018 and 2017, respectively, and $5.0 billion for both the six months ended June 30, 2018 and 2017.

Retail billed and unbilled revenue for the three months ended June 30, 2018 was lower compared to the same period in 2017 due to the cessation of revenue for San Onofre resulting from the Revised San Onofre Settlement Agreement and refunds to customers for the California energy crisis settlement funds received during 2018.

As a result of the CPUC-authorized decoupling mechanism, SCE earnings are not affected by changes in retail electricity sales (see "Business—SCE—Overview of Ratemaking Process" in the 2017 Form 10-K).

Income Taxes

SCE's income tax expense decreased by $59 million and $77 million for the three and six months ended June 30, 2018 compared to the same periods in 2017.

The effective tax rates were (0.6)% and 14.4% for the three months ended June 30, 2018 and 2017, respectively. The effective tax rates were (1.3)% and 8.8% for the six months ended June 30, 2018 and 2017, respectively. SCE's effective tax rate is below the federal statutory rate of 21% and 35% for 2018 and 2017, respectively, primarily due to CPUC's ratemaking treatment for the current tax benefit arising from certain property-related and other temporary differences, which reverse over time. The accounting treatment for these temporary differences results in recording regulatory assets and liabilities for amounts that would otherwise be recorded to deferred income tax expense. The effective tax rate decrease for the three and six months ended June 30, 2018 was primarily due to lower pre-tax income at a lower federal tax rate. The effective tax rate decrease for the six months ended June 30, 2017 included the ratemaking treatment on the San Onofre tax abandonment.

See "Notes to Consolidated Financial Statements—Note 8. Income Taxes" for a reconciliation of the federal statutory rate to the effective income tax rates.

Edison International Parent and Other

Results of operations for Edison International Parent and Other include amounts from other Edison International subsidiaries that are not significant as a reportable segment, as well as intercompany eliminations.

Income from Continuing Operations

The following table summarizes the results of Edison International Parent and Other:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2018 | 2017 | 2018 | 2017 |
| Edison Energy Group and subsidiaries | $(3) | $(17) | $(55) | $(23) |
| Corporate expenses and other subsidiaries | (18) | (12) | (34) | 7 |
| Total Edison International Parent and Other | $(21) | $(29) | $(89) | $(16) |

The loss from continuing operations of Edison International Parent and Other decreased $8 million and increased $73 million for the three and six months ended June 30, 2018, respectively, compared to the same periods in 2017 primarily due to:

- Impact of the 2018 sale and associated goodwill impairment in 2017 for SoCore Energy, resulting in a $12 million decrease in losses for the three months ended June 30, 2018 and $36 million increase in losses for the six months ended June 30, 2018.
- Lower income tax benefits of $1 million and $36 million related to stock option exercises for the three and six months ended June 30, 2018, respectively, the impact of Tax Reform on pre-tax losses, and $6 million of tax benefits recorded in 2017 related to the settlement of 2007 – 2012 federal income tax audits, partially offset by lower corporate expenses.

LIQUIDITY AND CAPITAL RESOURCES

Southern California Edison Company

SCE's ability to operate its business, fund capital expenditures, and implement its business strategy is dependent upon its cash flow and access to the bank and capital markets. SCE's overall cash flows fluctuate based on, among other things, its ability to recover its costs in a timely manner from its customers through regulated rates, changes in commodity prices and volumes, collateral requirements, interest obligations and any dividend payments to Edison International and preferred and preference shareholders, and the outcome of tax and regulatory matters.

In the next 12 months, SCE expects to fund its cash requirements through operating cash flows, tax benefits, and capital market financings of debt and preferred equity, as needed. SCE also has availability under its credit facility to fund cash requirements.

SCE's credit ratings remained at investment grade levels during the first six months of 2018. However, SCE's credit rating is currently under negative outlook from Moody's Investor Services Inc. and S&P, and under negative watch from Fitch Ratings. SCE's credit ratings may be affected by the ultimate outcome of pending enforcement and litigation matters, including the outcome of the uncertainties and potential liabilities associated with the December 2017 Wildfires and the Montecito Mudslides, and the underlying inverse condemnation exposure risk created by wildfires. Credit rating downgrades may increase the cost and impact the availability of short-term and long-term borrowings, including commercial paper, credit facilities, bond financings or other borrowings. In addition, some of SCE's power procurement contracts contain provisions that require SCE to maintain an investment grade rating from the major credit rating agencies. For further details, see "—Margin and Collateral Deposits."

Available Liquidity

In May 2018, SCE amended its multi-year revolving credit facility to increase the facility from $2.75 billion to $3.0 billion. At June 30, 2018, SCE had approximately $2.60 billion available under its credit facility. The credit facility is available for borrowing needs until May 2023 and contains two 1-year extension options. In March and June 2018,

SCE issued $1.25 billion and $650 million, respectively, of first and refunding mortgage bonds. The proceeds from these bonds were used to repay commercial paper borrowings and for general corporate purposes. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements."

SCE may finance balancing account undercollections and working capital requirements to support operations and capital expenditures with commercial paper, its credit facility or other borrowings, subject to availability in the bank and capital markets. As necessary, SCE will utilize its available liquidity, capital market financings of debt and preferred equity or parent company contributions to SCE equity in order to meet its obligations as they become due, including any potential costs related to the December 2017 Wildfires and Montecito Mudslides (see "Management Overview—Southern California Wildfires" and "—Montecito Mudslides" for further information).

Debt Covenant

A debt covenant in SCE's credit facility limits its debt to total capitalization ratio to less than or equal to 0.65 to 1.

At June 30, 2018, SCE's debt to total capitalization ratio was 0.46 to 1.

At June 30, 2018, SCE was in compliance with all other financial covenants that affect access to capital.

Capital Investment Plan

Below are updates for large transmission and substation projects since the filing of the 2017 Form 10-K. For further information on these projects, see "Liquidity and Capital Resources—SCE—Capital Investment Plan—Major Transmission Projects" in the year-ended 2017 MD&A.

Major Transmission Projects

Alberhill System

The Alberhill System Project would consist of constructing a new 500-kV substation, two 500-kV transmission lines to connect the proposed substation to the existing Serrano-Valley 500-kV transmission line, telecommunication equipment and subtransmission lines in unincorporated and incorporated portions of western Riverside County. The Project was designed to meet long-term forecasted electrical demand in the proposed Alberhill System Project area and to increase electrical system reliability. In April 2018, the CPUC issued a proposed decision and in July the CPUC issued an alternate proposed decision, both denying SCE's request for a certificate of public convenience and necessity based on the presiding administrative law judge's conclusion that the Alberhill System Project is not needed. The alternate proposed decision would deny the Alberhill System Project without prejudice, such that SCE may re-submit an application if new or updated information demonstrates a need for the project. SCE continues to believe the Alberhill System Project is needed to serve forecasted local area demand and to increase operating flexibility. SCE has filed comments on both the proposed decision and alternate proposed decision requesting that the CPUC grant the certificate of public convenience and necessity for the Alberhill System Project. A final CPUC decision is anticipated in 2018. SCE is unable to predict the outcome of this matter.

Approximately 48% of the Alberhill System Project costs spent to date would be subject to recovery through CPUC revenue and 52% through FERC revenue. In October 2017, SCE obtained approval from the FERC for abandoned plant treatment for the Alberhill System Project, which allows SCE to seek recovery of 100% of all prudently-incurred costs after the approval date and 50% of prudently incurred costs prior to the approval date. Excluding land costs, which may be recovered through sale to a third party, SCE has incurred approximately $40 million of capital expenditures, including overhead costs, as of June 30, 2018, of which approximately $30 million may not be recoverable if the project is cancelled. SCE's total capital expenditures for the Alberhill System Project are estimated to be $486 million, of which approximately $175 million is included in the 2018 – 2020 capital program period.

Riverside Transmission Reliability

The Riverside Transmission Reliability Project is a joint project between SCE and Riverside Public Utilities (RPU), the municipal utility department of the City of Riverside. While RPU would be responsible for constructing some of the Project's facilities within Riverside, SCE's portion of the Project consists of constructing upgrades to its system, including a new 230-kV Substation; certain interconnection and telecommunication facilities and transmission lines in the cities of Riverside, Jurupa Valley and Norco and in portions of unincorporated Riverside County. The purpose of the Project is to provide RPU and its customers with adequate transmission capacity to serve existing and projected load, to provide long-term system capacity for load growth, and to provide needed system reliability. Due to changed circumstances since the time the Project was originally developed, SCE informed the CPUC in August 2016 that it

supports revisions to the proposed Project. In April 2018, the CPUC issued a subsequent environmental impact report which included a new route alternative, different from SCE's proposed project, as the environmentally preferred project and proposed an additional underground section of the proposed 220-kV power line. SCE is assessing the potential cost impacts of the new route alternative and underground power line. SCE expects a CPUC decision in late 2018 or early 2019.

Regulatory Proceedings

FERC Formula Rate

In June 2018, SCE provided its preliminary 2019 annual transmission revenue requirement update to interested parties. The update provided support for a decrease in SCE's transmission revenue requirement of $131 million or 11% from amounts currently authorized in rates, subject to settlement procedures and refund. The decrease is primarily due to lowering the federal tax rate as a result of Tax Reform. SCE expects to file its 2019 annual update with the FERC by December 1, 2018 and the proposed rates would be effective January 1, 2019, subject to settlement procedures and refund.

Dividend Restrictions

In the second quarter, SCE paid Edison International a dividend of $212 million that was declared during the first quarter of 2018. On June 21, 2018, SCE declared a dividend to Edison International of $100 million that will be paid on or before October 19, 2018.

The CPUC regulates SCE's capital structure which limits the dividends it may pay Edison International. At June 30, 2018, CPUC regulations allowed SCE to make distributions to Edison International as long as the common equity component of SCE's capital structure remains at or above 48% on a 13-month weighted average basis, or otherwise satisfies the CPUC requirements. If the Revised San Onofre Settlement Agreement is approved by the CPUC, SCE may exclude the $448 million after-tax charge resulting from the implementation of the Revised San Onofre Settlement Agreement from its ratemaking capital structure (see "Notes to Consolidated Financial Statements—Note 12. Commitments and Contingencies" for further information on the Revised San Onofre Settlement Agreement). Without excluding the $448 million after-tax charge, SCE's 13-month average common equity component of total capitalization was 49.5% and the maximum additional dividend that SCE could pay to Edison International under this limitation was approximately $393 million, resulting in a restriction on net assets of approximately $14.5 billion. If the Revised San Onofre Settlement Agreement had been approved by the CPUC at June 30, 2018, the common equity component of SCE's capital structure would have been 49.9% on a 13-month average basis.

On July 2, 2018, SCE filed with the CPUC to change the calculation of the common equity component of SCE's capital structure to a 37-month weighted average basis to correspond with the standard period between cost of capital applications. The filing is subject to review by the CPUC. If this change had been effective at June 30, 2018, without excluding the $448 million after-tax charge, SCE's 37-month average common equity component of total capitalization would have been 50.0% and the maximum additional dividend that SCE could pay to Edison International under this limitation would be approximately $539 million, resulting in a restriction on net assets of approximately $14.4 billion. If the Revised San Onofre Settlement Agreement had been approved by the CPUC at June 30, 2018, the common equity component of SCE's capital structure would have been 50.2% on a 37-month average basis.

As a California corporation, SCE's ability to pay dividends is also governed by its obligations under the California General Corporation Law. California law requires that for a dividend to be declared: (a) retained earnings must equal or exceed the proposed dividend, or (b) immediately after the dividend is made, the value of the corporation's assets must exceed the value of its liabilities plus amounts required to be paid in order to liquidate stock senior to the shares receiving the dividend. Additionally, a California corporation may not declare a dividend if it is, or as a result of the dividend would be, likely to be unable to meet its liabilities as they mature.

The timing and amount of future dividends are also dependent on a number of other factors including SCE's requirements to fund other obligations and capital expenditures, and its ability to access the capital markets, and generate operating cash flows and earnings. If SCE incurs significant costs related to the December 2017 Wildfires or the Montecito Mudslides and is unable to recover such costs through insurance or from customers or access capital markets on reasonable terms, SCE may be limited in its ability to pay future dividends to Edison international and its preferred and preference shareholders.

Margin and Collateral Deposits

Certain derivative instruments, power procurement contracts and other contractual arrangements contain collateral requirements. Future collateral requirements may differ from the requirements at June 30, 2018, due to the addition of incremental power and energy procurement contracts with collateral requirements, if any, and the impact of changes in wholesale power and natural gas prices on SCE's contractual obligations.

Some of the power procurement contracts contain provisions that require SCE to maintain an investment grade credit rating from the major credit rating agencies. If SCE's credit rating were to fall below investment grade, SCE may be required to pay the liability or post additional collateral.

The table below provides the amount of collateral posted by SCE to its counterparties as well as the potential collateral that would have been required as of June 30, 2018.

| (in millions) | |
|---|---|
| Collateral posted as of June 30, 2018[1] | $108 |
| Incremental collateral requirements for power procurement contracts resulting from a potential downgrade of SCE's credit rating to below investment grade | 17 |
| Incremental collateral requirements for power procurement contracts resulting from adverse market price movement[2] | 4 |
| Posted and potential collateral requirements | $129 |

[1] Net collateral provided to counterparties and other brokers consisted of $106 million in letters of credit and surety bonds and $2 million of cash which was offset against net derivative liabilities on the consolidated balance sheets.

[2] Incremental collateral requirements were based on potential changes in SCE's forward positions as of June 30, 2018 due to adverse market price movements over the remaining lives of the existing power contracts using a 95% confidence level.

Edison International Parent and Other

In the next 12 months, Edison International expects to fund its cash requirements through operating cash flows, tax benefits and bank and capital market financings, as needed. Edison International also has availability under its credit facility. Edison International Parent and Other's liquidity and its ability to pay operating expenses and pay dividends to common shareholders are dependent on dividends from SCE, realization of tax benefits, and its access to the bank and capital markets. In addition to having sufficient liquidity, Edison International's ability to pay dividends is dependent upon meeting California law requirements for the declaration of dividends. For information on the California law requirements on the declaration of dividends, see "—SCE—Dividend Restrictions." Edison International intends to maintain its target payout ratio of 45% – 55% of SCE's core earnings, subject to the factors identified above. Edison International may also finance working capital requirements, payment of obligations, capital investments, including capital contributions to subsidiaries, and any common stock dividends with short-term or other financings, subject to availability in the bank and capital markets.

As a result of the sale of SoCore Energy, Edison Energy Group made several distributions to Edison International Parent including dividend payments of $55 million and $46 million in the first quarter of 2018 and April 2018, respectively.

In May 2018, Edison International Parent amended its multi-year revolving credit facility to increase the facility from $1.25 billion to $1.5 billion. At June 30, 2018, Edison International Parent had approximately $1.5 billion available under its credit facility. The credit facility is available for borrowing needs until May 2023 and contains two 1-year extension options. In January 2018, Edison International Parent issued a $500 million term loan. In March 2018, Edison International Parent issued $550 million of 4.125% senior notes. The proceeds from the March 2018 issuance were used to repay the $500 million term loan discussed above and for general corporate purposes. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements."

A debt covenant in Edison International Parent's credit facility requires a consolidated debt to total capitalization ratio as defined in the credit agreement of less than or equal to 0.70 to 1. At June 30, 2018, Edison International Parent's consolidated debt to total capitalization ratio was 0.51 to 1.

At June 30, 2018, Edison International Parent was also in compliance with all other financial covenants that affect access to capital.

Edison International Parent's credit ratings remained at investment grade levels during the first six months of 2018. However, Edison International Parent's credit rating is currently under negative outlook from Moody's Investor Services Inc. and S&P, and under negative watch from Fitch Ratings. Edison International Parent's credit ratings may be affected by the ultimate outcome of pending enforcement and litigation matters, including the outcome of the uncertainties and potential liabilities associated with the December 2017 Wildfires and the Montecito Mudslides, and

the underlying inverse condemnation exposure risk created by wildfires. Credit rating downgrades may increase the cost and impact the availability of short-term and long-term borrowings, including commercial paper, credit facilities, note financings or other borrowings.

Historical Cash Flows
Southern California Edison Company

| (in millions) | Six months ended June 30, 2018 | 2017[1] |
|---|---|---|
| Net cash provided by operating activities | $1,312 | $1,526 |
| Net cash provided by financing activities | 247 | 101 |
| Net cash used in investing activities | (2,048) | (1,627) |
| Net decrease in cash, cash equivalents and restricted cash | $(489) | $— |

1 Net cash for the six months ended June 30, 2017 was updated to reflect the implementation of the accounting standards updates for cash flows related to cash receipts and restricted cash.

Net Cash Provided by Operating Activities

The following table summarizes major categories of net cash provided by operating activities as provided in more detail in SCE's consolidated statements of cash flows for the six months ended June 30, 2018 and 2017.

| (in millions) | Six months ended June 30, 2018 | 2017[4] | Change in cash flows 2018/2017 |
|---|---|---|---|
| Net income | $643 | $718 | |
| Non-cash items[1] | 1,066 | 1,202 | |
| Subtotal | $1,709 | $1,920 | $ (211) |
| Changes in cash flow resulting from working capital[2] | (507) | (237) | (270) |
| Regulatory assets and liabilities | 204 | 39 | 165 |
| Other noncurrent assets and liabilities[3] | (94) | (196) | 102 |
| Net cash provided by operating activities | $1,312 | $1,526 | $ (214) |

1 Non-cash items include depreciation and amortization, allowance for equity during construction, deferred income taxes and investment tax credits, and other.

2 Changes in working capital items include receivables, inventory, accounts payable, prepaid and accrued taxes, and other current assets and liabilities.

3 Includes the nuclear decommissioning trusts.

4 Cash flow for the six months ended June 30, 2017 was updated to reflect the implementation of the accounting standards updates for cash flows related to cash receipts and restricted cash.

Net cash provided by operating activities was impacted by the following:

Net income decreased in 2018 by $75 million primarily due to higher operation and maintenance expenses related to wildfire insurance and higher net financing costs, partially offset by higher revenue. Revenue increased in 2018 due to a refund to customers for prior overcollections recorded in 2017. In the first half of 2018, operation and maintenance expenses were also higher due to increased line clearing activity.

