

EDISON INTERNATIONAL
Form 10-Q
July 27, 2017

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

☐ 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 ☒ No ☐ Southern California Edison Company Yes ☐ No ☒

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 ☒ No ☐ Southern California Edison Company Yes ☐ 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):

Edison International	Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-accelerated Filer <input type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
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Southern California Edison Company	Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-accelerated Filer <input checked="" type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
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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 <input type="checkbox"/>	Southern California Edison Company <input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Edison International	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	Southern California Edison Company	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
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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 25, 2017:

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. Each company makes representations only as to itself and makes no other representation whatsoever as to any other company.

GLOSSARY

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

2016 Form 10-K	Edison International's and SCE's combined Annual Report on Form 10-K for the year-ended December 31, 2016
AFUDC	allowance for funds used during construction
ALJ	administrative law judge
ARO(s)	asset retirement obligation(s)
Bcf	billion cubic feet
Bonus	Current federal tax deduction of a percentage of the qualifying property placed in service during
Depreciation	periods permitted under tax laws
BRRBA	Base Revenue Requirement Balancing Account
CAISO	California Independent System Operator
CPUC	California Public Utilities Commission
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
EMG	Edison Mission Group Inc., a wholly owned subsidiary of Edison International and the parent company of EME and Edison Capital
ERRA	energy resource recovery account
FERC	Federal Energy Regulatory Commission
GAAP	generally accepted accounting principles used in the United States
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 27, 2017
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
MW	megawatts
MWdc	megawatts measured for solar projects representing the accumulated peak capacity of all the solar modules
NEIL	Nuclear Electric Insurance Limited
NEM	net energy metering
NERC	North American Electric Reliability Corporation
NRC	Nuclear Regulatory Commission
ORA	CPUC's Office of Ratepayers Advocates
OII	Order Instituting Investigation

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)
QF(s)	qualifying facility(ies)

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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, formerly known as the Consumer Protection and Safety Division or CPSD
SoCalGas	Southern California Gas Company
SoCore Energy	SoCore Energy LLC, a subsidiary of Edison Energy Group that provides solar energy and energy storage solutions
TURN	The Utility Reform Network
US EPA	U.S. Environmental Protection Agency

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 in a timely manner from its customers through regulated rates, including costs related to San Onofre and proposed spending on grid modernization;
- 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 outcome of San Onofre CPUC proceedings, and the 2018 GRC, and delays in regulatory actions;
- ability of Edison International or SCE to borrow funds and access the capital markets on reasonable terms;
- risks associated with cost allocation, including the potential movement of costs to certain customers, caused by the ability of cities, counties, and certain other public agencies to generate and/or purchase electricity for their local residents and businesses, along with other possible customer bypass or departure due to increased adoption of DERs or technological advancements in the generation, storage, transmission, distribution, and use of electricity, and supported by public policy, government regulations and incentives;
- 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), 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;
- risks associated with the decommissioning of San Onofre, including those related to public opposition, permitting, governmental approvals, and cost overruns;
- 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 and customer data;
- the outcome of the strategic review of Edison Energy Group, which may include changes to existing competitive business models and/or exit of certain business activities;
- cost and availability of electricity, including the ability to procure sufficient resources to meet expected customer needs in the event of power plant outages or significant counterparty defaults under power purchase agreements;
- environmental laws and regulations, at both the state and federal levels, or changes in the application of those laws, that could require additional expenditures or otherwise affect the cost and manner of doing business;
- 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;
-

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 Coordination Council, and similar regulatory bodies in adjoining regions;

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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;

ability to obtain sufficient insurance, including insurance relating to SCE's nuclear facilities and wildfire-related liability, and to recover the costs of such insurance or in the absence of insurance the ability to recover uninsured losses;

potential for penalties or disallowance for non-compliance with applicable laws and regulations;

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;

disruption of natural gas supply due to unavailability of storage facilities, which could lead to electricity service interruptions; and

weather conditions and natural disasters.

Additional information about risks and uncertainties, including more detail about the factors described in this report, is contained throughout this report and in the 2016 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 2016 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 SCE's regulatory filings with the CPUC and the FERC in open proceedings most important to investors at www.edisoninvestor.com (SCE Regulatory Highlights) so that such filings are available to all investors upon SCE filing with the relevant agency. 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, 2017 discusses material changes in the consolidated financial condition, results of operations and other developments of Edison International and SCE since December 31, 2016, and as compared to the six months ended June 30, 2016. This discussion presumes that the reader has read or has access to Edison International's and SCE's MD&A for the calendar year 2016 (the "year-ended 2016 MD&A"), which was included in the 2016 Form 10-K.

Except when otherwise stated, references to each of Edison International, SCE, EMG, Edison Energy Group, EME or Edison Capital 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.

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. SCE is a public utility primarily engaged in the business of supplying and delivering electricity to an approximately 50,000 square mile area of southern California. Edison International is also the parent company of Edison Energy Group, a holding company for subsidiaries engaged in pursuing competitive business opportunities across energy services and distributed solar to commercial and industrial customers. Such 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 of the information contained in this report relates to both filers.

	Three months ended June 30, 2017			Six months ended June 30, 2017		
(in millions)	2017	2016 ¹	Change	2017	2016 ¹	Change
Net income (loss) attributable to Edison International						
Continuing operations						
SCE	\$307	\$318	\$ (11)	\$656	\$612	\$ 44
Edison International Parent and Other	(29)	(36)	7	(16)	(50)	34
Discontinued operations	—	(2)	2	—	(1)	1
Edison International	278	280	(2)	640	561	79
Less: Non-core items						
SCE	—	—	—	—	—	—
Edison International Parent and Other	—	2	(2)	1	4	(3)
Discontinued operations	—	(2)	2	—	(1)	1
Total non-core items	—	—	—	1	3	(2)
Core earnings (losses)						
SCE	307	318	(11)	656	612	44
Edison International Parent and Other	(29)	(38)	9	(17)	(54)	37
Edison International	\$278	\$280	\$ (2)	\$639	\$558	\$ 81

¹ The earnings for the three and six months ended June 30, 2016 were updated to reflect the implementation of the accounting standard for share-based payments effective January 1, 2016. See "Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies" for further information.

Edison International's earnings are prepared in accordance with GAAP. Management uses core earnings 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 exit activities, including sale of certain assets and other activities that are no longer continuing, write downs, asset impairments and other gains and losses related to certain tax, regulatory, or legal settlements or proceedings.

Edison International's second quarter 2017 earnings decreased \$2 million from the second quarter of 2016, comprised of a decrease in SCE's earnings of \$11 million, a decrease in Edison International Parent and Other's losses of \$7 million, and a decrease in losses from discontinued operations of \$2 million. The decrease in earnings at SCE was primarily due to a reduction in CPUC revenue related to prior overcollections.

Edison International's earnings for the six months ended June 30, 2017 increased \$79 million from the six months ended June 30, 2016, comprised of an increase in SCE's earnings of \$44 million, a decrease in Edison International Parent and Other's losses of \$34 million, and a decrease in losses from discontinued operations of \$1 million. The increase in earnings at SCE was primarily related to an increase in revenue from the escalation mechanism set forth in the 2015 GRC decision and lower operation and maintenance expenses, partially offset by the CPUC revenue adjustment discussed above and higher net financing costs.

Edison International Parent and Other's decrease in losses for the three and six months ended 2017 was due to lower core losses of \$9 million and \$37 million, respectively, and lower non-core earnings of \$2 million and \$3 million, respectively. The decrease in core losses was due to higher income tax benefits related to stock option exercises and the 2017 settlement of federal income tax audits for 2007 – 2012.

Capital Program

SCE's capital expenditures forecast for the 2017 – 2020 period has been revised since the filing of the 2016 Form 10-K, as indicated in the table below. The update reflects a reduction in 2017 capital expenditures primarily due to the lack of approval of a grid modernization memorandum account (see below for further information), lower than expected new customer meters and delays on FERC projects. The update also reflects SCE's revised requested capital expenditures for 2018 – 2020 resulting from SCE's 2018 GRC rebuttal testimony, filed in June 2017.

The 2017 capital program had originally included expenditures of \$182 million for grid modernization capital spending. SCE has requested CPUC approval of a memorandum account to facilitate recovery in rates of such expenditures. The memorandum account has not yet been approved by the CPUC and may not be approved. Certain of the grid modernization capital expenditures promote safety and reliability as well as facilitating integration of distributed energy resources and are the focus of SCE's reduced grid modernization capital expenditures in 2017. This spending also would allow for a timely ramp-up of grid modernization capital expenditures in subsequent years. These expenditures are included in traditional distribution capital expenditures for 2017 in the table below. SCE may receive further guidance on grid modernization spending from the CPUC as part of the DRP proceeding in the second half of 2017.