Net cash for working capital was $(507) million and $(237) million during the six months ended June 30, 2018 and 2017, respectively. The net cash for each period was primarily related to the reductions of payables (including payments for payroll-related costs and purchased power) of $50 million and $55 million during the first six months of 2018 and 2017, respectively, and an increase in receivables from customers of $499 million and $147 million in 2018 and 2017, respectively.

Net cash provided by regulatory assets and liabilities, including changes in over (under) collections of balancing accounts was $204 million and $39 million during the six months ended June 30, 2018 and 2017, respectively. SCE has a number of balancing accounts, which impact cash flows based on differences between timing of collection of amounts through rates and accrual expenditures. Cash flows were primarily impacted by the following:

2018

- BRRBA overcollections increased by $300 million during the first six months of 2018 primarily due to a $263 million reclassification from TAMA to BRRBA to refund incremental tax benefits to customers in January 2019 and higher sales than forecasted in rates, partially offset by a refund of 2016 incremental tax benefits.
- Higher cash due to $125 million of overcollections for the public purpose and energy efficiency programs resulting from lower program spending.
- Higher cash of $91 million due to cash collected for San Onofre under the Prior San Onofre Settlement Agreement. For further information, see "Notes to Consolidated Financial Statements—Note 12. Commitments and Contingencies—Contingencies—Permanent Retirement of San Onofre."
- Higher cash from increased regulatory liabilities of approximately $176 million primarily due to the delay in the 2018 GRC decision. During the first six months of 2018, the amounts billed to customers was largely based on the 2017 authorized GRC revenue requirement and therefore, a regulatory liability has been established to record any associated adjustments.
- TAMA overcollections decreased by $263 million due to a reclassification from TAMA to BRRBA to refund customers as discussed above.
- Lower cash due to $162 million of undercollections related to the timing of greenhouse gas auction revenue and climate credit refunds to customers.

2017

- Higher cash due to $72 million of overcollections for the public purpose and energy efficiency programs. Overcollections for public purpose and energy efficiency programs increased due to lower spending for these programs.
- Higher cash due to realization of $47 million in proceeds from the MHI arbitration and approximately $34 million from the DOE related to spent nuclear fuel. For further information on the MHI claims and spent nuclear fuel, see "Notes to Consolidated Financial Statements—Note 12. Commitments and Contingencies—Contingencies—Permanent Retirement of San Onofre" and "—Spent Nuclear Fuel."
- ERRA undercollections for fuel and purchased power were $228 million in 2017 compared to overcollections of $20 million in 2016. ERRA undercollection increased $248 million during the first six months of 2017 primarily due to seasonal rates and a refund of prior year overcollections.
- BRRBA overcollections decreased by $169 million during the first six months of 2017 primarily due to the refunds of 2015 TAMA overcollections, a revenue refund to customers of $133 million for 2012 – 2014 incremental tax benefits related to repair deductions, and 2015 overcollections resulting from the implementation of the 2015 GRC decision, which was authorized to be refunded to customers over a two-year period.
- Higher cash of approximately $303 million primarily due to a recovery of prior FERC undercollections and lower spending for the new system generation program, including lower capacity payments.

Cash flows used in other noncurrent assets and liabilities were primarily related to net earnings from nuclear decommissioning trust investments ($5 million and $26 million in 2018 and 2017, respectively) and SCE's payments of decommissioning costs ($71 million and $98 million in 2018 and 2017, respectively). See "Nuclear Decommissioning Activities" below for further discussion.

Net Cash Provided by Financing Activities

The following table summarizes cash provided by financing activities for the six months ended June 30, 2018 and 2017. Issuances of debt are discussed in "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements—Long-Term Debt."

| | Six months ended June 30, | |
|---|---|---|
| (in millions) | 2018 | 2017 |
| Issuances of first and refunding mortgage bonds, net of discount and issuance costs | $1,872 | $692 |
| Issuance of term loan | — | 300 |
| Remarketing of pollution control bonds, net of issuance costs | — | 134 |
| Long-term debt matured or repurchased | (198) | (441) |
| Issuances of preference stock, net of issuance costs | — | 463 |
| Short-term debt repayments, net of borrowings and discount | (940) | (550) |
| Payments of common stock dividends to Edison International | (424) | (382) |
| Payments of preferred and preference stock dividends | (60) | (62) |
| Other | (3) | (53) |
| Net cash provided by financing activities | $247 | $101 |

Net Cash Used in Investing Activities

Cash flows used in investing activities are primarily due to capital expenditures related to transmission and distribution investments ($2.1 billion and $1.7 billion for the six months ended June 30, 2018 and 2017, respectively). In addition, SCE had a net redemption of nuclear decommissioning trust investments of $73 million during each of the six months ended June 30, 2018 and 2017. See "Nuclear Decommissioning Activities" below for further discussion.

Nuclear Decommissioning Activities

SCE's statement of cash flows includes nuclear decommissioning activities, which are reflected in the following line items:

| | Six months ended June 30, | |
|---|---|---|
| (in millions) | 2018 | 2017 |
| Net cash used in operating activities: | | |
| Net earnings from nuclear decommissioning trust investments | $5 | $26 |
| SCE's decommissioning costs | (71) | (98) |
| Net cash provided by investing activities: | | |
| Proceeds from sale of investments | 1,770 | 3,046 |
| Purchases of investments | (1,697) | (2,973) |
| Net cash impact | $7 | $1 |

Net cash used in operating activities relates to interest and dividends less administrative expenses, taxes, and SCE's decommissioning costs. See "Notes to Consolidated Financial Statements—Note 10. Investments" for further information. Investing activities represent the purchase and sale of investments within the nuclear decommissioning trusts, including the reinvestment of earnings from nuclear decommissioning trust investments. The net cash impact reflects timing of decommissioning payments ($71 million and $98 million in 2018 and 2017, respectively) and reimbursements to SCE from the nuclear decommissioning trust ($78 million and $99 million in 2018 and 2017, respectively).

Edison International Parent and Other

The table below sets forth condensed historical cash flow from operations for Edison International Parent and Other.

| (in millions) | Six months ended June 30, 2018 | 2017[1] |
|---|---|---|
| Net cash used in operating activities | $(95) | $(88) |
| Net cash (used in) provided by financing activities | (501) | 122 |
| Net cash provided by (used in) investing activities | 60 | (35) |
| Net decrease in cash and cash equivalents | $(536) | $(1) |

[1] Net cash for the six months ended June 30, 2017 was updated to reflect the implementation of the accounting standards updates for cash flows related to cash receipts and restricted cash.

Net Cash (Used in) Provided by Financing Activities

Net cash (used in) provided by financing activities was as follows:

| (in millions) | Six months ended June 30, 2018 | 2017 |
|---|---|---|
| Dividends paid to Edison International common shareholders | $ (394) | $ (354) |
| Dividends received from SCE | 424 | 382 |
| Payment for stock-based compensation, net of receipt from stock option exercises | (7) | (120) |
| Issuance of long-term debt, net of repayments, discount and issuance costs | 530 | 397 |
| Short-term debt repayments, net of borrowings and discount | (1,091) | (192) |
| Other | 37 | 9 |
| Net cash (used in) provided by financing activities | $ (501) | $ 122 |

Net Cash Provided by (Used in) Investing Activities

Net cash provided by (used in) investing activities increased $95 million during the first six month of 2018 compared to 2017 primarily due to a cash inflow of $78 million from the sale of SoCore Energy in April 2018.

Contingencies

SCE has contingencies related to the December 2017 Wildfires, wildfire insurance, Montecito Mudslides, San Onofre Related Matters, Environmental Remediation, Nuclear Insurance and Spent Nuclear Fuel, which are discussed in "Notes to Consolidated Financial Statements—Note 12. Commitments and Contingencies."

MARKET RISK EXPOSURES

Edison International's and SCE's primary market risks are described in the 2017 Form 10-K. For a further discussion of market risk exposures, including commodity price risk, credit risk, and interest rate risk, see "Notes to Consolidated Financial Statements—Note 4. Fair Value Measurements" and "—Note 6. Derivative Instruments."

Commodity Price Risk

SCE records derivative instruments on its consolidated balance sheets as either assets or liabilities measured at fair value unless otherwise exempted from derivative treatment as normal purchases or sales. The fair value of outstanding derivative instruments used to mitigate exposure to commodity price risk was reflected as a net asset of $84 million and $109 million on SCE's consolidated balance sheets at June 30, 2018 and December 31, 2017, respectively. For further discussion of fair value measurements and the fair value hierarchy, see "Notes to Consolidated Financial Statements—Note 4. Fair Value Measurements" and "— Note 6. Derivative Instruments."

Credit Risk

Credit risk exposure from counterparties for power and gas trading activities is measured as the sum of net accounts receivable (accounts receivable less accounts payable) and the current fair value of net derivative assets (derivative assets less derivative liabilities) reflected on the consolidated balance sheets. SCE enters into master agreements which typically provide for a right of setoff. Accordingly, SCE's credit risk exposure from counterparties is based on a net exposure under these arrangements. SCE manages the credit risk on the portfolio for both rated and non-rated counterparties based on credit ratings using published ratings of counterparties and other publicly disclosed information, such as financial statements, regulatory filings, and press releases, to guide it in the process of setting credit levels, risk limits, and contractual arrangements, including master netting agreements.

As of June 30, 2018, the amount of balance sheet exposure as described above broken down by the credit ratings of SCE's counterparties, was as follows:

| | June 30, 2018 | | |
|---|---|---|---|
| (in millions) | Exposure[2] | Collateral | Net Exposure |
| S&P Credit Rating[1] | | | |
| A or higher[3] | $84 | $— | $84 |

[1] SCE assigns a credit rating based on the lower of a counterparty's S&P or Moody's rating. For ease of reference, the above table uses the S&P classifications to summarize risk, but reflects the lower of the credit ratings from S&P or Moody's.

[2] Exposure excludes amounts related to contracts classified as normal purchases and sales and non-derivative contractual commitments that are not recorded on the consolidated balance sheets, except for any related net accounts receivable.

[3] Exposure to companies with S&P Credit Rating below A is immaterial.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

For a complete discussion on Edison International's and SCE's critical accounting policies, see "Critical Accounting Estimates and Policies" in the year-ended 2017 MD&A.

NEW ACCOUNTING GUIDANCE

New accounting guidance is discussed in "Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies—New Accounting Guidance."

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information responding to this section is included in the MD&A under the heading "Market Risk Exposures" and is incorporated herein by reference.

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FINANCIAL STATEMENTS

Consolidated Statements of Income — Edison International

| (in millions, except per-share amounts, unaudited) | Three months ended June 30, 2018 | 2017 | Six months ended June 30, 2018 | 2017 |
|---|---|---|---|---|
| Total operating revenue | $2,815 | $2,965 | $5,379 | $5,428 |
| Purchased power and fuel | 1,112 | 1,175 | 2,038 | 1,959 |
| Operation and maintenance | 719 | 706 | 1,394 | 1,310 |
| Depreciation and amortization | 463 | 512 | 925 | 1,011 |
| Property and other taxes | 97 | 86 | 204 | 186 |
| Impairment and other charges | 5 | 16 | 71 | 21 |
| Other operating income | (1) | — | (3) | — |
| Total operating expenses | 2,395 | 2,495 | 4,629 | 4,487 |
| Operating income | 420 | 470 | 750 | 941 |
| Interest expense | (180) | (159) | (350) | (311) |
| Other income and expense | 49 | 24 | 100 | 57 |
| Income from continuing operations before income taxes | 289 | 335 | 500 | 687 |
| Income tax (benefit) expense | (9) | 26 | (40) | (14) |
| Income from continuing operations | 298 | 309 | 540 | 701 |
| Net income | 298 | 309 | 540 | 701 |
| Preferred and preference stock dividend requirements of SCE | 30 | 31 | 60 | 62 |
| Other noncontrolling interests | (8) | — | (14) | (1) |
| Net income attributable to Edison International common shareholders | $276 | $278 | $494 | $640 |
| Amounts attributable to Edison International common shareholders: | | | | |
| Income from continuing operations, net of tax | $276 | $278 | $494 | $640 |
| Net income attributable to Edison International common shareholders | $276 | $278 | $494 | $640 |
| Basic earnings per common share attributable to Edison International common shareholders: | | | | |
| Weighted-average shares of common stock outstanding | 326 | 326 | 326 | 326 |
| Continuing operations | $0.85 | $0.85 | $1.52 | $1.96 |
| Total | $0.85 | $0.85 | $1.52 | $1.96 |
| Diluted earnings per common share attributable to Edison International common shareholders: | | | | |
| Weighted-average shares of common stock outstanding, including effect of dilutive securities | 327 | 329 | 327 | 329 |
| Continuing operations | $0.84 | $0.85 | $1.51 | $1.95 |
| Total | $0.84 | $0.85 | $1.51 | $1.95 |
| Dividends declared per common share | $0.6050 | $0.5425 | $1.2100 | $1.0850 |

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

Consolidated Statements of Comprehensive Income

| | Edison International | | | |
|---|---|---|---|---|
| | Three months ended June 30, | | Six months ended June 30, | |
| (in millions, unaudited) | 2018 | 2017 | 2018 | 2017 |
| Net income | $ 298 | $ 309 | $540 | $701 |
| Other comprehensive income (loss), net of tax: | | | | |
| Pension and postretirement benefits other than pensions: | | | | |
| Amortization of net loss included in net income | 2 | 1 | 4 | 3 |
| Other | — | — | (5) | 2 |
| Other comprehensive income (loss), net of tax | 2 | 1 | (1) | 5 |
| Comprehensive income | 300 | 310 | 539 | 706 |
| Less: Comprehensive income attributable to noncontrolling interests | 22 | 31 | 46 | 61 |
| Comprehensive income attributable to Edison International | $ 278 | $ 279 | $493 | $645 |

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

| Consolidated Balance Sheets | Edison International | |
|---|---|---|
| (in millions, unaudited) | June 30, 2018 | December 31, 2017 |
| ASSETS | | |
| Cash and cash equivalents | $99 | $ 1,091 |
| Receivables, less allowances of $53 and $54 for uncollectible accounts at respective dates | 822 | 717 |
| Accrued unbilled revenue | 598 | 212 |
| Inventory | 252 | 242 |
| Income tax receivables | 132 | 224 |
| Prepaid expenses | 247 | 233 |
| Derivative assets | 85 | 105 |
| Regulatory assets | 860 | 703 |
| Other current assets | 162 | 202 |
| Total current assets | 3,257 | 3,729 |
| Nuclear decommissioning trusts | 4,294 | 4,440 |
| Other investments | 84 | 73 |
| Total investments | 4,378 | 4,513 |
| Utility property, plant and equipment, less accumulated depreciation and amortization of $9,370 and $9,355 at respective dates | 39,750 | 38,708 |
| Nonutility property, plant and equipment, less accumulated depreciation of $78 and $114 at respective dates | 81 | 342 |
| Total property, plant and equipment | 39,831 | 39,050 |
| Regulatory assets | 5,022 | 4,914 |
| Other long-term assets | 332 | 374 |
| Total long-term assets | 5,354 | 5,288 |
| Total assets | $52,820 | $ 52,580 |

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

| Consolidated Balance Sheets | Edison International | |
|---|---|---|
| (in millions, except share amounts, unaudited) | June 30, 2018 | December 31, 2017 |
| LIABILITIES AND EQUITY | | |
| Short-term debt | $300 | $ 2,393 |
| Current portion of long-term debt | 479 | 481 |
| Accounts payable | 1,255 | 1,503 |
| Accrued taxes | 19 | 23 |
| Customer deposits | 291 | 281 |
| Regulatory liabilities | 1,341 | 1,121 |
| Other current liabilities | 1,237 | 1,266 |
| Total current liabilities | 4,922 | 7,068 |
| Long-term debt | 13,845 | 11,642 |
| Deferred income taxes and credits | 4,781 | 4,567 |
| Pensions and benefits | 899 | 943 |
| Asset retirement obligations | 2,889 | 2,908 |
| Regulatory liabilities | 8,659 | 8,614 |
| Other deferred credits and other long-term liabilities | 2,853 | 2,953 |
| Total deferred credits and other liabilities | 20,081 | 19,985 |
| Total liabilities | 38,848 | 38,695 |
| Commitments and contingencies (Note 12) | | |
| Redeemable noncontrolling interest | — | 19 |
| Common stock, no par value (800,000,000 shares authorized; 325,811,206 shares issued and outstanding at respective dates) | 2,537 | 2,526 |
| Accumulated other comprehensive loss | (44) | (43) |
| Retained earnings | 9,286 | 9,188 |
| Total Edison International's common shareholders' equity | 11,779 | 11,671 |
| Noncontrolling interests – preferred and preference stock of SCE | 2,193 | 2,193 |
| Other noncontrolling interests | — | 2 |
| Total equity | 13,972 | 13,866 |
| Total liabilities and equity | $52,820 | $ 52,580 |

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

| Consolidated Statements of Cash Flows | Edison International | |
|---|---|---|
| | Six months ended June 30, | |
| (in millions, unaudited) | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income | $540 | $701 |
| Adjustments to reconcile to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,074 | 1,048 |
| Allowance for equity during construction | (44) | (41) |
| Impairment and other charges | 71 | 21 |
| Deferred income taxes and investment tax credits | (5) | (12) |
| Other | 35 | 15 |
| Nuclear decommissioning trusts | (73) | (73) |
| Changes in operating assets and liabilities: | | |
| Receivables | (58) | (114) |
| Inventory | (14) | 8 |
| Accounts payable | (4) | 34 |
| Tax receivables and payables | 90 | (40) |
| Other current assets and liabilities | (533) | (130) |
| Regulatory assets and liabilities, net | 204 | 39 |
| Other noncurrent assets and liabilities | (66) | (18) |
| Net cash provided by operating activities | 1,217 | 1,438 |
| Cash flows from financing activities: | | |
| Long-term debt issued or remarketed, net of discount and issuance costs of $33 and $12 for respective periods | 2,417 | 1,523 |
| Long-term debt matured | (213) | (442) |
| Preference stock issued, net | — | 463 |
| Short-term debt financing, net | (2,031) | (742) |
| Payments for stock-based compensation | (21) | (337) |
| Receipts from stock option exercises | 9 | 185 |
| Dividends and distributions to noncontrolling interests | (60) | (62) |
| Dividends paid | (394) | (354) |
| Other | 39 | (11) |
| Net cash (used in) provided by financing activities | (254) | 223 |
| Cash flows from investing activities: | | |
| Capital expenditures | (2,159) | (1,759) |
| Proceeds from sale of nuclear decommissioning trust investments | 1,770 | 3,046 |
| Purchases of nuclear decommissioning trust investments | (1,697) | (2,973) |
| Proceeds from sale of SoCore Energy, net of cash acquired by buyer | 78 | — |
| Other | 20 | 24 |
| Net cash used in investing activities | (1,988) | (1,662) |
| Net decrease in cash, cash equivalents and restricted cash | (1,025) | (1) |
| Cash, cash equivalents and restricted cash at beginning of period | 1,132 | 114 |

| | | |
|---|---|---|
| Cash, cash equivalents and restricted cash at end of period | $107 | $113 |