Traditional capital expenditures for 2017 reflects SCE's forecast capital expenditures for CPUC and FERC capital projects. Traditional capital expenditures for 2018 – 2020 reflect the amounts requested in the 2018 GRC filing and subsequently updated in SCE's rebuttal testimony as well as the expected spending for FERC capital projects.

Recovery for 2017 – 2020 planned expenditures for traditional capital projects under FERC jurisdiction will be pursued through FERC-authorized mechanisms. The CPUC has approved 81%, 89%, and 92% of the traditional capital expenditures requested in the 2009, 2012, and 2015 GRC decisions, respectively. While SCE cannot predict the level of traditional capital spending that will be approved in the 2018 GRC decision, management is not aware of factors that would cause the percentage of SCE's request that is ultimately approved to be materially different from what has been approved in recent GRC decisions. SCE does not have prior approval experience with grid modernization capital expenditures and, therefore, is unable to predict an expected outcome. Forecasted expenditures for FERC capital projects are subject to change due to timeliness of permitting, licensing and regulatory approvals. For further information regarding updates for large transmission and substation projects, see "Liquidity and Capital Resources—SCE—Capital Investment Plan."

Total capital expenditures (including accruals) were \$1.4 billion and \$1.6 billion for the first six months of 2017 and 2016, respectively. The following table sets forth a summary of forecasted capital expenditures for 2017 – 2020 on the basis described above:

(in millions)	2017	2018	2019	2020	Total 2017 – 2020
Traditional capital expenditures ¹					
Distribution ²	\$3,080	\$3,174	\$3,119	\$3,048	\$12,421

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Transmission	501	956	1,003	1,046	3,506
Generation	199	220	212	201	832
Total requested traditional capital expenditures ^{1, 3}	\$3,780	\$4,350	\$4,334	\$4,295	\$16,759
Grid modernization capital expenditures ²	\$—	\$538	\$649	\$608	\$1,795
Total capital expenditures	\$3,780	\$4,888	\$4,983	\$4,903	\$18,554

¹ Includes Energy Storage of \$60 million in the 2017 – 2020 period. Also, includes \$12 million Charge Ready Pilot in 2017.

² 2017 capital expenditures related to grid modernization are included in traditional distribution capital expenditures.

³ Capital expenditures for 2017 reflect management's expectations based on the 2015 GRC decision.

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SCE's estimated weighted average annual rate base for 2017 – 2020 using the capital expenditures set forth in the table above is as follows:

(in millions)	2017	2018	2019	2020
Rate base for requested traditional capital expenditures	\$26,212	\$28,997	\$31,088	\$33,122
Rate base for requested grid modernization capital expenditures	—	261	695	1,195
Total rate base	\$26,212	\$29,258	\$31,783	\$34,317

The rate base above does not reflect reductions from the amounts requested in the 2018 GRC that may be included in a final decision.

Regulatory Proceedings

2018 General Rate Case

In September 2016, SCE filed its 2018 GRC application for the three-year period 2018 – 2020, which requested a 2018 revenue requirement of \$5.885 billion, an increase of \$222 million over the projected 2017 GRC authorized revenue requirement. In June 2017 in its rebuttal testimony, SCE revised its requested 2018 revenue requirement to \$5.859 billion, which would be a \$196 million increase. The rebuttal testimony also proposed post-test year increases in 2019 and 2020 of \$480 million and \$556 million, respectively.

In April 2017, the ORA recommended that SCE's original requested 2018 base revenue requirement be decreased by approximately \$208 million, comprised of approximately \$164 million in operations and maintenance expense reductions and approximately \$44 million in capital-related revenue requirement reductions largely related to the proposed reduction of 100% of grid modernization capital spending. To the extent any spending is authorized, the ORA proposed capturing grid modernization spending in a memorandum account for review in the 2021 GRC. TURN recommended reductions of 78% of grid modernization capital expenditures in 2018 and rate base adjustments of approximately \$700 million of historical capital expenditures, primarily related to certain distribution infrastructure replacement programs. The impact of TURN's recommendations would decrease SCE's original requested 2018 base revenue requirement by approximately \$93 million.

SCE requested that the CPUC issue a final decision by the end of 2017. If the schedule for a final decision is delayed, SCE will request the CPUC to issue an order directing that the authorized revenue requirement changes be effective January 1, 2018. SCE cannot predict the revenue requirement the CPUC will ultimately authorize for 2018 through 2020 or forecast the timing of a final decision.