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

Consolidated Statements of Income — Southern California Edison Company

| (in millions, unaudited) | Three months ended June 30, 2018 | 2017 | Six months ended June 30, 2018 | 2017 |
|---|---|---|---|---|
| Operating revenue | $2,803 | $2,953 | $5,357 | $5,409 |
| Purchased power and fuel | 1,112 | 1,175 | 2,038 | 1,959 |
| Operation and maintenance | 694 | 675 | 1,345 | 1,255 |
| Depreciation and amortization | 462 | 510 | 921 | 1,007 |
| Property and other taxes | 97 | 85 | 202 | 182 |
| Other operating income | (1) | — | (2) | — |
| Total operating expenses | 2,364 | 2,445 | 4,504 | 4,403 |
| Operating income | 439 | 508 | 853 | 1,006 |
| Interest expense | (164) | (146) | (319) | (287) |
| Other income and expense | 50 | 33 | 101 | 68 |
| Income before income taxes | 325 | 395 | 635 | 787 |
| Income tax (benefit) expense | (2) | 57 | (8) | 69 |
| Net income | 327 | 338 | 643 | 718 |
| Less: Preferred and preference stock dividend requirements | 30 | 31 | 60 | 62 |
| Net income available for common stock | 297 | 307 | 583 | 656 |

Consolidated Statements of Comprehensive Income — Southern California Edison Company

| (in millions, unaudited) | Three months ended June 30, 2018 | 2017 | Six months ended June 30, 2018 | 2017 |
|---|---|---|---|---|
| Net income | $ 327 | $ 338 | $643 | $718 |
| Other comprehensive income (loss), net of tax: | | | | |
| Pension and postretirement benefits other than pensions: | | | | |
| Amortization of net loss included in net income | 1 | 1 | 3 | 2 |
| Other | — | (1) | (5) | — |
| Other comprehensive income (loss), net of tax | 1 | — | (2) | 2 |
| Comprehensive income | $ 328 | $ 338 | $641 | $720 |

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

Consolidated Balance Sheets Southern California Edison Company

| (in millions, unaudited) | June 30, 2018 | December 31, 2017 |
|---|---|---|
| ASSETS | | |
| Cash and cash equivalents | $25 | $ 515 |
| Receivables, less allowances of $53 for uncollectible accounts at respective dates | 806 | 693 |
| Accrued unbilled revenue | 598 | 212 |
| Inventory | 252 | 242 |
| Income tax receivables | 237 | 229 |
| Prepaid expenses | 244 | 228 |
| Derivative assets | 85 | 105 |
| Regulatory assets | 860 | 703 |
| Other current assets | 159 | 160 |
| Total current assets | 3,266 | 3,087 |
| Nuclear decommissioning trusts | 4,294 | 4,440 |
| Other investments | 67 | 52 |
| Total investments | 4,361 | 4,492 |
| Utility property, plant and equipment, less accumulated depreciation and amortization of $9,370 and $9,355 at respective dates | 39,750 | 38,708 |
| Nonutility property, plant and equipment, less accumulated depreciation of $73 and $97 at respective dates | 75 | 77 |
| Total property, plant and equipment | 39,825 | 38,785 |
| Regulatory assets | 5,022 | 4,914 |
| Other long-term assets | 215 | 237 |
| Total long-term assets | 5,237 | 5,151 |
| Total assets | $52,689 | $ 51,515 |

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

Consolidated Balance Sheets Southern California Edison Company

| (in millions, except share amounts, unaudited) | June 30, 2018 | December 31, 2017 |
|---|---|---|
| LIABILITIES AND EQUITY | | |
| Short-term debt | $300 | $ 1,238 |
| Current portion of long-term debt | 479 | 479 |
| Accounts payable | 1,395 | 1,519 |
| Accrued taxes | 23 | 24 |
| Customer deposits | 291 | 281 |
| Regulatory liabilities | 1,341 | 1,121 |
| Other current liabilities | 1,093 | 1,225 |
| Total current liabilities | 4,922 | 5,887 |
| Long-term debt | 12,107 | 10,428 |
| Deferred income taxes and credits | 6,143 | 5,890 |
| Pensions and benefits | 448 | 483 |
| Asset retirement obligations | 2,889 | 2,892 |
| Regulatory liabilities | 8,659 | 8,614 |
| Other deferred credits and other long-term liabilities | 2,575 | 2,649 |
| Total deferred credits and other liabilities | 20,714 | 20,528 |
| Total liabilities | 37,743 | 36,843 |
| Commitments and contingencies (Note 12) | | |
| Common stock, no par value (560,000,000 shares authorized; 434,888,104 shares issued and outstanding at each date) | 2,168 | 2,168 |
| Additional paid-in capital | 676 | 671 |
| Accumulated other comprehensive loss | (21) | (19) |
| Retained earnings | 9,878 | 9,607 |
| Total common shareholder's equity | 12,701 | 12,427 |
| Preferred and preference stock | 2,245 | 2,245 |
| Total equity | 14,946 | 14,672 |
| Total liabilities and equity | $52,689 | $ 51,515 |

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

Consolidated Statements of Cash Flows  Southern California Edison Company

| (in millions, unaudited) | Six months ended June 30, 2018 | 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $643 | $718 |
| Adjustments to reconcile to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,069 | 1,042 |
| Allowance for equity during construction | (44) | (41) |
| Deferred income taxes and investment tax credits | 12 | 193 |
| Other | 29 | 8 |
| Nuclear decommissioning trusts | (73) | (73) |
| Changes in operating assets and liabilities: | | |
| Receivables | (67) | (117) |
| Inventory | (15) | 8 |
| Accounts payable | (35) | 22 |
| Tax receivables and payables | (9) | (37) |
| Other current assets and liabilities | (381) | (113) |
| Regulatory assets and liabilities, net | 204 | 39 |
| Other noncurrent assets and liabilities | (21) | (123) |
| Net cash provided by operating activities | 1,312 | 1,526 |
| Cash flows from financing activities: | | |
| Long-term debt issued or remarketed, net of discount and issuance costs of $28 and $9 for the respective periods | 1,872 | 1,126 |
| Long-term debt matured | (198) | (441) |
| Preference stock issued, net | — | 463 |
| Short-term debt financing, net | (940) | (550) |
| Payments for stock-based compensation | (8) | (71) |
| Receipt from stock option exercises | 3 | 39 |
| Dividends paid | (484) | (444) |
| Other | 2 | (21) |
| Net cash provided by financing activities | 247 | 101 |
| Cash flows from investing activities: | | |
| Capital expenditures | (2,141) | (1,722) |
| Proceeds from sale of nuclear decommissioning trust investments | 1,770 | 3,046 |
| Purchases of nuclear decommissioning trust investments | (1,697) | (2,973) |
| Other | 20 | 22 |
| Net cash used in investing activities | (2,048) | (1,627) |
| Net decrease in cash, cash equivalents and restricted cash | (489) | — |
| Cash, cash equivalents and restricted cash at beginning of period | 515 | 40 |
| Cash, cash equivalents and restricted cash at end of period | $26 | $40 |

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Organization and Basis of Presentation

Edison International is the parent holding company of Southern California Edison Company ("SCE") and Edison Energy Group, Inc. ("Edison Energy Group"). SCE is an investor-owned public utility primarily engaged in the business of supplying and delivering electricity to an approximately 50,000 square mile area of southern California. Edison Energy Group is a holding company for subsidiaries engaged in competitive business opportunities, including Edison Energy, LLC ("Edison Energy") which provides energy services to commercial and industrial customers. Edison Energy Group's business activities are currently not material to report as a separate business segment. These combined notes to the consolidated financial statements apply to both Edison International and SCE unless otherwise described. Edison International's consolidated financial statements include the accounts of Edison International, SCE, and other wholly owned and controlled subsidiaries. References to Edison International refer to the consolidated group of Edison International and its subsidiaries. References to "Edison International Parent and Other" refer to Edison International Parent and its competitive subsidiaries and "Edison International Parent" refer to Edison International on a stand-alone basis, not consolidated with its subsidiaries. SCE's consolidated financial statements include the accounts of SCE and its wholly owned and controlled subsidiaries. All intercompany transactions have been eliminated from the consolidated financial statements.

Edison International's and SCE's significant accounting policies were described in Note 1 of "Notes to Consolidated Financial Statements" included in Edison International's and SCE's combined Annual Report on Form 10-K for the year-ended December 31, 2017 (the "2017 Form 10-K"). This quarterly report should be read in conjunction with the financial statements and notes included in the 2017 Form 10-K.

In the opinion of management, all adjustments, consisting of recurring accruals, have been made that are necessary to fairly state the consolidated financial position, results of operations, and cash flows in accordance with accounting principles generally accepted in the United States ("GAAP") for the periods covered by this quarterly report on Form 10-Q. The results of operations for the three- and six- month period ended June 30, 2018 are not necessarily indicative of the operating results for the full year.

The December 31, 2017 financial statement data was derived from audited financial statements, but does not include all disclosures required by GAAP.

Effective January 1, 2018, Edison International and SCE adopted several accounting standards retrospectively. Prior year financial statements have been reclassified and updated to reflect the retrospective application of these standards as applicable. For further information, see "New Accounting Guidance" below.

Sale of SoCore Energy

On February 28, 2018, Edison International agreed to sell SoCore Energy LLC ("SoCore Energy"), a subsidiary of Edison Energy Group, to a third party, subject to the completion of closing conditions, which were satisfied on April 16, 2018. As a result, the assets and liabilities of SoCore Energy were not reflected in the June 30, 2018 consolidated Edison International balance sheet and Edison International recognized a pre-tax loss of $63 million ($46 million after-tax) for the six months ended June 30, 2018.

Cash, Cash Equivalents and Restricted Cash

Cash equivalents include investments in money market funds. Generally, the carrying value of cash equivalents equals the fair value, as these investments have original maturities of three months or less. The cash equivalents were as follows:

| (in millions) | Edison International | | SCE | |
|---|---|---|---|---|
| | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 |

| | | | | |
|---|---|---|---|---|
| Money market funds | $ 57 | $ 1,024 | $ – | $ 483 |

Cash is temporarily invested until required for check clearing. Checks issued, but not yet paid by the financial institution, are reclassified from cash to accounts payable at the end of each reporting period as follows:

| (in millions) | Edison International | | SCE | |
|---|---|---|---|---|
| | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 |
| Book balances reclassified to accounts payable | $ 16 | $ 64 | $ 16 | $ 63 |

Edison International's restricted cash at June 30, 2018 and December 31, 2017 was $8 million and $41 million, respectively. Restricted cash at December 31, 2017 primarily relates to funds held by SoCore Energy and its consolidated affiliates pursuant to project financing or purchase agreements, most of which lapsed during six months ended June 30, 2018. As a result of the sale of SoCore Energy, the assets and liabilities of SoCore Energy were not included in the June 30, 2018 consolidated Edison International balance sheet as discussed above.

The following table sets forth the cash, cash equivalents and restricted cash included in the consolidated statements of cash flows:

| (in millions) | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Edison International: | | |
| Cash and cash equivalents | $ 99 | $ 1,091 |
| Short-term restricted cash [1] | 1 | 40 |
| Long-term restricted cash [2] | 7 | 1 |
| Total cash, cash equivalents, and restricted cash | $ 107 | $ 1,132 |
| SCE: | | |
| Cash and cash equivalents | $ 25 | $ 515 |
| Short-term restricted cash[1] | 1 | — |
| Total cash, cash equivalents, and restricted cash | $ 26 | $ 515 |

[1] Reflected in "Other current assets" on Edison International's and SCE's consolidated balance sheets.

[2] Reflected in "Other long-term assets" on Edison International's consolidated balance sheets.

Revenue Recognition

During the first six months of 2018, pending the outcome of the 2018 GRC decision, SCE recognized GRC-related revenue based on the 2017 authorized revenue requirement, adjusted for the July 2017 cost of capital decision and the impact of Tax Reform. The amounts billed to customers for the first six months of 2018 were based on the 2017 authorized revenue requirement and a regulatory liability has been established to record the associated adjustments. See Note 11 for further details. The CPUC has authorized the establishment of a GRC memorandum account, which will make the 2018 revenue requirement ultimately adopted by the CPUC effective as of January 1, 2018. SCE cannot predict the revenue requirement the CPUC will authorize or provide assurance on the timing of a final decision. In December 2017, the FERC issued an order setting the effective date of SCE's new FERC formula rate as of January 1, 2018, subject to settlement procedures and refund. Pending resolution of the FERC formula rate proceeding, SCE is recognizing revenue based on the FERC formula rate adjusted for the impact of Tax Reform and other adjustments.

Earnings Per Share

Edison International computes earnings per common share ("EPS") using the two-class method, which is an earnings allocation formula that determines EPS for each class of common stock and participating security. Edison International's participating securities are stock-based compensation awards payable in common shares, including restricted stock units, which earn dividend equivalents on an equal basis with common shares once the awards are vested. EPS attributable to Edison International common shareholders was computed as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in millions, except per-share amounts) | 2018 | 2017 | 2018 | 2017 |
| Basic earnings per share – continuing operations: | | | | |
| Income from continuing operations attributable to common shareholders | $276 | $278 | $494 | $640 |
| Participating securities dividends | — | — | — | — |
| Income from continuing operations available to common shareholders | $276 | $278 | $494 | $640 |
| Weighted average common shares outstanding | 326 | 326 | 326 | 326 |
| Basic earnings per share – continuing operations | $0.85 | $0.85 | $1.52 | $1.96 |
| Diluted earnings per share – continuing operations: | | | | |
| Income from continuing operations attributable to common shareholders | $276 | $278 | $494 | $640 |
| Participating securities dividends | — | — | — | — |
| Income from continuing operations available to common shareholders | $276 | $278 | $494 | $640 |
| Income impact of assumed conversions | — | — | — | — |
| Income from continuing operations available to common shareholders and assumed conversions | $276 | $278 | $494 | $640 |
| Weighted average common shares outstanding | 326 | 326 | 326 | 326 |
| Incremental shares from assumed conversions | 1 | 3 | 1 | 3 |
| Adjusted weighted average shares – diluted | 327 | 329 | 327 | 329 |
| Diluted earnings per share – continuing operations | $0.84 | $0.85 | $1.51 | $1.95 |

In addition to the participating securities discussed above, Edison International also may award stock options, which are payable in common shares and are included in the diluted earnings per share calculation. Stock option awards to purchase 6,223,964 and 1,327,310 shares of common stock for the three months ended June 30, 2018 and 2017, respectively, and 6,223,964 and 1,370,200 shares for the six months ended June 30, 2018 and 2017, respectively, were outstanding, but were not included in the computation of diluted earnings per share because the effect would have been antidilutive.

New Accounting Guidance

Accounting Guidance Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standards update on revenue recognition and further amended the standard in 2016 and 2017. Under the new standard, revenue is recognized when a good or service is transferred to the customer and the customer obtains control of the good or service. Some revenue arrangements, such as alternative revenue programs which include balancing account overcollections and undercollections, are excluded from the scope of the new standard and, therefore, will be accounted for and presented separately from revenue recognized from contracts with customers in the disclosures. Edison International and SCE adopted this standard effective January 1, 2018, using the modified retrospective method for contracts that were not completed as of the adoption date. Edison International recognized a cumulative effect adjustment to increase the opening balance of retained earnings by approximately $5 million ($7 million pre-tax) on January 1, 2018. This adjustment is related to variable consideration recognized at Edison Energy which is not subject to potential

significant reversal and has no further performance obligations. See Note 7 for further details.

In January 2016, the FASB issued an accounting standards update that amends the guidance on the classification and measurement of financial instruments, and further amended the guidance in 2018. Under the new guidance, equity investments (excluding those accounted for under the equity method or those that result in consolidation) are required to be measured at fair value, with changes in fair value recognized in net income. The new guidance also amends certain disclosure requirements associated with the fair value of financial instruments and requires financial assets and financial liabilities to be presented separately in the notes to the financial statements, grouped by measurement category and form of financial assets. Edison International and SCE adopted this guidance effective January 1, 2018. Edison International recognized a cumulative effect adjustment to increase the opening balance of retained earnings and accumulated other comprehensive loss by $5 million ($8 million pre-tax) on January 1, 2018. See Note 2 for further details.

In August and November 2016, the FASB issued two accounting standards updates to clarify the presentation and classification of certain cash receipts and payments in the statement of cash flows and to require restricted cash to be presented with cash and cash equivalents in the statement of cash flows. Edison International and SCE adopted these standards effective January 1, 2018, using the retrospective approach. The adoption of these standards did not have a material impact on Edison International's and SCE's consolidated statement of cash flows.

In March 2017, the FASB issued an accounting standards update on the presentation of the components of net periodic benefit cost for an entity's defined benefit pension and other postretirement plans. Edison International and SCE adopted this guidance retrospectively with respect to the income statement presentation requirement and prospectively for the capitalization requirement, effective January 1, 2018. The adoption of this standard did not have a material impact on Edison International's and SCE's consolidated financial statements, but did result in the separate presentation of service costs as an operating expense and non-service costs within other income and expenses and the limitation of the capitalization of benefit costs to the service cost component. During the three and six months ended June 30, 2017, non-service costs (benefits) totaled $1 million and $(7) million, respectively, for Edison International and $(9) million and $(18) million, respectively, for SCE, which were reclassified from "Operation and maintenance" to "Other income and expenses." See Note 9 and Note 14 for further details.