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

As discussed in the year-ended 2016 MD&A, in a December 2016 joint ruling, the Assigned Commissioner and the Assigned ALJ expressed concerns about the extent to which the failure to timely report ex parte communications had impacted the settlement negotiations and directed SCE and SDG&E to meet and confer with the other parties in the San Onofre OII to consider changing the terms of the San Onofre OII Settlement Agreement. In March 2017, SCE and the parties participating in the meet-and-confer process initiated a mediation of the issues identified in the December 2016 joint ruling. The CPUC has established a joint report deadline of August 15, 2017, at which time the parties must report on the outcome of the meet-and-confer process.

SCE has recorded a regulatory asset of \$772 million at June 30, 2017 to reflect the expected recoveries under the San Onofre OII Settlement Agreement. SCE assessed the San Onofre regulatory asset at June 30, 2017 and continues to conclude that the asset is probable, though not certain, of recovery based on SCE's knowledge of facts and judgment in applying the relevant regulatory principles to the issue. Such judgment is subject to uncertainty, and regulatory principles and precedents are not necessarily binding and are capable of interpretation.

MHI Claims

In March 2017, SCE received a decision from the International Chamber of Commerce International Court of Arbitration on claims against MHI regarding failure of the replacement steam generators that MHI supplied for San Onofre. The net recovery awarded to SCE was initially determined to be \$52 million. An adjustment to the interest awarded to SCE subsequently reduced the net recovery to \$47 million. SCE has determined that it will not appeal the decision. As a result of uncertainty associated with the allocation of the award under the San Onofre OII Settlement Agreement, SCE recorded a regulatory liability for the net recovery.

For more information on the challenges to the settlement of the San Onofre OII, the arbitration tribunal decision on MHI, and the San Onofre regulatory asset, see "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies—San Onofre Related Matters."

Cost of Capital

In July 2017, the CPUC issued a final decision that adopted the petition previously filed by SCE, Pacific Gas & Electric Company, SDG&E, and SoCalGas (collectively, the "Investor-Owned Utilities"), ORA, and TURN to modify the prior CPUC decisions addressing the Investor-Owned Utilities' costs of capital. The decision extended the deadline for the next Investor-Owned Utilities cost of capital application to April 2019, reset SCE's authorized cost of long-term debt and preferred stock beginning January 1, 2018; and established SCE's authorized ROE at 10.30%, beginning January 1, 2018. For more information on the terms of the settling parties' petition, see "Management Overview—Regulatory Proceedings—Cost of Capital" in the year-ended 2016 MD&A.

FERC Formula Rates

In June 2017, SCE provided its preliminary 2018 annual transmission revenue requirement update to interested parties. The update reflects a decrease in SCE's transmission revenue requirement of \$15 million or 1.3% lower than amounts currently authorized in rates. SCE expects to file its 2018 annual update with the FERC by October 31, 2017 with the proposed rates effective January 1, 2018. In addition, SCE expects to file a new formula rate with the FERC by October 31, 2017. Once the new formula rate is accepted by the FERC, it will supersede the existing formula rate, including the 2018 annual update, and could become effective as early as January 1, 2018. FERC has the authority and commonly suspends new rates for up to five months. If the new formula rate is suspended by the FERC, the 2018 transmission revenue requirement rate established in the 2018 annual update will be effective from January 1, 2018 until the end of the suspension of the new formula rate. The new formula rate will be subject to refund from the end of the suspension until it is ultimately approved by the FERC.

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, 2017 versus June 30, 2016

(in millions)	Three months ended June 30, 2017			Three months ended June 30, 2016		
	Earning Activities	Cost-Recovery Activities	Total Consolidated	Earning Activities	Cost-Recovery Activities	Total Consolidated
Operating revenue	\$ 1,584	\$ 1,369	\$ 2,953	\$ 1,509	\$ 1,259	\$ 2,768
Purchased power and fuel	—	1,175	1,175	—	1,064	1,064
Operation and maintenance	473	193	666	492	195	687
Depreciation, decommissioning and amortization	510	—	510	503	—	503
Property and other taxes	84	1	85	85	—	85
Total operating expenses	1,067	1,369	2,436	1,080	1,259	2,339
Operating income	517	—	517	429	—	429
Interest expense	(146)	—	(146)	(134)	—	(134)
Other income and expenses	24	—	24	22	—	22
Income before income taxes	395	—	395	317	—	317
Income tax expense	57	—	57	(32)	—	(32)
Net income	338	—	338	349	—	349
Preferred and preference stock dividend requirements	31	—	31	31	—	31
Net income available for common stock	\$ 307	\$ —	\$ 307	\$ 318	\$ —	\$ 318
Net income available for common stock			\$ 307			\$ 318
Less:						
Non-core earnings			—			—
Core earnings ¹			\$ 307			\$ 318

¹ See use of non-GAAP financial measures in "Management Overview—Highlights of Operating Results."