Accounting Guidance Not Yet Adopted

In February 2016, the FASB issued an accounting standards update related to lease accounting and further amended the standard in 2018. The new guidance is effective January 1, 2019. Under the new standard, a lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified assets for a period of time in exchange for consideration. Lessees will need to recognize leases on the balance sheet as a right-of-use asset and a related lease liability, and classify the leases as either operating or finance. The liability will be equal to the present value of the lease payments. The asset will be based on the liability, subject to adjustments, such as initial direct costs. Edison International's operating leases will result in straight-line expense while finance leases will result in a higher initial expense pattern due to the interest component. SCE, as a regulated entity, is permitted to continue to recognize expense using the timing that conforms to the regulatory rate treatment. In accordance with the new guidance, Edison International and SCE will elect to exclude from the balance sheet short-term contracts of one year or less. In addition, Edison International and SCE will elect the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification, and initial direct costs and are currently evaluating the impact of an optional transition method to not restate periods prior to the adoption date. Although permitted, Edison International and SCE have elected not to adopt this guidance prior to January 1, 2019. The adoption of this standard will increase right-of-use assets and lease liabilities in Edison International's and SCE's consolidated balance sheets. Edison International and SCE are currently implementing a new lease accounting system and are evaluating the impact this standard will have quantitatively on the consolidated balance sheets and the lease disclosures.

The FASB issued an accounting standards update related to the impairment of financial instruments, effective January 1, 2020. The new guidance provides an impairment model, known as the current expected credit loss model, which is based on expected credit losses rather than incurred losses. Edison International and SCE are currently evaluating the

impact of this new guidance.

In January 2017, the FASB issued an accounting standards update to simplify the accounting for goodwill impairment. This accounting standards update changes the procedural steps to apply the goodwill impairment test. After the adoption of this accounting standards update, a goodwill impairment will be measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. Edison International will apply this guidance to goodwill impairment tests beginning in 2020.

In February 2018, the FASB issued an accounting standards update to provide entities an election to reclassify stranded tax effects resulting from Tax Reform from accumulated other comprehensive income to retained earnings. The new guidance is effective January 1, 2019, with early adoption permitted. Stranded tax effects originated in December 2017 when deferred taxes were re-measured at the lower federal corporate tax rate with the impact included in operating income but the tax

effects of items within accumulated other comprehensive income were not similarly adjusted. Edison International and SCE will adopt this guidance on January 1, 2019 and reclassify stranded tax effects from accumulated other comprehensive income to retained earnings in the period of adoption. The adoption of the standard is not expected to have a material impact on Edison International's and SCE's consolidated financial statements.

Note 2. Consolidated Statements of Changes in Equity

The following table provides Edison International's changes in equity for the six months ended June 30, 2018:

| (in millions, except per-share amounts) | Equity Attributable to Common Shareholders | | | | Noncontrolling Interests | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | Accumulated Other Comprehensive Loss | Retained Earnings | Subtotal | Other | Preferred and Preference Stock | Total Equity |
| Balance at December 31, 2017 | $2,526 | $ (43) | $9,188 | $11,671 | $ 2 | $ 2,193 | $13,866 |
| Net income | — | — | 494 | 494 | (11) | 60 | 543 |
| Other comprehensive income | — | 4 | — | 4 | — | — | 4 |
| Cumulative effect of accounting changes[1] | — | (5) | 10 | 5 | — | — | 5 |
| Contributions from tax equity investor | — | — | — | — | 24 | — | 24 |
| Common stock dividends declared ($1.2100 per share) | — | — | (394) | (394) | — | — | (394) |
| Dividends to noncontrolling interests | — | — | — | — | — | (60) | (60) |
| Stock-based compensation | — | — | (12) | (12) | — | — | (12) |
| Noncash stock-based compensation | 11 | — | — | 11 | — | — | 11 |
| Deconsolidation of SoCore Energy | — | — | — | — | (15) | — | (15) |
| Balance at June 30, 2018 | $2,537 | $ (44) | $9,286 | $11,779 | $ — | $ 2,193 | $13,972 |

[1] Edison International recognized cumulative effect adjustments to the opening balance of retained earnings and accumulated other comprehensive loss on January 1, 2018 related to the adoption of the accounting standards updates on revenue recognition and measurement of financial instruments.

The following table provides Edison International's changes in equity for the six months ended June 30, 2017:

| (in millions, except per-share amounts) | Equity Attributable to Common Shareholders | | | | Noncontrolling Interests | |
|---|---|---|---|---|---|---|
| | Common Stock | Accumulated Other Comprehensive Loss | Retained Earnings | Subtotal | Preferred and Preference Stock | Total Equity |
| Balance at December 31, 2016 | $2,505 | $ (53) | $9,544 | $11,996 | $ 2,191 | $14,187 |
| Net income | — | — | 640 | 640 | 62 | 702 |
| Other comprehensive income | — | 5 | — | 5 | — | 5 |
| Common stock dividends declared ($1.0850 per share) | — | — | (354) | (354) | — | (354) |
| Dividends to noncontrolling interests | — | — | — | — | (62) | (62) |
| Stock-based compensation | — | — | (151) | (151) | — | (151) |
| Noncash stock-based compensation | 10 | — | — | 10 | — | 10 |
| Issuance of preference stock | — | — | — | — | 463 | 463 |
| Balance at June 30, 2017 | $2,515 | $ (48) | $9,679 | $12,146 | $ 2,654 | $14,800 |

The following table provides SCE's changes in equity for the six months ended June 30, 2018:

| | Equity Attributable to Edison International | | | | | |
|---|---|---|---|---|---|---|
| (in millions) | Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Preferred and Preference Stock | Total Equity |
| Balance at December 31, 2017 | $2,168 | $ 671 | $ (19) | $9,607 | $ 2,245 | $14,672 |
| Net income | — | — | — | 643 | — | 643 |
| Other comprehensive income | — | — | 3 | — | — | 3 |
| Cumulative effect of accounting change[1] | — | — | (5) | 5 | — | — |
| Dividends declared on common stock | — | — | — | (312) | — | (312) |
| Dividends declared on preferred and preference stock | — | — | — | (60) | — | (60) |
| Stock-based compensation | — | — | — | (5) | — | (5) |
| Noncash stock-based compensation | — | 5 | — | — | — | 5 |
| Balance at June 30, 2018 | $2,168 | $ 676 | $ (21) | $9,878 | $ 2,245 | $14,946 |

[1] SCE recognized a cumulative effect adjustment to the opening balance of retained earnings and accumulated other comprehensive loss on January 1, 2018 related to the adoption of the accounting standards update on measurement of financial instruments.

The following table provides SCE's changes in equity for the six months ended June 30, 2017:

| | Equity Attributable to Edison International | | | | | |
|---|---|---|---|---|---|---|
| (in millions) | Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Preferred and Preference Stock | Total Equity |
| Balance at December 31, 2016 | $2,168 | $ 657 | $ (20) | $9,433 | $ 2,245 | $14,483 |
| Net income | — | — | — | 718 | — | 718 |
| Other comprehensive income | — | — | 2 | — | — | 2 |
| Dividends declared on common stock | — | — | — | (382) | — | (382) |
| Dividends declared on preferred and preference stock | — | — | — | (62) | — | (62) |
| Stock-based compensation | — | — | — | (33) | — | (33) |
| Noncash stock-based compensation | — | 6 | — | — | — | 6 |
| Issuance of preference stock | — | (12) | — | — | 475 | 463 |
| Balance at June 30, 2017 | $2,168 | $ 651 | $ (18) | $9,674 | $ 2,720 | $15,195 |

Note 3. Variable Interest Entities

A VIE is defined as a legal entity that meets one of two conditions: (1) the equity owners do not have sufficient equity at risk, or (2) the holders of the equity investment at risk, as a group, lack any of the following three characteristics: decision-making rights, the obligation to absorb losses, or the right to receive the expected residual returns of the entity. The primary beneficiary is identified as the variable interest holder that has both the power to direct the activities of the VIE that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. The primary beneficiary is required to consolidate the VIE. Commercial and operating activities are generally the factors that most significantly impact the economic performance of such VIEs. Commercial and operating activities include construction, operation and maintenance, fuel procurement, dispatch, and compliance with regulatory and contractual requirements.

Variable Interest in VIEs that are not Consolidated

Power Purchase Agreements

SCE has power purchase agreements ("PPAs") that are classified as variable interests in VIEs, including tolling agreements through which SCE provides the natural gas to fuel the plants and contracts with qualifying facilities that contain variable pricing provisions based on the price of natural gas. SCE has concluded that it is not the primary beneficiary of these VIEs since it does not control the commercial and operating activities of these entities. Since payments for capacity are the primary source of income, the most significant economic activity for these VIEs is the operation and maintenance of the power plants.

As of the balance sheet date, the carrying amount of assets and liabilities in SCE's consolidated balance sheet that relate to its involvement with VIEs result from amounts due under the PPAs. Under these contracts, SCE recovers the costs incurred through demonstration of compliance with its California Public Utilities Commission ("CPUC")-approved long-term power procurement plans. SCE has no residual interest in the entities and has not provided or guaranteed any debt or equity support, liquidity arrangements, performance guarantees, or other commitments associated with these contracts other than the purchase commitments described in Note 11 of the 2017 Form 10-K. As a result, there is no significant potential exposure to loss to SCE from its variable interest in these VIEs. The aggregate contracted capacity dedicated to SCE from these VIE projects was 3,575MW and 4,900 MW at June 30, 2018 and 2017, respectively, and the amounts that SCE paid to these projects were $99 million and $106 million for the three months ended June 30, 2018 and 2017, respectively, and $239 million and $246 million for six months ended June 30, 2018 and 2017, respectively. These amounts are recoverable in customer rates, subject to reasonableness review.

Unconsolidated Trusts of SCE

SCE Trust II, Trust III, Trust IV, Trust V, and Trust VI were formed in 2013, 2014, 2015, 2016, and 2017, respectively, for the exclusive purpose of issuing the 5.10%, 5.75%, 5.375%, 5.45%, and 5.00% trust preference securities, respectively ("trust securities"). The trusts are VIEs. SCE has concluded that it is not the primary beneficiary of these VIEs as it does not have the obligation to absorb the expected losses or the right to receive the expected residual returns of the trusts. SCE Trust II, Trust III, Trust IV, Trust V and Trust VI issued to the public trust securities in the face amounts of $400 million, $275 million, $325 million, $300 million, and $475 million (cumulative, liquidation amounts of $25 per share), respectively, and $10,000 of common stock each to SCE. The trusts invested the proceeds of these trust securities in Series G, Series H, Series J, Series K, and Series L Preference Stock issued by SCE in the principal amounts of $400 million, $275 million, $325 million, $300 million, and $475 million (cumulative, $2,500 per share liquidation values), respectively, which have substantially the same payment terms as the respective trust securities.

The Series G, Series H, Series J, Series K, and Series L Preference Stock and the corresponding trust securities do not have a maturity date. Upon any redemption of any shares of the Series G, Series H, Series J, Series K, or Series L Preference Stock, a corresponding dollar amount of trust securities will be redeemed by the applicable trust. The

applicable trust will make distributions at the same rate and on the same dates on the applicable series of trust securities if and when the SCE board of directors declares and makes dividend payments on the related Preference Stock. The applicable trust will use any dividends it receives on the related Preference Stock to make its corresponding distributions on the applicable series of trust securities. If SCE does not make a dividend payment to any of these trusts, SCE would be prohibited from paying dividends on its common stock. SCE has fully and unconditionally guaranteed the payment of the trust securities and trust distributions, if and when SCE pays dividends on the related Preference Stock.

SCE formed Trust I, a VIE, in 2012 for the exclusive purpose of issuing 5.625% trust preference securities. SCE Trust I issued trust securities in the face amounts of $475 million to the public and $10,000 of common stock to SCE. SCE Trust I invested the proceeds of these trust securities in Series F Preference Stock issued by SCE in the principal amount of $475 million. In July 2017, all of the outstanding Series F Preference Stock was redeemed, and accordingly, SCE Trust I redeemed $475 million of trust securities from the public and $10,000 of common stock from SCE. As a result in September 2017, SCE Trust I was terminated.

The Trust II, Trust III, Trust IV, Trust V and Trust VI balance sheets as of June 30, 2018 and December 31, 2017, consisted of investments of $400 million, $275 million, $325 million, $300 million, and $475 million in the Series G, Series H, Series J, Series K and Series L Preference Stock, respectively, $400 million, $275 million, $325 million, $300 million, and $475 million of trust securities, respectively, and $10,000 each of common stock.

The following table provides a summary of the trusts' income statements:

| | Three months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| (in millions) | Trust I | Trust II | Trust III | Trust IV | Trust V | Trust VI |
| 2018 | | | | | | |
| Dividend income | * | $ 5 | $ 4 | $ 5 | $ 4 | $ 6 |
| Dividend distributions | * | 5 | 4 | 5 | 4 | 6 |
| 2017 | | | | | | |
| Dividend income | $6 | $ 5 | $ 4 | $ 5 | $ 4 | $ — |
| Dividend distributions | 6 | 5 | 4 | 5 | 4 | — |

| | Six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| (in millions) | Trust I | Trust II | Trust III | Trust IV | Trust V | Trust VI |
| 2018 | | | | | | |
| Dividend income | * | $ 10 | $ 8 | $ 9 | $ 8 | $ 12 |
| Dividend distributions | * | 10 | 8 | 9 | 8 | 12 |
| 2017 | | | | | | |
| Dividend income | $13 | $ 10 | $ 8 | $ 9 | $ 8 | $ — |
| Dividend distributions | 13 | 10 | 8 | 9 | 8 | — |

* Not applicable

Note 4. Fair Value Measurements

Recurring Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (referred to as an "exit price"). Fair value of an asset or liability considers assumptions that market participants would use in pricing the asset or liability, including assumptions about nonperformance risk. As of June 30, 2018 and December 31, 2017, nonperformance risk was not material for Edison International and SCE.

Assets and liabilities are categorized into a three-level fair value hierarchy based on valuation inputs used to determine fair value.

Level 1 – The fair value of Edison International's and SCE's Level 1 assets and liabilities is determined using unadjusted quoted prices in active markets that are available at the measurement date for identical assets and liabilities. This level includes exchange-traded equity securities, U.S. treasury securities, mutual funds, and money market funds.

Level 2 – Edison International's and SCE's Level 2 assets and liabilities include fixed income securities, primarily consisting of U.S. government and agency bonds, municipal bonds and corporate bonds, and over-the-counter derivatives. The fair value of fixed income securities is determined using a market approach by obtaining quoted

prices for similar assets and liabilities in active markets and inputs that are observable, either directly or indirectly, for substantially the full term of the instrument.

The fair value of SCE's over-the-counter derivative contracts is determined using an income approach. SCE uses standard pricing models to determine the net present value of estimated future cash flows. Inputs to the pricing models include forward published or posted clearing prices from exchanges (Intercontinental Exchange) for similar instruments and discount rates. A primary price source that best represents trade activity for each market is used to develop observable forward market prices in determining the fair value of these positions. Broker quotes, prices from exchanges, or comparison to executed trades are used to validate and corroborate the primary price source. These price quotations reflect mid-market prices (average of bid and ask) and are obtained from sources believed to provide the most liquid market for the commodity.

Level 3 – The fair value of SCE's Level 3 assets and liabilities is determined using the income approach through various models and techniques that require significant unobservable inputs. This level includes derivative contracts that trade infrequently such as congestion revenue rights ("CRRs"). Edison International Parent and Other does not have any Level 3 assets and liabilities.

Assumptions are made in order to value derivative contracts in which observable inputs are not available. In circumstances where fair value cannot be verified with observable market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. Modeling methodologies, inputs, and techniques are reviewed and assessed as markets continue to develop and more pricing information becomes available and the fair value is adjusted when it is concluded that a change in inputs or techniques would result in a new valuation that better reflects the fair value of those derivative contracts. See Note 6 for a discussion of derivative instruments.

SCE

The following table sets forth assets and liabilities of SCE that were accounted for at fair value by level within the fair value hierarchy:

| | June 30, 2018 | | | | |
|---|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Netting and Collateral[1] | Total |
| Assets at fair value | | | | | |
| Derivative contracts | $— | $40 | $ 52 | $ (4 ) | $88 |
| Other | 12 | 21 | — | — | 33 |
| Nuclear decommissioning trusts: | | | | | |
| Stocks[2] | 1,527 | — | — | — | 1,527 |
| Fixed Income[3] | 1,021 | 1,679 | — | — | 2,700 |
| Short-term investments, primarily cash equivalents | 130 | 60 | — | — | 190 |
| Subtotal of nuclear decommissioning trusts[4] | 2,678 | 1,739 | — | — | 4,417 |
| Total assets | 2,690 | 1,800 | 52 | (4 ) | 4,538 |
| Liabilities at fair value | | | | | |
| Derivative contracts | — | 10 | — | (6 ) | 4 |
| Total liabilities | — | 10 | — | (6 ) | 4 |
| Net assets | $2,690 | $1,790 | $ 52 | $ 2 | $4,534 |

| | December 31, 2017 | | | | |
|---|---|---|---|---|---|
| (in millions) | Level 1 | Level 2 | Level 3 | Netting and Collateral[1] | Total |
| Assets at fair value | | | | | |
| Derivative contracts | $— | $9 | $ 102 | $ (1) | $110 |
| Other | 495 | — | — | — | 495 |
| Nuclear decommissioning trusts: | | | | | |
| Stocks[2] | 1,596 | — | — | — | 1,596 |
| Fixed Income[3] | 1,065 | 1,665 | — | — | 2,730 |
| Short-term investments, primarily cash equivalents | 101 | 72 | — | — | 173 |
| Subtotal of nuclear decommissioning trusts[4] | 2,762 | 1,737 | — | — | 4,499 |
| Total assets | 3,257 | 1,746 | 102 | (1) | 5,104 |
| Liabilities at fair value | | | | | |
| Derivative contracts | — | 2 | 1 | (2) | 1 |
| Total liabilities | — | 2 | 1 | (2) | 1 |
| Net assets | $3,257 | $1,744 | $ 101 | $ 1 | $5,103 |

[1] Represents the netting of assets and liabilities under master netting agreements and cash collateral.