Earning Activities

Earning activities were primarily affected by the following:

Higher operating revenue of \$75 million primarily due to the following:

An increase in CPUC revenue of approximately \$58 million primarily due to the escalation mechanism as set forth in the 2015 GRC decision and \$10 million of higher operating costs subject to balancing account treatment (primarily offset in depreciation expense below). These increases were partially offset by \$9 million of lower revenue related to the extension of bonus depreciation and a \$17 million revenue reduction for the expected refund to customers of prior overcollections identified in the second quarter of 2017.

An increase in revenue of \$77 million related to incremental tax benefits refunded to customers (offset in taxes below). The increase in revenue resulted from a 2016 revenue refund to customers of \$133 million related to 2012 – 2014 incremental income tax deductions, partially offset by higher year-over-year incremental tax benefits recognized in balancing accounts for 2017 activities.

A decrease in FERC-related revenue of \$31 million primarily due to \$19 million amortization of the regulatory asset associated with the Coolwater-Lugo transmission project recognized in 2016 (offset in depreciation below) and a \$7 million reduction to FERC revenue due to a change in estimate under the FERC formula rate mechanism.

Lower operation and maintenance costs of \$19 million primarily due to the impact of SCE's operational and service excellence initiatives and lower storm-related activities partially offset by higher transmission and distribution costs for line clearing.

Higher depreciation, decommissioning, and amortization expense of \$7 million primarily related to depreciation on transmission and distribution investments partially offset by amortization of the regulatory asset related to Coolwater-Lugo plant recorded in 2016.

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Higher interest expense of \$12 million primarily due to increased borrowings.

Higher income taxes of \$89 million primarily due to the following:

- Lower income tax benefits of \$45 million due to \$79 million of flow-through incremental benefits for 2012 – 2014 to customers recorded in 2016 partially offset by higher income tax benefits in 2017 of \$34 million related to flow through of incremental tax benefits for TAMA and the pole loading balancing accounts (offset in revenue above).

Lower net income tax benefits in 2017 for other property-related items, including cost of removal and depreciation deductions.

Higher pre-tax income for the second quarter of 2017, as discussed above.

Cost-Recovery Activities

Cost-recovery activities were primarily affected by the following:

- Higher purchased power and fuel costs of \$111 million primarily driven by higher power and gas prices experienced in 2017 relative to 2016, partially offset by lower realized losses on hedging activities (\$3 million in 2017 compared to \$25 million in 2016).

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

Six months ended June 30, 2017 versus June 30, 2016

(in millions)	Six months ended June 30, 2017			Six months ended June 30, 2016		
	Earning Activities	Cost- Recovery Activities	Total Consolidated	Earning Activities	Cost- Recovery Activities	Total Consolidated
Operating revenue	\$3,136	\$ 2,273	5,409	\$3,031	\$ 2,173	\$ 5,204
Purchased power and fuel	—	1,959	1,959	—	1,858	1,858
Operation and maintenance	924	313	1,237	975	315	1,290
Depreciation, decommissioning and amortization	1,007	—	1,007	978	—	978
Property and other taxes	181	1	182	176	—	176
Total operating expenses	2,112	2,273	4,385	2,129	2,173	4,302
Operating income	1,024	—	1,024	902	—	902
Interest expense	(287))—	(287)) (265))—	(265)
Other income and expenses	50	—	50	46	—	46
Income before income taxes	787	—	787	683	—	683
Income tax expense	69	—	69	10	—	10
Net income	718	—	718	673	—	673
Preferred and preference stock dividend requirements	62	—	62	61	—	61
Net income available for common stock	\$656	\$ —	\$ 656	\$612	\$ —	\$ 612
Net income available for common stock			\$ 656			\$ 612
Less:						
Non-core earnings			—			—
Core earnings ¹			\$ 656			\$ 612

¹ See use of non-GAAP financial measures in "Management Overview—Highlights of Operating Results."