[2] Approximately 71% and 69% of SCE's equity investments were in companies located in the United States at June 30, 2018 and December 31, 2017, respectively.

[3] Includes corporate bonds, which were diversified and included collateralized mortgage obligations and other asset backed securities of $112 million and $102 million at June 30, 2018 and December 31, 2017, respectively.

[4] Excludes net payables of $123 million and $59 million at June 30, 2018 and December 31, 2017, respectively, which consist of interest and dividend receivables as well as receivables and payables related to SCE's pending securities sales and purchases.

Edison International Parent and Other

Edison International Parent and Other assets measured at fair value consisted of money market funds of $57 million and $541 million at June 30, 2018 and December 31, 2017, respectively, classified as Level 1.

SCE Fair Value of Level 3

The following table sets forth a summary of changes in SCE's fair value of Level 3 net derivative assets and liabilities:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2018 | 2017 | 2018 | 2017 |
| Fair value of net assets (liabilities) at beginning of period | $81 | $(1,166) | $101 | $(1,089) |
| Total realized/unrealized gains (losses): | | | | |
| Included in regulatory assets and liabilities[1] | (29) | 11 | (49) | (66) |
| Contract amendment[2] | — | 143 | — | 143 |
| Fair value of net assets (liabilities) at end of period[3] | $52 | $(1,012) | $52 | $(1,012) |
| Change during the period in unrealized gains and losses related to assets and liabilities held at the end of the period | $7 | $(12) | $7 | $(97) |

[1] Due to regulatory mechanisms, SCE's realized and unrealized gains and losses are recorded as regulatory assets and liabilities.

[2] Represents a tolling contract that was amended during the second quarter of 2017, which is no longer accounted for as a derivative as of June 30, 2017.

[3] During the third quarter of 2017, SCE designated certain derivative contracts as normal purchase and normal sale contracts, which resulted in a reclassification of $914 million from derivative liabilities to other liabilities.

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Edison International and SCE recognize the fair value for transfers in and transfers out of each level at the end of each reporting period. There were no material transfers between any levels during 2018 and 2017.

Valuation Techniques Used to Determine Fair Value

The process of determining fair value is the responsibility of SCE's risk management department, which reports to SCE's chief financial officer. This department obtains observable and unobservable inputs through broker quotes, exchanges, and internal valuation techniques that use both standard and proprietary models to determine fair value. Each reporting period, the risk and finance departments collaborate to determine the appropriate fair value methodologies and classifications for each derivative. Inputs are validated for reasonableness by comparison against prior prices, other broker quotes, and volatility fluctuation thresholds. Inputs used and valuations are reviewed period-over-period and compared with market conditions to determine reasonableness.

The following table sets forth SCE's valuation techniques and significant unobservable inputs used to determine fair value for significant Level 3 assets and liabilities:

| | Fair Value (in millions) | | | | |
|---|---|---|---|---|---|
| | Assets | Liabilities | Valuation Technique(s) | Significant Unobservable Input | Range |
| Congestion revenue rights | | | | | |
| June 30, 2018 | $ 52 | $ — | Auction prices | CAISO CRR auction prices | $(5.49) - $8.79 |
| December 31, 2017 | 102 | — | Auction prices | CAISO CRR auction prices | $(9.41) - $8.66 |

Level 3 Fair Value Sensitivity

For CRRs, increases or decreases in CAISO auction price would result in higher or lower fair value, respectively.

Nuclear Decommissioning Trusts

SCE's nuclear decommissioning trust investments include equity securities, U.S. treasury securities, and other fixed income securities. Equity and treasury securities are classified as Level 1 as fair value is determined by observable market prices in active or highly liquid and transparent markets. The remaining fixed income securities are classified as Level 2. The fair value of these financial instruments is based on evaluated prices that reflect significant observable market information such as reported trades, actual trade information of similar securities, benchmark yields, broker/dealer quotes, issuer spreads, bids, offers, and relevant credit information. There are no securities classified as Level 3 in the nuclear decommissioning trusts.

Fair Value of Debt Recorded at Carrying Value

The carrying value and fair value of Edison International's and SCE's long-term debt (including current portion of long-term debt) are as follows:

| | June 30, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| (in millions) | Carrying Value[1] | Fair Value | Carrying Value[1] | Fair Value |
| Edison International | $14,324 | $14,821 | $12,123 | $13,760 |
| SCE | 12,586 | 13,124 | 10,907 | 12,547 |

[1] Carrying value is net of debt issuance costs.

The fair value of Edison International's and SCE's short-term and long-term debt is classified as Level 2 and is based on evaluated prices that reflect significant observable market information such as reported trades, actual trade information of similar securities, benchmark yields, broker/dealer quotes of new issue prices, and relevant credit information.

Note 5. Debt and Credit Agreements

Long-Term Debt

In January 2018, Edison International Parent borrowed $500 million under a Term Loan Agreement due in January 2019, with a variable interest rate based on the London Interbank Offered Rate plus 60 basis points. The proceeds were used to repay Edison International Parent's commercial paper borrowings. In March 2018, Edison International Parent issued $550 million of 4.125% senior notes due 2028. The proceeds from the March 2018 issuance were used to repay the $500 million Term Loan discussed above and for general corporate purposes.

During the first quarter of 2018, SCE issued $450 million of 2.90% first and refunding mortgage bonds due 2021, $400 million of 3.65% first and refunding mortgage bonds due 2028 and $400 million of 4.125% first and refunding mortgage bonds due 2048. The proceeds from these bonds were used to repay commercial paper borrowings and for general corporate purposes.

In June 2018, SCE issued $300 million of 3.40% first and refunding mortgage bonds due 2023 and $350 million of 4.125% first and refunding mortgage bonds due 2048. The proceeds from these bonds were used to repay commercial paper borrowings and for general corporate purposes.

Credit Agreements and Short-Term Debt

In May 2018, SCE and Edison International Parent amended their multi-year revolving credit facilities to increase the facilities to $3.0 billion and $1.5 billion from $2.75 billion and $1.25 billion, respectively. Both facilities mature in May 2023 and each has two 1-year extension options. SCE's credit facility is generally used to support commercial paper borrowings and letters of credit issued for procurement-related collateral requirements, balancing account undercollections and for general corporate purposes, including working capital requirements to support operations and capital expenditures. Edison International Parent's credit facility is used to support commercial paper borrowings and for general corporate purposes.

At June 30, 2018, SCE's outstanding commercial paper, net of discount, was $300 million at a weighted-average interest rate of 2.32%. At June 30, 2018, letters of credit issued under SCE's credit facility aggregated $104 million, substantially all of which are scheduled to expire in twelve months or less. At December 31, 2017, the outstanding commercial paper, net of discount, was $738 million at a weighted-average interest rate of 1.75%. In December 2017, SCE borrowed $500 million from the credit facility. The interest rate on this loan was 2.46% on December 31, 2017. In January 2018, SCE repaid its $500 million borrowing with cash on hand.

At June 30, 2018, Edison International Parent had no outstanding commercial paper. At December 31, 2017, the outstanding commercial paper, net of discount, was $639 million at a weighted-average interest rate of 1.70%. In December 2017, Edison International Parent borrowed $500 million from the credit facility. The interest rate on this loan was 2.56% on December 31, 2017. In January 2018, Edison International Parent repaid its $500 million borrowing with cash on hand.

Note 6. Derivative Instruments

Derivative financial instruments are used to manage exposure to commodity price risk. These risks are managed in part by entering into forward commodity transactions, including options, swaps, and futures. To mitigate credit risk from counterparties in the event of nonperformance, master netting agreements are used whenever possible and counterparties may be required to pledge collateral depending on the creditworthiness of each counterparty and the risk associated with the transaction.

Commodity Price Risk

Commodity price risk represents the potential impact that can be caused by a change in the market value of a particular commodity. SCE's electricity price exposure arises from energy purchased from and sold to wholesale markets as a result of differences between SCE's load requirements and the amount of energy delivered from its generating facilities and PPAs. SCE's natural gas price exposure arises from natural gas purchased for the Mountainview power plant and peaker plants, QF contracts where pricing is based on a monthly natural gas index, and PPAs in which SCE has agreed to provide the natural gas needed for generation, referred to as tolling arrangements.

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Credit and Default Risk

Credit and default risk represent the potential impact that can be caused if a counterparty were to default on its contractual obligations and SCE would be exposed to spot markets for buying replacement power or selling excess power. In addition, SCE would be exposed to the risk of non-payment of accounts receivable, primarily related to the sales of excess power and realized gains on derivative instruments.

Certain power contracts contain master netting agreements or similar agreements, which generally allow counterparties subject to the agreement to offset amounts when certain criteria are met, such as in the event of default. The objective of netting is to reduce credit exposure. Additionally, to reduce SCE's risk exposures counterparties may be required to pledge collateral depending on the creditworthiness of each counterparty and the risk associated with the transaction.

Certain power contracts contain a provision that requires SCE to maintain an investment grade rating from each of the major credit rating agencies, referred to as a credit-risk-related contingent feature. If SCE's credit rating were to fall below investment grade, SCE may be required to post additional collateral to cover derivative liabilities and the related outstanding payables. The net fair value of all derivative liabilities with these credit-risk-related contingent features was $3 million and $1 million as of June 30, 2018 and December 31, 2017, respectively, for which SCE has posted no collateral and less than $1 million collateral at June 30, 2018 and December 31, 2017, respectively, to its counterparties for its derivative liabilities and related outstanding payables. If the credit-risk-related contingent features underlying these agreements were triggered on June 30, 2018, SCE would be required to post $5 million of additional collateral of which $1 million is related to outstanding payables that are net of collateral already posted.

Fair Value of Derivative Instruments

SCE presents its derivative assets and liabilities on a net basis on its consolidated balance sheets when subject to master netting agreements or similar agreements. Derivative positions are also offset against margin and cash collateral deposits. In addition, SCE has provided collateral in the form of letters of credit. Collateral requirements can vary depending upon the level of unsecured credit extended by counterparties, changes in market prices relative to contractual commitments, and other factors. See Note 4 for a discussion of fair value of derivative instruments. The following table summarizes the gross and net fair values of SCE's commodity derivative instruments:

| | June 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Derivative Assets | | | Derivative Liabilities | | | Net |
| (in millions) | Short-Term | Long-Term | Subtotal | Short-Term | Long-Term | Subtotal | Assets |
| Commodity derivative contracts | | | | | | | |
| Gross amounts recognized | $89 | $ 3 | $ 92 | $10 | $ — | $ 10 | $ 82 |
| Gross amounts offset in the consolidated balance sheets | (4) | — | (4) | (4) | — | (4) | — |
| Cash collateral posted | — | — | — | (2) | — | (2) | 2 |
| Net amounts presented in the consolidated balance sheets | $85 | $ 3 | $ 88 | $4 | $ — | $ 4 | $ 84 |

| | December 31, 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Derivative Assets | | | Derivative Liabilities | | | Net |
| (in millions) | Short-Term | Long-Term | Subtotal | Short-Term | Long-Term | Subtotal | Assets |
| Commodity derivative contracts | | | | | | | |
| Gross amounts recognized | $106 | $ 5 | $ 111 | $3 | $ — | $ 3 | $ 108 |
| Gross amounts offset in the consolidated balance sheets | (1) | — | (1) | (1) | — | (1) | — |
| Cash collateral posted | — | — | — | (1) | — | (1) | 1 |
| Net amounts presented in the consolidated balance sheets | $105 | $ 5 | $ 110 | $1 | $ — | $ 1 | $ 109 |

Income Statement Impact of Derivative Instruments

SCE recognizes realized gains and losses on derivative instruments as purchased power expense and expects that such gains or losses will be part of the purchased power costs recovered from customers. As a result, realized gains and losses do not affect earnings, but may temporarily affect cash flows. Due to expected future recovery from customers, unrealized gains and losses are recorded as regulatory assets and liabilities and therefore also do not affect earnings. The remaining effects of derivative activities and related regulatory offsets are reported in cash flows from operating activities in the consolidated statements of cash flows.

The following table summarizes the components of SCE's economic hedging activity:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2018 | 2017 | 2018 | 2017 |
| Realized losses | $(8) | $(3) | $(20) | $(5) |
| Unrealized (losses) gains | (12) | 6 | (26) | (80) |

Notional Volumes of Derivative Instruments

The following table summarizes the notional volumes of derivatives used for SCE hedging activities:

| | | Economic Hedges | |
|---|---|---|---|
| Commodity | Unit of Measure | June 30, 2018 | December 31, 2017 |
| Electricity options, swaps and forwards | GWh | 2,015 | 475 |
| Natural gas options, swaps and forwards | Bcf | 141 | 143 |
| Congestion revenue rights | GWh | 48,673 | 78,765 |

Note 7. Revenue

Revenue is recognized by Edison International and SCE when a performance obligation to transfer control of the promised goods is satisfied or when services are rendered to customers. This typically occurs when electricity is delivered to customers, which includes amounts for services rendered but unbilled at the end of a reporting period. Edison International Parent and Other revenue primarily relates to Edison Energy Group, a holding company for subsidiaries engaged in pursuing competitive business opportunities across energy services and managed portfolio solutions to commercial and industrial customers. The revenue for Edison International Parent and Other is immaterial to Edison International.

CPUC and FERC rates decouple authorized revenue from the volume of electricity sales and the price of energy procured so that SCE receives revenue equal to amounts authorized by the relevant regulatory agencies. As a result, the volume of electricity sold to customers and specific customer classes does not have a direct impact on SCE's financial results. SCE's revenue is disaggregated by two revenue sources:

- Earning activities – representing revenue authorized by the CPUC and FERC, which is intended to provide SCE a reasonable opportunity to recover its costs and earn a return on its net investment in generation, transmission, and distribution assets. The annual revenue requirements are comprised of authorized operation and maintenance costs, depreciation, taxes, and a return consistent with the capital structure. Also, included in earnings activities are revenues or penalties related to incentive mechanisms, other operating revenue, and regulatory charges or disallowances.
- Cost-recovery activities – representing CPUC- and FERC- authorized balancing accounts, which allow for recovery of specific project or program costs, subject to reasonableness review or compliance with upfront standards. Cost-recovery activities include rates which provide recovery, subject to reasonableness review of, among other things, fuel costs, purchased power costs, public purpose related-program costs (including energy efficiency and demand-side management programs), and certain operation and maintenance expenses. SCE earns no return on these activities.

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The following table is a summary of SCE's revenue:

| (in millions) | Three months ended June 30, 2018 | | | Three months ended June 30, 2017 | | |
|---|---|---|---|---|---|---|
| | Earning Activities | Cost-Recovery Activities | Total Consolidated | Earning Activities | Cost-Recovery Activities | Total Consolidated |
| Revenues from contracts with customers | $1,534 | $ 1,146 | $ 2,680 | * | * | * |
| Alternative revenue programs and other operating revenue | 1 | 122 | 123 | * | * | * |
| Total operating revenue | $1,535 | $ 1,268 | $ 2,803 | $1,584 | $ 1,369 | $ 2,953 |

* As discussed in Note 1, prior period amounts have not been adjusted under the modified retrospective method.

| (in millions) | Six months ended June 30, 2018 | | | Six months ended June 30, 2017 | | |
|---|---|---|---|---|---|---|
| | Earning Activities | Cost-Recovery Activities | Total Consolidated | Earning Activities | Cost-Recovery Activities | Total Consolidated |
| Revenues from contracts with customers | $3,070 | $ 2,338 | $ 5,408 | * | * | * |
| Alternative revenue programs and other operating revenue | (22) | (29) | (51) | * | * | * |
| Total operating revenue | $3,048 | $ 2,309 | $ 5,357 | $3,136 | $ 2,273 | $ 5,409 |

* As discussed in Note 1, prior period amounts have not been adjusted under the modified retrospective method.

SCE's Revenue from Contracts with Customers

Provision of Electricity

SCE principally generates revenue from contracts with customers through supplying and delivering electricity to its customers. Rates charged to customers are based on tariff rates, approved by the CPUC and FERC. Revenue is authorized by the CPUC through triennial GRC proceedings which are intended to provide SCE a reasonable opportunity to recover its costs and earn a return on its CPUC-jurisdictional rate base. The CPUC sets an annual revenue requirement for the base year and the remaining two years are set by a methodology established in the GRC proceeding. Differences between the amount collected and authorized levels are either collected from or refunded to customers, and therefore, such differences do not impact operating revenue (see alternative revenue programs below for further information). In addition to the utility earnings activity revenue described above, SCE also earns revenue to recover costs for power procurement and other activities. SCE earns no return on these activities.

Revenue is authorized by the FERC through a formula rate which is intended to provide SCE a reasonable opportunity to recover transmission capital and operating costs that are prudently incurred, including a return on its FERC-jurisdictional rate base. Under the operation of the formula rate, transmission revenue is updated to actual cost of service annually.

For SCE's electricity sales for non-residential customers, SCE satisfies the performance obligation of delivering electricity over time as the customers simultaneously receive and consume the delivered electricity. Since SCE has a right to invoice an amount that corresponds to the value of the delivered electricity mandated in the tariff rates established by the CPUC and FERC, SCE is eligible for and has elected the right-to-invoice practical expedient to recognize revenue for tariff sales in the amount for which SCE has a right to invoice. This is consistent with how SCE recognized revenue for tariff sales prior to the adoption of the new standard.

Energy sales for residential customers are typically on a month-to-month implied contract for transmission, distribution and generation services, while commercial and other non-residential customer contracts can extend up to 20 years. Revenue is recognized over time as the energy is supplied and delivered to its customers and the respective revenue is billed and paid on a monthly basis.

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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. Revenue is reflected in "Revenue from contracts with customers" in 2018 (see table above) and in "Operating revenue" in 2017 and expenses are reflected in "Operation and maintenance." SCE's franchise fees billed to customers were $29 million and $28 million for the three months ended June 30, 2018 and 2017, respectively, and $57 million for each of the six months ended June 30, 2018 and 2017.

When SCE acts as an agent for sales and use tax, the taxes are accounted for on a net basis. Amounts billed to and collected from customers for these taxes are remitted to the taxing authorities and are not recognized as electric utility revenue.