Earning Activities

Earning activities were primarily affected by the following:

• Higher operating revenue of \$105 million primarily due to the following:

An increase in CPUC revenue of approximately \$117 million primarily due to the escalation mechanism as set forth in the 2015 GRC decision and \$19 million of higher operating costs subject to balancing account treatment (primarily offset in depreciation expense below). These increases were partially offset by \$16 million of lower revenue related to the extension of bonus depreciation and a \$17 million revenue reduction for the expected refund to customers of prior overcollections identified in the second quarter of 2017.

An increase in revenue of \$42 million related to tax benefits refunded to customers (offset in income taxes below).

The increase in revenue resulted from a 2016 revenue refund to customers of \$133 million related to 2012 – 2014 incremental income tax deductions, partially offset by higher year-over-year incremental tax benefits recognized in balancing accounts for 2017 activities and a \$65 million revenue reduction related to the tax abandonment of San Onofre.

A decrease in FERC-related revenue of \$30 million primarily related to higher operating costs in 2016 including amortization of the regulatory asset associated with the Coolwater-Lugo transmission project (offset in depreciation below) and a \$7 million reduction to FERC revenue due to a change in estimate under the FERC formula rate mechanism.

Lower operation and maintenance costs of \$51 million primarily due to the impact of SCE's operational and service excellence initiatives, lower storm-related activities partially offset by higher transmission and distribution costs for line clearing.

Higher depreciation, decommissioning, and amortization expense of \$29 million primarily related to depreciation on transmission and distribution investments partially offset by amortization of the regulatory asset related to Coolwater-Lugo plant recorded in 2016.

• Higher interest expense of \$22 million primarily due to increased borrowings and higher interest on balancing accounts in 2017.

• Higher income taxes of \$59 million primarily due to the following:

Lower income tax benefits of \$25 million due to \$79 million of flow-through incremental tax benefits for 2012 – 2014 to customers recorded in 2016 partially offset by higher income tax benefits in 2017 of \$39 million related to a tax deduction for the abandonment of San Onofre and higher income tax benefits in 2017 of \$15 million related to incremental tax benefits for TAMA and the pole loading balancing accounts (offset in revenue above)

• Higher net income tax benefits in 2017 for other property-related items, including cost of removal and depreciation deductions.

• Higher pre-tax income for the six months ended June 30, 2017, as discussed above.

Cost-Recovery Activities

Cost-recovery activities were primarily affected by the following:

Higher purchased power and fuel costs of \$101 million primarily driven by higher power and gas prices experienced in 2017 relative to 2016, partially offset by lower realized losses on hedging activities (\$5 million in 2017 compared to \$52 million in 2016).

Supplemental Operating Revenue Information

SCE's retail billed and unbilled revenue (excluding wholesale sales and balancing account overcollections/undercollections) was \$2.6 billion and \$5.0 billion for the three and six months ended June 30, 2017, respectively, compared to \$2.5 billion and \$4.9 billion for the respective period in 2016.

Retail billed and unbilled revenue for the three and six months ended June 30, 2017 and 2016 reflects a rate increase of \$102 million and \$214 million, respectively, and a sales volume decrease of \$32 million and \$111 million, respectively. The rate increases were due to implementation of the 2017 ERRA rate increase. The sales volume decreases were primarily due to warmer weather experienced in the first and second quarter of 2016 compared to the same period in 2017.

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 2016 Form 10-K).

Income Taxes

SCE's income tax expense increased by \$89 million and \$59 million for the three and six months ended June 30, 2017 compared to the same periods in 2016.

The effective tax rates were 14.4% and (10.1)% for the three months ended June 30, 2017 and 2016, respectively. The effective tax rates were 8.8% and 1.5% for the six months ended June 30, 2017 and 2016, respectively. SCE's effective tax rate is lower than the statutory rate 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 increase for the three and six months ended June 30, 2017 was primarily due to the \$133 million revenue refund to customers that was recorded in 2016. The increase in the effective tax rate for the six month period was partially offset by the ratemaking treatment on the San Onofre tax abandonment recorded in 2017.

See "Notes to Consolidated Financial Statements—Note 7. Income Taxes" for a reconciliation of the federal statutory rate of 35% 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.

Strategic Review of Edison Energy Group Competitive Businesses

Edison International is in the process of completing a strategic review of Edison Energy Group's competitive businesses. The competitive businesses are undertaken through Edison Energy Group and include energy services provided by Edison Energy and distributed solar solutions provided by SoCore Energy. While not all aspects of the strategic review have been finalized, Edison International has concluded that it will evaluate potential sale opportunities for SoCore Energy and consolidate management across Edison Energy Group. Edison Energy will continue to pursue the growth of its existing energy services and portfolio advisory service practice for large energy users in the United States.