Provision of Electrical Transmission Services and Other Revenue from Contracts with Customers

SCE also provides services to non-residential customers that include the use of SCE's owned transmission lines to transmit electricity from generation facilities to the grid and provide the use of SCE-owned facilities to connect to the grid. SCE contracts with its customers through contracts that are on a month to month basis. The contract pricing for the use of SCE's transmission lines is mandated by tariff rates approved by either the CPUC or FERC, as applicable. Revenue is recognized over time as the services are provided. The revenue is billed and paid monthly.

SCE also earns an immaterial amount of revenue through telecommunication services and the sale of excess energy to customers.

The estimated revenue expected to be recognized in the future related to SCE's performance obligations that are not completed (or partially completed) at June 30, 2018 is immaterial.

SCE's Alternative Revenue Programs

Alternative Revenue Programs – Decoupling

Rates charged to customers are based on CPUC- and FERC- authorized revenue requirements as discussed above. CPUC and FERC rates decouple authorized revenue from the volume of electricity sales. Differences between amounts collected and authorized levels are either collected from or refunded to customers, and therefore, SCE earns revenue equal to amounts authorized.

The differences between amounts billed and authorized levels for both CPUC and FERC are reflected in "Alternative revenue programs and other operating revenue" in 2018 (see table above) and in "Operating revenue" in 2017.

Other Alternative Revenue Programs

The CPUC and FERC have authorized additional, alternative revenue programs which adjust billings for the effects of broad external factors or to compensate SCE for demand-side management initiatives and provide for incentive awards if SCE achieves certain objectives. These alternative revenue programs allow SCE to recover costs that SCE has been authorized to pass on to customers, including costs to purchase electricity and natural gas, and to fund public purpose, demand response, and customer energy efficiency programs. In general, revenue is recognized for these alternative revenue programs at the time the costs are incurred and, for incentive-based programs, at the time the awards are approved by the CPUC. SCE begins recognizing revenues for these programs when a program has been established by an order from either the CPUC or FERC that allows for automatic adjustment of future rates, the amount of revenue for the period is objectively determinable and probable of recovery and the revenue will be collected within 24 months following the end of the annual period.

SCE's Contract Balances

The following table provides information about SCE's receivables, accrued unbilled revenue and contract liabilities related to contracts from customers:

| (in millions) | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Receivables: | | |
| Billed revenue | $ 693 | $ 613 |
| Accrued unbilled revenues | 598 | 212 |
| Total receivables | $ 1,291 | $ 825 |
| Contract liabilities[1] | $ 20 | $ 20 |

[1] Contract liabilities are included in "Other current liabilities" and "Other deferred credits and long-term liabilities" on the consolidated balance sheets.

SCE's contract receivables are shown above, gross of allowance for uncollectible accounts. Activities in the allowance for doubtful accounts for SCE's contracts with customers were as follows:

| (in millions) | 2018 |
|---|---|
| Balance at January 1, | $ 36 |
| Charged to costs and expenses | 12 |
| Write-offs | (12) |
| Balance at June 30, | $ 36 |

SCE's contract liabilities primarily relate to cash advances received from customers for executory services related to the use of SCE's operating assets. Revenue is recognized monthly as the services are provided.

The following table provides a summary of significant changes in SCE's contract liabilities:

| (in millions) | 2018 |
|---|---|
| Balance at January 1, | $ 20 |
| Additions | 25 |
| Revenue recognized during the period | (25) |
| Balance at June 30, | $ 20 |

Note 8. Income Taxes

Effective Tax Rate

The table below provides a reconciliation of income tax expense computed at the federal statutory income tax rate to the income tax provision:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2018 | 2017 | 2018 | 2017 |
| Edison International: | | | | |
| Income from continuing operations before income taxes | $289 | $335 | $500 | $687 |
| Provision for income tax at federal statutory rate of 21% and 35%, respectively [1] | 61 | 117 | 105 | 241 |
| Increase in income tax from: | | | | |
| State tax, net of federal benefit | — | 6 | (5) | 16 |
| Property-related[2] | (69) | (83) | (138) | (196) |
| Change related to uncertain tax positions | — | (6) | — | (18) |
| Shared-based compensation[3] | — | (3) | — | (46) |
| Other | (1) | (5) | (2) | (11) |
| Total income tax (benefit) expense from continuing operations | $(9) | $26 | $(40) | $(14) |
| Effective tax rate | (3.1)% | 7.8 % | (8.0)% | (2.0)% |
| SCE: | | | | |
| Income from continuing operations before income taxes | $325 | $395 | $635 | $787 |
| Provision for income tax at federal statutory rate of 21% and 35%, respectively[1] | 68 | 138 | 133 | 275 |
| Increase in income tax from: | | | | |
| State tax, net of federal benefit | 3 | 9 | 4 | 22 |
| Property-related[2] | (69) | (83) | (138) | (196) |
| Change related to uncertain tax positions | — | — | (1) | (11) |
| Shared-based compensation[3] | — | (1) | — | (9) |
| Other | (4) | (6) | (6) | (12) |
| Total income tax (benefit) expense from continuing operations | $(2) | $57 | $(8) | $69 |
| Effective tax rate | (0.6)% | 14.4 % | (1.3)% | 8.8 % |

[1] Tax Reform reduced the federal corporate income tax rate from 35% to 21%, effective January 1, 2018.

[2] In March 2017, SCE received the final decision on claims against, and counterclaims of, Mitsubishi Heavy Industries, Inc. and related companies (together, "MHI") from the arbitration tribunal, the International Chamber of Commerce. With the resolution of the insurance claim against Nuclear Electric Insurance Limited ("NEIL") in October 2015 and the conclusion of the arbitration proceeding against MHI, a tax abandonment loss of $691 million and $1.13 billion for federal and state income tax purposes, respectively, was claimed in the first six months of 2017, resulting in a flow-through tax benefit of approximately $39 million, impacting the 2017 effective tax rate.

[3] Includes state taxes for Edison International and SCE of $4 million and $1 million, respectively, for the three months ended June 30, 2017 and $10 million and $2 million, respectively, for the six months ended June 30, 2017.

The CPUC requires flow-through ratemaking treatment for the current tax benefit arising from certain property-related and other temporary differences which reverse over time. Flow-through items reduce current authorized revenue requirements in SCE's rate cases and result in a regulatory asset for recovery of deferred income taxes in future periods. The difference between the authorized amounts as determined in SCE's rate cases, adjusted for balancing and memorandum account activities, and the recorded flow-through items also result in increases or decreases in regulatory assets with a corresponding impact on the effective tax rate to the extent that recorded deferred amounts are expected to be recovered in future rates.

Unrecognized Tax Benefits

The following table provides a reconciliation of unrecognized tax benefits:

| | Edison International | | SCE | |
|---|---|---|---|---|
| (in millions) | 2018 | 2017 | 2018 | 2017 |
| Balance at January 1, | $432 | $471 | $331 | $371 |
| Tax positions taken during the current year: | | | | |
| Increases | 21 | 20 | 21 | 20 |
| Tax positions taken during a prior year: | | | | |
| Increases | — | 3 | — | 3 |
| Decreases | (7) | — | (7) | — |
| Decreases for settlements during the period[1] | — | (83) | — | (78) |
| Balance at June 30, | $446 | $411 | $345 | $316 |

[1] In the first quarter of 2017, Edison International settled all open tax positions with the IRS for taxable years 2007 through 2012.

Tax Disputes

In the first quarter of 2017, Edison International settled all open tax positions with the IRS for taxable years 2007 through 2012. Edison International has previously made cash deposits to cover the estimated tax and interest liability from this audit cycle and expects a $7 million refund of this deposited amount.

Tax years that remain open for examination by the IRS and the California Franchise Tax Board are 2014 – 2016 and 2010 – 2016, respectively. Edison International has settled all open tax positions with the IRS for taxable years prior to 2013.

Edison International expects to receive a final settlement for tax years 1994 – 2006 from the California Franchise Tax Board by year end 2018. Upon receipt of this settlement, SCE expects to update its assessment of uncertain tax positions. Tax years 2007 – 2009 are currently under protest with the California Franchise Tax Board.

Note 9. Compensation and Benefit Plans

Pension Plans

Edison International made contributions of $23 million during the six months ended June 30, 2018, which includes contributions of $14 million by SCE. Edison International expects to make contributions of $43 million during the remainder of 2018, which includes $36 million from SCE. Annual contributions made by SCE to most of SCE's pension plans are anticipated to be recovered through CPUC-approved regulatory mechanisms.

Net periodic pension expense components for continuing operations are:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2018 | 2017 [3] | 2018 | 2017 [3] |
| Edison International: | | | | |
| Service cost | $32 | $36 | $64 | $ 72 |
| Non-service cost | | | | |
| Interest cost | 35 | 41 | 70 | 82 |
| Expected return on plan assets | (56 ) | (53 ) | (113) | (106 ) |
| Settlement costs[1] | — | 8 | — | 8 |
| Amortization of prior service cost | — | 1 | 1 | 2 |
| Amortization of net loss[2] | 2 | 5 | 4 | 10 |
| Regulatory adjustment (deferred) | 3 | (3 ) | 5 | (6 ) |
| Total non-service cost | (16 ) | (1 ) | (33 ) | (10 ) |
| Total expense recognized | $16 | $35 | $31 | $ 62 |
| SCE: | | | | |
| Service cost | $31 | $35 | $62 | $ 70 |
| Non-service cost | | | | |
| Interest cost | 32 | 37 | 64 | 74 |
| Expected return on plan assets | (54 ) | (50 ) | (107) | (100 ) |
| Amortization of prior service cost | — | 1 | 1 | 2 |
| Amortization of net loss[2] | 2 | 4 | 3 | 8 |
| Regulatory adjustment (deferred) | 3 | (3 ) | 5 | (6 ) |
| Total non-service cost | (17 ) | (11 ) | (34 ) | (22 ) |
| Total expense recognized | $14 | $24 | $28 | $ 48 |

[1] Under GAAP, a settlement is recorded when lump-sum payments exceed estimated annual service and interest costs. Lump-sum payments made in April 2017 to Edison International executives retiring in 2016 from the Executive Retirement Plan exceeded the estimated service and interest costs, resulting in a partial settlement of that plan. A settlement loss of approximately $8 million ($5 million after-tax) was recorded at Edison International in the second quarter of 2017.

[2] Includes the amount of net loss reclassified from other comprehensive loss. The amount reclassified for Edison International and SCE was $2 million and $2 million, respectively, for the three months ended June 30, 2018, and $4 million and $3 million, respectively, for the six months ended June 30, 2018. The amount reclassified for Edison International and SCE was $2 million and $1 million, respectively, for the three months ended June 30, 2017, and $5 million and $3 million, respectively, for the six months ended June 30, 2017.

[3] During the first quarter of 2018, Edison International and SCE adopted an accounting standard retrospectively related to the presentation of the components of net periodic benefit costs for the defined benefit pension and other

postretirement plans. Prior years' consolidated income statements have been updated to reflect the retrospective application of this accounting standard. Service and non-service costs are included in "Operation and maintenance" and "Other income and expenses," respectively, on the consolidated income statement. See Note 1 for further information.

Postretirement Benefits Other Than Pensions ("PBOP(s)")

Edison International made contributions of $6 million during the six months ended June 30, 2018 and expects to make an additional $6 million of contributions during the remainder of 2018, substantially all of which are expected to be made by SCE. Annual contributions related to SCE employees made to SCE plans are anticipated to be recovered through CPUC-approved regulatory mechanisms and are expected to be, at a minimum, equal to the total annual expense for these plans. Benefits in retirement depends on a number of factors, including the employee's years of service, age, hire date, and retirement date. Under the terms of the Edison International Health and Welfare Benefit Plan ("PBOP Plan") each participating employer (Edison International or its participating subsidiaries) is responsible for the costs and expenses of all PBOP Plan benefits with respect to its employees and former employees. A participating employer may terminate the PBOP Plan benefits with respect to its employees and former employees, as may SCE (as PBOP Plan sponsor), and, accordingly, the participants' PBOP Plan benefits are not vested benefits.

Net periodic PBOP expense components for continuing operations are:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2018 | 2017 [1] | 2018 | 2017 [1] |
| Edison International: | | | | |
| Service cost | $10 | $ 9 | $19 | $18 |
| Non-service cost | | | | |
| Interest cost | 21 | 24 | 42 | 48 |
| Expected return on plan assets | (30) | (27) | (60) | (54) |
| Amortization of prior service cost | (1) | (1) | (1) | (2) |
| Total non-service cost | (10) | (4) | (19) | (8) |
| Total expense | $— | $ 5 | $— | $10 |
| SCE: | | | | |
| Service cost | $10 | $ 9 | $19 | $18 |
| Non-service cost | | | | |
| Interest cost | 21 | 24 | 42 | 48 |
| Expected return on plan assets | (30) | (27) | (60) | (54) |
| Amortization of prior service cost | (1) | (1) | (1) | (2) |
| Total non-service cost | (10) | (4) | (19) | (8) |
| Total expense | $— | $ 5 | $— | $10 |

[1] During the first quarter of 2018, Edison International and SCE adopted an accounting standard retrospectively related to the presentation of the components of net periodic benefit costs for the defined benefit pension and other postretirement plans. Prior years' consolidated income statements have been updated to reflect the retrospective application of this accounting standard. Service and non-service costs are included in "Operation and maintenance" and "Other income and expenses," respectively, on the consolidated income statement. See Note 1 for further information.

Note 10. Investments

Nuclear Decommissioning Trusts

Future decommissioning costs related to SCE's nuclear assets are expected to be funded from independent decommissioning trusts.

The following table sets forth amortized cost and fair value of the trust investments (see Note 4 for a discussion of fair value of the trust investments):

| (in millions) | Longest Maturity Dates | Amortized Cost | | Fair Value | |
|---|---|---|---|---|---|
| | | June 30, 2018 | December 31, 2017 | June 30, 2018 | December 31, 2017 |
| Stocks | — | * | $ 236 | $1,527 | $ 1,596 |
| Municipal bonds | 2057 | 650 | 643 | 753 | 768 |
| U.S. government and agency securities | 2067 | 1,214 | 1,235 | 1,281 | 1,319 |
| Corporate bonds | 2057 | 623 | 579 | 666 | 643 |
| Short-term investments and receivables/payables[1] | One-year | 65 | 110 | 67 | 114 |
| Total | | $2,552 | $ 2,803 | $4,294 | $ 4,440 |

* Effective January 1, 2018, SCE adopted an accounting standards update related to the classification and measurement of financial instruments in which equity investments are measured at fair value. See Note 1 for further information.

[1] Short-term investments include $47 million and $29 million of repurchase agreements payable by financial institutions which earn interest, are fully secured by U.S. Treasury securities and mature by July 2, 2018 and January 2, 2018 as of June 30, 2018 and December 31, 2017, respectively.

Trust fund earnings (based on specific identification) increase the trust fund balance and the asset retirement obligation ("ARO") regulatory liability. Unrealized holding gains, net of losses, were $1.5 billion and $1.6 billion at June 30, 2018 and December 31, 2017, respectively, and other-than-temporary impairments of $159 million and $143 million at the respective periods.

Trust assets are used to pay income taxes arising from trust investing activity. Deferred tax liabilities related to net unrealized gains at June 30, 2018 were $370 million. Accordingly, the fair value of trust assets available to pay future decommissioning costs, net of deferred income taxes, totaled $3.9 billion at June 30, 2018.

For the three months ended June 30, 2018 and 2017, gross realized gains were $26 million and $13 million, respectively. Gross realized losses were $2 million for the three months ended June 30, 2018 and there were no gross realized losses for the three months ended June 30, 2017. For the six months ended June 30, 2018 and 2017, gross realized gains were $87 million and $112 million, respectively, and gross realized losses were $10 million and $16 million respectively. Unrealized losses, net of gains, for equity securities were $5 million and unrealized gains, net of losses, for equity securities were $59 million for the three months ended June 30, 2018 and 2017, respectively. Unrealized losses, net of gains, for equity securities were $68 million and unrealized gains, net of losses, for equity securities were $79 million for the six months ended June 30, 2018 and 2017. Due to regulatory mechanisms, changes in assets of the trusts from income or loss items have no impact on operating revenue or earnings.

Note 11. Regulatory Assets and Liabilities

Regulatory Assets

SCE's regulatory assets included on the consolidated balance sheets are:

| (in millions) | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Current: | | |
| Regulatory balancing accounts | $ 642 | $ 484 |
| Power contracts and energy derivatives | 203 | 203 |
| Other | 15 | 16 |
| Total current | 860 | 703 |
| Long-term: | | |
| Deferred income taxes, net of liabilities | 3,306 | 3,143 |
| Pensions and other postretirement benefits | 265 | 271 |
| Power contracts and energy derivatives | 741 | 799 |
| Unamortized investments, net of accumulated amortization | 117 | 123 |
| San Onofre[1] | 72 | 72 |
| Unamortized loss on reacquired debt | 160 | 168 |
| Regulatory balancing accounts | 175 | 143 |
| Environmental Remediation | 137 | 144 |
| Other | 49 | 51 |
| Total long-term | 5,022 | 4,914 |
| Total regulatory assets | $ 5,882 | $ 5,617 |

[1] In accordance with the Revised San Onofre Settlement Agreement, SCE wrote down the San Onofre regulatory asset. SCE has requested to apply $72 million of the U.S. Department of Energy ("DOE") proceeds, currently reflected as a regulatory liability in the DOE litigation memorandum account, against the remaining San Onofre regulatory asset. See Note 12 for further information.

Regulatory Liabilities

SCE's regulatory liabilities included on the consolidated balance sheets are:

| (in millions) | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Current: | | |
| Regulatory balancing accounts | $1,004 | $ 1,009 |
| Energy derivatives | 50 | 74 |
| San Onofre[1] | 96 | 5 |
| Other[2] | 191 | 33 |
| Total current | 1,341 | 1,121 |
| Long-term: | | |
| Costs of removal | 2,804 | 2,741 |
| Re-measurement of deferred taxes | 2,815 | 2,892 |
| Recoveries in excess of ARO liabilities[3] | 1,438 | 1,575 |
| Regulatory balancing accounts | 1,539 | 1,316 |
| Other postretirement benefits | 26 | 26 |
| Other | 37 | 64 |
| Total long-term | 8,659 | 8,614 |
| Total regulatory liabilities | $10,000 | $ 9,735 |

[1] During the six months ended June 30, 2018, SCE recorded San Onofre revenue based on the Prior San Onofre Settlement Agreement. As a result of the Revised San Onofre Settlement Agreement, SCE recorded a regulatory liability pending the CPUC approval of the agreement. See Note 12 for additional information.