In connection with the strategic review, Edison International evaluated the recoverability of goodwill and recorded an impairment of SoCore Energy's goodwill totaling \$16.5 million (\$10 million after-tax) in the second quarter of 2017. In light of the decision to evaluate sale opportunities for SoCore Energy, Edison International considered the application of held for sale accounting treatment under the applicable accounting guidance. However, Edison International concluded that, as of June 30, 2017, it was not probable that the investment in SoCore Energy would be sold within one year, therefore the long-lived assets of SoCore Energy were not subject to held for sale accounting treatment. Under held for sale accounting treatment, the net assets of SoCore Energy (\$209 million at June 30, 2017) would be recorded at the lower of book value or as net realizable value, including transaction costs.

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)	2017	2016	2017	2016
Edison Energy Group and subsidiaries ¹	\$(17)	\$(17)	\$(23)	\$(22)
Edison Mission Group and subsidiaries	(1)	(4)	(2)	(4)
Corporate expenses and other ²	(11)	(15)	9	(24)
Total Edison International Parent and Other	\$(29)	\$(36)	\$(16)	\$(50)

¹ Includes income of less than \$1 million and \$1 million for the three and six months ended June 30, 2017, respectively, compared to income of \$2 million and \$4 million for the same periods in 2016, respectively, related to losses (net of distributions) allocated to tax equity investors under the HLBV accounting method.

² Includes interest expense (pre-tax) of \$12 million and \$9 million for the three months ended June 30, 2017 and 2016, respectively, and \$22 million and \$17 million for the six months ended June 30, 2017 and 2016, respectively.

The loss from continuing operations of Edison International Parent and Other decreased \$7 million and \$34 million for the three and six months ended June 30, 2017, respectively, compared to the same periods in 2016 primarily due to:

- Higher income tax benefits related to stock option exercises (\$2 million and \$1 million for the three months ended June 30, 2017 and 2016, respectively, and \$37 million and \$4 million for the six months ended June 30, 2017 and 2016, respectively) and income tax benefits in 2017 related to settlements with the IRS for taxable years 2007 – 2012.

In the second quarter of 2017, Edison Energy Group recorded a \$10 million after-tax charge from a goodwill impairment on the SoCore Energy reporting unit and a \$13 million after-tax charge during the second quarter of 2016 from a buy-out of an earn-out provision contained in one of the 2015 acquisitions.

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 dividend payments to Edison International, and the outcome of tax and regulatory matters.

In the next 12 months, SCE expects to fund its obligations, capital expenditures, and dividends through operating cash flows, tax benefits, and capital market financings, as needed. SCE also has availability under its credit facilities to fund liquidity requirements.

Available Liquidity

At June 30, 2017, SCE had approximately \$2.48 billion available under its \$2.75 billion multi-year revolving credit facility. In January 2017, SCE borrowed \$300 million under a Term Loan Agreement and reissued \$135 million of pollution control bonds. In March 2017, SCE issued \$700 million of first and refunding mortgage bonds. In June 2017, SCE issued \$475 million of preference stock. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements" and "—Note 12. Preferred and Preference Stock of SCE."

Debt Covenant

The 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, 2017, SCE's debt to total capitalization ratio was 0.43 to 1.

At June 30, 2017, 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 2016 Form 10-K. SCE is currently evaluating the timing of its major construction projects. For further information on these projects, see "Liquidity and Capital Resources—SCE—Capital Investment Plan—Major Transmission Projects" in the year-end 2016 MD&A.

Major Transmission Projects

West of Devers

In March 2017, the CPUC issued a decision denying ORA's September 2016 Application for Rehearing regarding the West of Devers Upgrade Project which sought additional project modifications and environmental mitigation measures. This action confirmed SCE's proposed project, which is on track to be placed in service in 2021. SCE expects to obtain competitive bids for the Project in the second half of 2017, which may result in a change to the expected cost of the Project.

Mesa Substation

In February 2017, the CPUC issued a final decision approving the Mesa Substation Project largely consistent with SCE's proposed project and rejected alternative project configurations proposed by CPUC staff. SCE expects to obtain competitive bids for the Project in the second half of 2017, which may result in a change to the expected cost of the Project. Preconstruction requirements for obtaining other permits and approvals are progressing and construction is planned to begin the third quarter of 2017. SCE expects the Mesa Substation project to go into service in 2022.