[2] During the six months ended June 30, 2018, SCE recorded CPUC revenue based on the 2017 authorized revenue requirements adjusted for the July 2017 cost of capital decision and Tax Reform pending the outcome of the 2018 GRC. SCE recorded a regulatory liability primarily associated with these adjustments.

[3] Represents the cumulative differences between ARO expenses and amounts collected in rates primarily for the decommissioning of SCE's nuclear generation facilities. Decommissioning costs recovered through rates are primarily placed in nuclear decommissioning trusts. This regulatory liability also represents the deferral of realized and unrealized gains and losses on the nuclear decommissioning trust investments. See Note 10 for further discussion.

Net Regulatory Balancing Accounts

The following table summarizes the significant components of regulatory balancing accounts included in the above tables of regulatory assets and liabilities:

| (in millions) | June 30, 2018 | December 31, 2017 |
|---|---|---|
| Asset (liability) | | |
| Energy resource recovery account | $452 | $ 464 |
| New system generation balancing account | (190) | (197) |
| Public purpose programs and energy efficiency programs | (1,270) | (1,145) |
| Tax accounting memorandum account and pole loading balancing account | 4 | (259) |
| Base revenue requirement balancing account | (500) | (200) |
| DOE litigation memorandum account | (191) | (156) |
| Greenhouse gas auction revenue | 140 | (22) |
| FERC balancing accounts | (220) | (205) |
| Catastrophic event memorandum account | 109 | 102 |
| Other | (60) | (80) |

| | | |
|---|---|---|
| Liability | $(1,726) | $ (1,698 ) |

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Note 12. Commitments and Contingencies

Indemnities

Edison International and SCE have various financial and performance guarantees and indemnity agreements, which are issued in the normal course of business.

Edison International and SCE have provided 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 indemnities for specified environmental liabilities and income taxes with respect to assets sold. Edison International's and SCE's obligations under these agreements may or may not be limited in terms of time and/or amount, and in some instances Edison International and SCE may have recourse against third parties. Edison International and SCE have not recorded a liability related to these indemnities. The overall maximum amount of the obligations under these indemnifications cannot be reasonably estimated.

SCE has indemnified the City of Redlands, California in connection with the Mountainview power plant's California Energy Commission permit for cleanup or associated actions related to groundwater contaminated by perchlorate due to the disposal of filter cake at the City's solid waste landfill. The obligations under this agreement are not limited to a specific time period or subject to a maximum liability. SCE has not recorded a liability related to this indemnity.

Contingencies

In addition to the matters disclosed in these Notes, Edison International and SCE are involved in other legal, tax, and regulatory proceedings before various courts and governmental agencies regarding matters arising in the ordinary course of business. Edison International and SCE believe the outcome of these other proceedings will not, individually or in the aggregate, materially affect its financial position, results of operations and cash flows.

Southern California Wildfires

In December 2017, several wind-driven wildfires (the "December 2017 Wildfires") impacted portions of SCE's service territory and caused substantial damage to both residential and business properties and service outages for SCE customers. The largest of these fires, known as the Thomas Fire, originated in Ventura County and burned acreage located in both Ventura and Santa Barbara Counties. According to the most recent California Department of Forestry and Fire Protection ("Cal Fire") incident information reports, the Thomas Fire burned over 280,000 acres, destroyed an estimated 1,063 structures, damaged an estimated 280 structures and resulted in one fatality. As of June 30, 2018, SCE had incurred approximately $77 million of capital expenditures related to restoration of service resulting from the December 2017 Wildfires and the Montecito Mudslides.

Determining wildfire origin and cause is often a complex and time-consuming process, and several investigations into the facts and circumstances of the Thomas Fire are believed to be ongoing. SCE has been advised that the origins and causes of the fire are being investigated by Cal Fire and the Ventura County Fire Department. In connection with its investigation of the Thomas Fire, Cal Fire has removed and retained certain of SCE's equipment that was located near suspected ignition points of the fire. SCE expects that the Ventura County Fire Department and/or Cal Fire will ultimately issue reports concerning the origins and causes of the Thomas Fire but cannot predict when these reports will be released. The CPUC's SED is also conducting an investigation to assess the compliance of SCE and its facilities with applicable rules and regulations in areas impacted by the Thomas Fire. In addition, as it does in all wildfire matters in which its facilities may or are alleged to be involved, SCE is conducting its own review of the Thomas Fire. SCE's internal review of the Thomas Fire is complex and examines various matters including the number of ignition points, the location of those ignition points, fire progression and the attribution of damages to fires potentially ignited at separate ignition points. Due to these complexities, SCE cannot predict when its own review, or the investigations of Cal Fire, the Ventura County Fire Department or the SED, will be completed.

The extent of potential liability for December 2017 Wildfire-related damages depends on a number of factors, including whether SCE substantially caused, or contributed to, the damages and whether parties seeking recovery of damages will be required to show negligence in addition to causation. Certain California courts have previously found utilities to be strictly liable for property damage, regardless of fault, by applying the theory of inverse condemnation when a utility's facilities were determined to be a substantial cause of a wildfire that caused the property damage. The rationale stated by these courts for applying this theory to investor-owned utilities is that property damages resulting from a public improvement, such as the distribution of electricity, can be spread across the larger community that benefited from such improvement. However, in November 2017, the CPUC issued a decision denying SDG&E's request to include in its rates uninsured wildfire-related costs arising from several 2007 fires, finding that SDG&E did not prudently manage and operate its facilities prior to or at the outset of the 2007 wildfires. In July 2018, the CPUC denied both SDG&E's application for rehearing on its cost recovery request and a joint application for rehearing filed by SCE and PG&E limited to the applicability of inverse condemnation principles in the same proceeding.

When inverse condemnation is held to be applicable to a utility, the utility may be held strictly liable for property damages and associated interest and attorneys' fees. If inverse condemnation is held to be inapplicable to SCE in connection with the December 2017 Wildfires, SCE could be held liable for property damages and associated interest if the property damages were found to have been proximately caused by SCE's alleged negligence. If SCE is found negligent, SCE could also be held liable for, among other things, fire suppression costs, business interruption losses, evacuation costs, medical expenses and personal injury/wrongful death claims. These potential liabilities, in the aggregate, could be material. Additionally, SCE could potentially be subject to fines for alleged violations of CPUC rules and laws in connection with the December 2017 Wildfires.

SCE is aware of multiple lawsuits filed related to the Thomas Fire naming SCE as a defendant. A number of the lawsuits also name Edison International as a defendant and some of the lawsuits were filed as purported class actions. The lawsuits, which have been filed in the superior courts of Ventura, Santa Barbara and Los Angeles Counties allege, among other things, negligence, inverse condemnation, trespass, private nuisance, and violations of the public utilities and health and safety codes. By order of the Chair of the California Judicial Council, the lawsuits are being coordinated in the Los Angeles Superior Court. SCE expects to be the subject of additional lawsuits related to the Thomas Fire. The litigation could take a number of years to be resolved because of the complexity of the matters.

Additionally, in July 2018, a derivative lawsuit for breach of fiduciary duties and unjust enrichment was filed in the Los Angeles Superior Court against certain current and former members of the Boards of Directors of Edison International and SCE (collectively, the "Individual Defendants"). Edison International and SCE are identified as nominal defendants in that action. The derivative lawsuit generally alleges that the Individual Defendants violated their fiduciary duties by causing or allowing SCE to operate in an unsafe manner in violation of relevant regulations, resulting in substantial liability and damage from the December 2017 Wildfires and the Montecito Mudslides.

Given the ongoing uncertainty as to the causes of the Thomas Fire, the complexity of several potential ignition points, and the potential for separate damages to be attributable to fires ignited at separate ignition points, Edison International and SCE are currently unable to reasonably estimate a range of losses that may be incurred, but such losses may be material.

For events that occurred in 2017, principally the December 2017 Wildfires, SCE has approximately $1 billion of wildfire-specific insurance coverage, subject to a self-insured retention of $10 million per occurrence. Various coverage limitations within the policies that make up SCE's wildfire insurance coverage could result in material self-insured costs in the event of multiple wildfire occurrences during a policy period. Should responsibility for a significant portion of the damages related to the December 2017 Wildfires be attributed to SCE, SCE's insurance may not be sufficient to cover all such damages. In addition, SCE may not be authorized to recover its uninsured damages through electric service rates if, for example, the CPUC finds that the damages were incurred because SCE did not prudently manage its facilities.

Edison International and SCE are pursuing legislative, regulatory and legal strategies to address the application of a strict liability standard to wildfire-related damages without the ability to recover resulting damages in rates. Edison International and SCE cannot predict whether or when a solution mitigating the significant risk faced by a California investor-owned utility related to wildfires will be achieved.

Current Wildfire Insurance Coverage

SCE has approximately $1 billion of wildfire-specific insurance coverage for events that may occur during the period June 1, 2018 through December 30, 2018 and approximately $940 million of wildfire-specific insurance coverage for events that may occur during the period December 31, 2018 through May 31, 2019. SCE may obtain additional wildfire insurance for these time periods in the future. SCE's insurance coverage for wildfire-related claims is subject to a self-insured retention of $10 million per occurrence. Various coverage limitations within the policies that make up SCE's wildfire insurance coverage could result in material self-insured costs in the event of multiple wildfire occurrences during a policy period or in the event of an exceptionally large wildfire.

SCE's cost of obtaining wildfire insurance coverage has increased significantly as a result of, among other things, the December 2017 Wildfires. SCE has requested approval from the CPUC for regulatory mechanisms to track and recover wildfire insurance premiums in excess of the amounts that are ultimately approved in a 2018 GRC decision.

Montecito Mudslides

In January 2018, torrential rains in Santa Barbara County produced mudslides and flooding in Montecito and surrounding areas (the "Montecito Mudslides"). According to Santa Barbara County initial reports, the Montecito Mudslides destroyed an estimated 135 structures, damaged an estimated 324 structures, and resulted in at least 21 fatalities, with two additional fatalities presumed.

Of the lawsuits mentioned above, several allege that SCE has responsibility for the Thomas Fire and that the Thomas Fire proximately caused the Montecito Mudslides, resulting in the plaintiffs' claimed damages. Some of the Montecito Mudslides lawsuits also name Edison International as a defendant. In addition to other causes of action, some of the Montecito Mudslides lawsuits also allege personal injury and wrongful death. By order of the Chair of the California Judicial Council, the Thomas Fire and Montecito Mudslides lawsuits are being coordinated in the Los Angeles Superior Court. SCE expects that additional lawsuits related to the Montecito Mudslides will be filed.

In the event that SCE is determined to have liability for damages caused by the Thomas Fire, SCE cannot predict whether the courts will conclude that the Montecito Mudslides were caused by the Thomas Fire or that SCE is liable for damages caused by the Montecito Mudslides. As a result, Edison International and SCE are currently unable to predict the outcome of the claims made against SCE and Edison International or reasonably estimate a range of losses that may be incurred. If it is determined that the Montecito Mudslides were caused by the Thomas Fire and that SCE is liable for damages caused by the Montecito Mudslides, then SCE's insurance coverage for such damages may be limited to its wildfire insurance. In January 2018, SCE also had other general liability insurance coverage of approximately $450 million but it is uncertain whether these other policies would apply to liabilities alleged to be related to the Montecito Mudslides. Additionally, if SCE is determined to be liable for a significant portion of costs associated with the Montecito Mudslides, SCE's insurance may not be sufficient to cover all such damages. In addition, SCE may not be authorized to recover its uninsured damages through electric service rates if, for example, the CPUC finds that the damages were incurred because SCE did not prudently manage its facilities.

If it is ultimately determined that SCE is legally responsible for damages caused by the Montecito Mudslides and inverse condemnation is held to be applicable to SCE, SCE may be held liable for resulting property damages and associated interest and attorneys' fees. If inverse condemnation is held to be inapplicable to SCE in connection with the Montecito Mudslides, SCE could be held liable for property damages and associated interest if the property damages were found to have been proximately caused by SCE's alleged negligence. If SCE is found negligent, SCE could also be held liable for, among other things, business interruption losses, evacuation costs, clean-up costs, medical expenses and personal injury/wrongful death claims associated with the Montecito Mudslides. These potential liabilities, in the aggregate, could be material. SCE cannot predict whether it will be subjected to regulatory fines related to the Montecito Mudslides.

Permanent Retirement of San Onofre

Replacement steam generators were installed at San Onofre in 2010 and 2011. On January 31, 2012, a leak suddenly occurred in one of the heat transfer tubes in San Onofre's Unit 3 steam generators. The Unit was safely taken off-line

and subsequent inspections revealed excessive tube wear. Unit 2 was off-line for a planned outage when areas of unexpected tube wear were also discovered. On June 6, 2013, SCE decided to permanently retire Units 2 and 3.

San Onofre CPUC Proceedings

In November 2014, the CPUC approved the San Onofre OII Settlement Agreement by and among The Utility Reform Network ("TURN"), the CPUC's Office of Ratepayers Advocates ("ORA"), San Diego Gas & Electric ("SDG&E"), the Coalition of California Utility Employees, and Friends of the Earth (the "Prior San Onofre Settlement Agreement"), which, at

the time, resolved the CPUC's investigation regarding the steam generator replacement project at San Onofre and the related outages and subsequent shutdown of San Onofre. Subsequently, the San Onofre Order Instituting Investigation ("OII") proceeding record was reopened by a joint ruling of the Assigned Commissioner and the Assigned Administrative Law Judge ("ALJ") to consider whether, in light of the Company not reporting certain ex parte communications on a timely basis, the Prior San Onofre Settlement Agreement remained reasonable, consistent with the law and in the public interest, which is the standard the CPUC applies in reviewing settlements submitted for approval.

Entry into Revised Settlement Agreement

On January 30, 2018, SCE, SDG&E, The Alliance for Nuclear Responsibility, The California Large Energy Consumers Association, California State University, Citizens Oversight dba Coalition to Decommission San Onofre, the Coalition of California Utility Employees, the Direct Access Customer Coalition, Ruth Henricks, ORA, TURN, and Women's Energy Matters (the "OII Parties") entered into a Revised San Onofre Settlement Agreement in the San Onofre OII proceeding (the "Revised San Onofre Settlement Agreement"). If approved by the CPUC, the Revised San Onofre Settlement Agreement will resolve all issues under consideration in the San Onofre OII and will modify the Prior San Onofre Settlement Agreement. If approved by the CPUC, the Revised San Onofre Settlement Agreement will also result in the dismissal of a federal lawsuit currently pending in the Ninth Circuit Court of Appeals challenging the CPUC's authority to permit rate recovery of San Onofre costs. The Revised San Onofre Settlement Agreement was the result of multiple mediation sessions in 2017 and January 2018 and was signed on January 30, 2018 following a settlement conference in the OII, as required under CPUC rules.

In June 2018, the CPUC issued a proposed decision approving all of the terms of the Revised San Onofre Settlement Agreement other than a provision under which SCE and SDG&E (the "Utilities") agreed to fund an aggregate of $12.5 million for a Research, Development and Demonstration program intended to develop technologies and methodologies to reduce greenhouse gas emissions (the "GHG Reduction Funding Program"). On July 12, 2018, SCE and certain of the other OII Parties filed comments with the CPUC recommending that the CPUC modify the proposed decision to approve the Revised San Onofre Settlement Agreement in its entirety. Certain parties to the San Onofre OII have also filed comments with the CPUC asserting their respective positions regarding the Revised San Onofre Settlement Agreement, including suggesting alternatives to the elimination of the GHG Reduction Funding Program. On July 26, 2018, the CPUC approved the terms of the Revised San Onofre Settlement Agreement subject to the OII Parties eliminating the GHG Reduction Funding Program provision. The OII Parties, or a sufficient sub-set of the OII Parties, have ten days from July 26, 2018 to file a notice with the CPUC accepting elimination of the GHG Reduction Funding provision from the Revised San Onofre Settlement Agreement (the "Proposed Modification"). The Revised San Onofre Settlement Agreement with the Proposed Modification will become effective upon filing and service of the notice. If the OII Parties, or a sufficient sub-set of the OII Parties, do not file a notice accepting the Proposed Modification, the assigned ALJ will issue a ruling scheduling evidentiary hearings on the outstanding issues.

Disallowances, Refunds and Recoveries

If the Revised San Onofre Settlement Agreement is approved by the CPUC, the Utilities will cease rate recovery of San Onofre costs as of the date their combined remaining San Onofre regulatory assets equal $775 million (the "Cessation Date"). SCE has previously requested the CPUC to authorize SCE to reduce the San Onofre regulatory asset by applying $72 million of proceeds received from litigation with the DOE related to DOE's failure to meet its obligation to begin accepting spent nuclear fuel from San Onofre. SCE expects a CPUC decision on its request in 2018. If its request is approved by the CPUC, the Cessation Date is estimated to be December 19, 2017. If its request is not approved by the CPUC, the Cessation Date is estimated to be April 21, 2018. The Utilities will refund to customers San Onofre-related amounts recovered in rates after the Cessation Date. SCE will retain amounts collected under the Prior San Onofre Settlement Agreement before the Cessation Date. SCE also will retain $47 million of proceeds received in 2017 from arbitration with Mitsubishi Heavy Industries ("MHI") over MHI's delivery of faulty steam generators. See Note 11 for additional information.

In the Revised San Onofre Settlement Agreement, SCE retains the right to sell its stock of nuclear fuel and not share such proceeds with customers, as was provided in the Prior San Onofre Settlement Agreement. SCE intends to sell its nuclear fuel inventory as market conditions warrant. Proceeds from sales of nuclear fuel may be significant.

If approved by the CPUC, the Revised San Onofre Settlement Agreement will also provide certain exclusions from the determination of SCE's ratemaking capital structure. Notwithstanding that SCE will no longer recover its San Onofre regulatory asset, the debt borrowed to finance the regulatory asset will continue to be excluded from SCE's ratemaking capital structure. Additionally, SCE may exclude the after-tax charge resulting from the implementation of the Revised San Onofre Settlement Agreement from its ratemaking capital structure.

Additional Challenges related to the Settlement of San Onofre CPUC Proceedings

A federal lawsuit challenging the CPUC's authority to permit rate recovery of San Onofre costs and an application to the CPUC for rehearing of its decision approving the Prior San Onofre Settlement Agreement were filed in November and December 2014, respectively. In April 2015, the federal lawsuit was dismissed with prejudice and the plaintiffs in that case appealed the dismissal to the Ninth Circuit Court of Appeals in May 2015. As part of the Revised San Onofre Settlement Agreement, and subject to CPUC approval of the Revised San Onofre Settlement Agreement, the plaintiffs agreed to dismiss this case with prejudice. In light of these developments, the Ninth Circuit appeal is currently stayed.

In July 2015, a purported securities class action lawsuit was filed in federal court against Edison International, its then Chief Executive Officer and its then Chief Financial Officer. The complaint was later amended to include SCE's former President as a defendant. The lawsuit alleges that the defendants violated the securities laws by failing to disclose that Edison International had ex parte contacts with CPUC decision-makers regarding the San Onofre OII that were either unreported or more extensive than initially reported. The initial complaint purports to be filed on behalf of a class of persons who acquired Edison International common stock between March 21, 2014 and June 24, 2015 (the "Class Period"). In September 2016, the federal court granted defendants' motion to dismiss the complaint, with an opportunity for plaintiff to amend the complaint. Plaintiff filed a second amended complaint in October 2016, which the federal court dismissed again with an opportunity for the plaintiff to amend the complaint. Plaintiff filed a third amended complaint in May 2017. In March 2018, the federal court dismissed the third amended complaint with prejudice and entered judgment in defendants' favor. Plaintiffs' have appealed the dismissal.

In November 2015, a purported class action lawsuit was filed in federal court against Edison International, its then Chief Executive Officer and its Treasurer by an Edison International employee, alleging claims under the Employee Retirement Income Security Act. The complaint purports to be filed on behalf of a class of Edison International employees who were participants in the Edison 401(k) Savings Plan and invested in the Edison International Stock Fund between March 27, 2014 and June 24, 2015. The complaint alleges that defendants breached their fiduciary duties because they knew or should have known that investment in the Edison International Stock Fund was imprudent because the price of Edison International common stock was artificially inflated due to Edison International's alleged failure to disclose certain ex parte communications with CPUC decision-makers related to the San Onofre OII. In July 2016, the federal court granted the defendants' motion to dismiss the lawsuit with an opportunity for the plaintiff to amend her complaint. Plaintiff filed an amended complaint in July 2016, that dismissed Edison International as a named defendant and the remaining defendants filed a motion to dismiss in August 2016. In June 2017, the federal court again granted defendants' motion to dismiss the lawsuit with an opportunity for the plaintiff to amend her complaint. Plaintiff filed another amended complaint in July 2017. Defendants filed a motion to dismiss the amended complaint and, in May 2018, the federal court again granted defendants' motion to dismiss the lawsuit with an opportunity for the plaintiff to amend her complaint. Plaintiff elected not to amend her complaint and will have an opportunity to file an appeal with the Ninth Circuit Court of Appeals after the lower court enters a final judgment.

Edison International and SCE cannot predict the outcome of these proceedings.

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, operation and maintenance, monitoring, and site closure. Unless there is a single probable amount, SCE records the lower end of this reasonably likely range of costs (reflected in "Other long-term liabilities") at undiscounted amounts as timing of cash flows is uncertain.

At June 30, 2018, SCE's recorded estimated minimum liability to remediate its 20 identified material sites (sites with a liability balance at June 30, 2018, in which the upper end of the range of the costs is at least $1 million) was $138 million, including $91 million related to San Onofre. In addition to these sites, SCE also has 16 immaterial sites with a liability balance as of June 30, 2018, for which the total minimum recorded liability was $4 million. Of the $142 million total environmental remediation liability for SCE, $137 million has been recorded as a regulatory asset. SCE expects to recover $44 million through an incentive mechanism that allows SCE to recover 90% of its environmental remediation costs at certain sites (SCE may request to include additional sites) and $93 million through a mechanism that allows SCE to recover 100% of the costs incurred at certain sites 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.

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 at the identified material sites and immaterial sites could exceed its recorded liability by up to $135 million and $8 million, respectively. The upper limit of this range of costs was estimated using assumptions least favorable to SCE among a range of reasonably possible outcomes.

SCE expects to clean up and mitigate its identified sites over a period of up to 30 years. Remediation costs for each of the next five years are expected to range from $7 million to $13 million. Costs incurred for the six months ended June 30, 2018 and 2017 were $6 million and $4 million, respectively.

Based upon the CPUC's regulatory treatment of environmental remediation costs incurred at SCE, SCE believes that costs ultimately recorded will not materially affect its results of operations, financial position, or cash flows. 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 estimates.

Nuclear Insurance

SCE is a member of NEIL, a mutual insurance company owned by entities with nuclear facilities. NEIL provides insurance for nuclear property damage, including damages caused by acts of terrorism up to specified limits, and for accidental outages for active facilities. The amount of nuclear property damage insurance purchased for San Onofre and Palo Verde exceeds the minimum federal requirement of $50 million and $1.06 billion, respectively. If NEIL 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 approximately $52 million per year.

Federal law limits public offsite liability claims for bodily injury and property damage from a nuclear incident to the amount of available financial protection, which is currently approximately $13.1 billion for Palo Verde and $560 million for San Onofre. SCE and other owners of San Onofre and Palo Verde have purchased the maximum private primary insurance available through a Facility Form issued by American Nuclear Insurers ("ANI"). SCE withdrew from participation in the secondary insurance pool for San Onofre for offsite liability insurance effective January 5, 2018. Based on its ownership interests in Palo Verde, SCE could be required to pay a maximum of approximately $60 million per nuclear incident for future incidents. However, it would have to pay no more than approximately $9 million per future incident in any one year. SCE could be required to pay a maximum of approximately $255 million per nuclear incident and a maximum of $38 million per year per incident for liabilities arising from events prior to January 5, 2018, although SCE is not aware of any such events.

For more information on nuclear insurance coverage, see Note 11 in the 2017 Form 10-K.

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 has not met its contractual obligation to accept spent nuclear fuel. Extended delays by the DOE have led to the construction of costly alternatives and associated siting and environmental issues. Currently, both San Onofre and Palo Verde have interim storage for spent nuclear fuel on site sufficient for their current license period.

In June 2010, the United States Court of Federal Claims issued a decision granting SCE and the San Onofre co-owners damages of approximately $142 million (SCE share $112 million) to recover costs incurred through December 31, 2005 for the DOE's failure to meet its obligation to begin accepting spent nuclear fuel from San Onofre. SCE received payment from the federal government in the amount of the damage award. In April 2016, SCE, as operating agent, settled a lawsuit on behalf of the San Onofre owners against the DOE for $162 million, including reimbursement for legal costs (SCE share $124 million) to compensate for damages caused by the DOE's failure to meet its obligation to begin accepting spent nuclear fuel for the period from January 1, 2006 to December 31, 2013. The settlement also provides for a claim submission/audit process for expenses incurred from 2014 – 2016, where SCE may submit a claim for damages caused by the DOE failure to accept spent nuclear fuel each year, followed by a government audit and payment of the claim. This process will make additional legal action to recover damages incurred in 2014 – 2016 unnecessary. The first such claim covering damages for 2014 – 2015 was filed on September 30, 2016 for approximately $56 million. In February 2017, the DOE reviewed the 2014 – 2015 claim submission and reduced the original request to approximately $43 million (SCE share was approximately $34 million). SCE accepted the DOE's determination, and the government paid the 2014 – 2015 claim under the terms of the settlement. In October 2017, SCE filed a claim covering damages for 2016 for approximately $58 million. In May 2018, the DOE approved reimbursement of approximately $45 million (SCE share was approximately $35 million) of SCE's 2016 damages, not allowing recovery of approximately $13 million. SCE accepted the DOE's determination, and the government paid the 2016 claim under the terms of the settlement. The damages award is subject to CPUC review as to how the amounts will be refunded among customers, shareholders, or to offset other costs.

Note 13. Accumulated Other Comprehensive Loss

Edison International's accumulated other comprehensive loss, net of tax, consist of:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2018 | 2017 | 2018 | 2017 |
| Beginning balance | $(46) | $(49) | $(43) | $(53) |
| Pension and PBOP – net loss: | | | | |
| Reclassified from accumulated other comprehensive loss[1] | 2 | 1 | 4 | 3 |
| Other[2] | — | — | (5) | 2 |
| Change | 2 | 1 | (1) | 5 |
| Ending Balance | $(44) | $(48) | $(44) | $(48) |

[1] These items are included in the computation of net periodic pension and PBOP Plan expense. See Note 9 for additional information.

[2] Edison International recognized cumulative effect adjustments to the opening balance of retained earnings and accumulated other comprehensive loss on January 1, 2018 related to the adoption of the accounting standards update on the measurement of financial instruments. See Note 1 for further information.

SCE's accumulated other comprehensive loss, net of tax consist of:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2018 | 2017 | 2018 | 2017 |
| Beginning balance | $(22) | $(18) | $(19) | $(20) |
| Pension and PBOP – net loss: | | | | |
| Reclassified from accumulated other comprehensive loss[1] | 1 | 1 | 3 | 2 |

| | | | | |
|---|---|---|---|---|
| Other[2] | — | (1) | (5) | — |
| Change | 1 | — | (2) | 2 |
| Ending Balance | $(21) | $(18) | $(21) | $(18) |

[1] These items are included in the computation of net periodic pension and PBOP Plan expense. See Note 9 for additional information.

[2] SCE recognized cumulative effect adjustments to the opening balance of retained earnings and accumulated other comprehensive loss on January 1, 2018 related to the adoption of the accounting standards update on the measurement of financial instruments. See Note 1 for further information.

Note 14. Other Income and Expenses

Other income and expenses are as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| (in millions) | 2018 | 2017 | 2018 | 2017 |
| SCE other income and expenses: | | | | |
| Equity allowance for funds used during construction | $22 | $23 | $44 | $41 |
| Increase in cash surrender value of life insurance policies and life insurance benefits | 6 | 10 | 14 | 22 |
| Interest income | 5 | 1 | 9 | 3 |
| Net periodic benefit income – non-service components | 27 | 9 | 53 | 18 |
| Civic, political and related activities and donations | (12) | (7) | (16) | (10) |
| Other | 2 | (3) | (3) | (6) |
| Total SCE other income and expenses | 50 | 33 | 101 | 68 |
| Other income and expenses of Edison International Parent and Other: | | | | |
| Net periodic benefit costs – non-service components | (1) | (10) | (1) | (11) |
| Other | — | 1 | — | — |
| Total Edison International other income and expenses | $49 | $24 | $100 | $57 |

Note 15. Supplemental Cash Flows Information

Supplemental cash flows information for continuing operations is:

| | Edison International | | SCE | |
|---|---|---|---|---|
| | Six months ended June 30, | | | |
| (in millions) | 2018 | 2017 | 2018 | 2017 |
| Cash payments for interest and taxes: | | | | |
| Interest, net of amounts capitalized | $254 | $240 | $233 | $223 |
| Tax (refunds) payments, net | (93) | 14 | (18) | 20 |
| Non-cash financing and investing activities: | | | | |
| Dividends declared but not paid: | | | | |
| Common stock | $197 | $177 | $100 | $— |
| Preferred and preference stock | 12 | 12 | 12 | 12 |

SCE's accrued capital expenditures at June 30, 2018 and 2017 were $412 million and $283 million, respectively. Accrued capital expenditures will be included as an investing activity in the consolidated statements of cash flow in the period paid.

CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The management of Edison International and SCE, under the supervision and with the participation of Edison International's and SCE's respective Chief Executive Officers and Chief Financial Officers, have evaluated the effectiveness of Edison International's and 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), respectively, as of the end of the second quarter of 2018. Based on that evaluation, Edison International's and SCE's respective Chief Executive Officers and Chief Financial Officers have each concluded that, as of the end of the period, Edison International's and SCE's disclosure controls and procedures, respectively, were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in Edison International's or SCE's internal control over financial reporting, respectively, during the second quarter of 2018 that have materially affected, or are reasonably likely to materially affect, Edison International's or SCE's internal control over financial reporting.

Jointly Owned Utility Plant

Edison International's and SCE's respective scope of evaluation of internal control over financial reporting includes their Jointly Owned Utility Projects as discussed in Note 2. Property, Plant and Equipment in the 2017 Form 10-K.

LEGAL PROCEEDINGS

December 2017 Wildfires Litigation

The December 2017 Wildfires impacted portions of SCE's service territory and caused substantial damage to both residential and business properties and service outages for SCE customers. The largest of these fires, known as the Thomas Fire, originated in Ventura County and burned acreage located in both Ventura and Santa Barbara Counties. According to the most recent Cal Fire incident information reports, the Thomas Fire burned over 280,000 acres, destroyed an estimated 1,063 structures, damaged an estimated 280 structures and resulted in one fatality.

As of July 23, 2018, SCE was aware of at least 87 lawsuits, representing approximately 2,000 plaintiffs, related to the Thomas Fire naming SCE as a defendant. Thirty of these lawsuits also name Edison International as a defendant and at least four of the lawsuits were filed as purported class actions. The lawsuits, which have been filed in the superior courts of Ventura, Santa Barbara and Los Angeles Counties allege, among other things, negligence, inverse condemnation, trespass, private nuisance, and violations of the public utilities and health and safety codes. By order of the Chair of the California Judicial Council, the lawsuits have been coordinated in the Los Angeles Superior Court.

Montecito Mudslides Litigation

In January 2018, torrential rains in Santa Barbara County produced mudslides and flooding in Montecito and surrounding areas. According to Santa Barbara County initial reports, the Montecito Mudslides destroyed an estimated 135 structures, damaged an estimated 324 structures, and resulted in at least 21 fatalities, with two additional fatalities presumed.

Fifty-one of the 87 lawsuits mentioned under "December 2017 Wildfires Litigation" above allege that SCE has responsibility for the Thomas Fire and that the Thomas Fire proximately caused the Montecito Mudslides, resulting in the plaintiffs' claimed damages. Eighteen of the Montecito Mudslides lawsuits also name Edison International as a defendant. In addition to other causes of action, some of the Montecito Mudslides lawsuits also allege personal injury and wrongful death. By order of the Chair of the California Judicial Council, the Thomas Fire and Montecito Mudslides lawsuits have been coordinated in the Los Angeles Superior Court.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by Edison International and Affiliated Purchasers

The following table contains information about all purchases of Edison International Common Stock made by or on behalf of Edison International in the second quarter of 2018.

| Period | (a) Total Number of Shares (or Units) Purchased[1] | (b) Average Price Paid per Share (or Unit)[1] | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| April 1, 2018 to April 30, 2018 | 30,301 | $64.74 | — | — |
| May 1, 2018 to May 31, 2018 | 186,308 | $64.76 | — | — |
| June 1, 2018 to June 30, 2018 | 173,142 | $61.70 | — | — |
| Total | 389,751 | $63.39 | — | — |

[1] The shares were purchased by agents acting on Edison International's behalf for delivery to plan participants to fulfill requirements in connection with Edison International's: (i) 401(k) Savings Plan; (ii) Dividend Reinvestment and Direct Stock Purchase Plan; and (iii) long-term incentive compensation plans. The shares were purchased in open-market transactions pursuant to plan terms or participant elections. The shares were never registered in Edison International's name and none of the shares purchased were retired as a result of the transactions.

EXHIBITS

| Exhibit Number | Description |
|---|---|
| 10.1 | Second Amended and Restated Credit Agreement dated as of May 17, 2018 among Edison International, the several banks and other financial institutions from time to time parties thereto, the several agents parties thereto and JPMorgan Chase Bank, N.A., as administrative agent for the lenders. (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 8-K dated and filed May 18, 2018)* |
| 10.2 | Second Amended and Restated Credit Agreement dated as of May 17, 2018 among SCE, the several banks and other financial institutions from time to time parties thereto, the several agents parties thereto and JPMorgan Chase Bank, N.A., as administrative agent for the lenders. (File No. 1-2313, filed as Exhibit 10.2 to Southern California Edison Company's Form 8-K) |
| 31.1 | Certifications of the Chief Executive Officer and Chief Financial Officer of Edison International pursuant to Section 302 of the Sarbanes-Oxley Act |
| 31.2 | Certifications of the Chief Executive Officer and Chief Financial Officer of Southern California Edison Company pursuant to Section 302 of the Sarbanes-Oxley Act |
| 32.1 | Certifications of the Chief Executive Officer and the Chief Financial Officer of Edison International required by Section 906 of the Sarbanes-Oxley Act |
| 32.2 | Certifications of the Chief Executive Officer and the Chief Financial Officer of Southern California Edison Company required by Section 906 of the Sarbanes-Oxley Act |
| 101.1 | Financial statements from the quarterly report on Form 10-Q of Edison International for the quarter ended June 30, 2018, filed on July 26, 2018, formatted in XBRL: (i) the Consolidated Statements of Income; (ii) the Consolidated Statements of Comprehensive Income; (iii) the Consolidated Balance Sheets; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to Consolidated Financial Statements |
| 101.2 | Financial statements from the quarterly report on Form 10-Q of Southern California Edison Company for the quarter ended June 30, 2018, filed on July 26, 2018, formatted in XBRL: (i) the Consolidated Statements of Income; (ii) the Consolidated Statements of Comprehensive Income; (iii) the Consolidated Balance Sheets; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to Consolidated Financial Statements |

* Incorporated by reference pursuant to Rule 12b-32

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

| | EDISON INTERNATIONAL | | SOUTHERN CALIFORNIA EDISON COMPANY |
|---|---|---|---|
| By: | /s/ Aaron D. Moss | By: | /s/ Aaron D. Moss |
| | Aaron D. Moss<br>Vice President and Controller<br>(Duly Authorized Officer and<br>Principal Accounting Officer) | | Aaron D. Moss<br>Vice President and Controller<br>(Duly Authorized Officer and<br>Principal Accounting Officer) |
| Date: | July 26, 2018 | Date: | July 26, 2018 |