Alberhill System

In April 2017, the CPUC issued a final environmental impact report for the Alberhill System Project. This report rejected different alternatives recommended by CPUC staff and intervenors, selecting SCE's proposed project as the environmentally superior project. A final CPUC decision to approve the Project for construction is anticipated during 2018. As SCE prepares for the commencement of construction, updated annual capital spending will be incorporated into the capital program forecast.

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. 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. The CPUC continues to collect information regarding the revised Project in support of a supplemental environmental review. Potential revisions to the Project have not been reflected in the direct expenditures or scheduled in service date of 2021, however, revisions are likely to increase the total direct expenditures and delay the completion of the Project.

Eldorado-Lugo-Mohave Upgrade

The Eldorado-Lugo-Mohave Upgrade Project will increase capacity on existing transmission lines to allow additional renewable energy to flow from Nevada to southern California. SCE is evaluating the competitive bids received and expects to award the bid for the Project in the second half of 2017, which may result in a change to the expected cost of the Project.

Coolwater-Lugo

In the first quarter of 2017, the FERC approved a settlement allowing SCE to recover 100% of the requested \$37.1 million of costs incurred by SCE related to the cancelled Coolwater-Lugo transmission project.

Dividend Restrictions

The CPUC regulates SCE's capital structure which limits the dividends it may pay Edison International. SCE may 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. At June 30, 2017, SCE's 13-month weighted-average common equity component of total capitalization was 50.2% and the maximum additional dividend that SCE could pay to Edison International under this limitation was approximately \$564 million, resulting in a restriction on net assets of approximately \$14.6 billion.

In the second quarter of 2017, SCE declared and paid a dividend to Edison International of \$191 million. Future dividend amounts and timing of distributions are dependent on a number of factors including the level of capital expenditures, operating cash flows and earnings.

Margin and Collateral Deposits

Certain derivative instruments, power contracts and other contractual arrangements contain collateral requirements. Future collateral requirements may differ from the requirements at June 30, 2017, 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 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, 2017.

(in millions)

Collateral posted as of June 30, 2017 ¹	\$54
Incremental collateral requirements for power contracts resulting from a potential downgrade of SCE's credit rating to below investment grade	65
Incremental collateral requirements for power contracts resulting from adverse market price movement ²	4
Posted and potential collateral requirements	\$123

¹ Net collateral provided to counterparties and other brokers consisted of \$55 million in letters of credit and surety bonds and \$1 million of cash reflected in "Other current liabilities" on the consolidated balance sheets.

Incremental collateral requirements were based on potential changes in SCE's forward positions as of June 30, 2017

² 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

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 access to bank and capital markets. Edison International may also finance working capital requirements, payment of obligations, and capital investments, including capital contributions to subsidiaries, with commercial paper or other borrowings, subject to availability in the bank and capital markets.

At June 30, 2017, Edison International Parent had \$906 million available under its \$1.25 billion multi-year revolving credit facility. In March 2017, Edison International issued \$400 million of senior notes. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements."

The 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 0.65 to 1. At June 30, 2017, Edison International Parent's consolidated debt to total capitalization ratio was 0.46 to 1.

At June 30, 2017, Edison International Parent was also in compliance with all other financial covenants that affect access to capital.

Historical Cash Flows

Southern California Edison Company

(in millions)	Six months ended June 30,	
	2017	2016
Net cash provided by operating activities	\$1,521	\$1,516
Net cash provided by financing activities	101	149
Net cash used in investing activities	(1,622)	(1,671)
Net decrease in cash and cash equivalents	\$—	\$(6)
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, 2017 and 2016.

(in millions)	Six months ended June 30,		Change in cash flows
	2017	2016	2017/2016
Net income	\$718	\$673	
Non-cash items ¹	1,198	980	
Subtotal	\$1,916	\$1,653	\$ 263
Changes in cash flow resulting from working capital ²	(221)	(120)	(101)
Derivative assets and liabilities	(19)	15	(34)
Regulatory assets and liabilities	39	90	(51)
Other noncurrent assets and liabilities ³	(194)	(122)	(72)
Net cash provided by operating activities	\$1,521	\$1,516	\$ 5

¹ Non-cash items include depreciation, decommissioning 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.

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

Net income increased in 2017 by \$45 million primarily due to higher revenue in 2017 due to the escalation mechanism set forth in the 2015 GRC decision and lower operation and maintenance expenses, partially offset by reductions in CPUC revenue related to prior overcollections and higher financing costs. The refund to customers was recorded to correct cost sharing between customers and shareholders.

Net cash for working capital was \$(221) million and \$(120) million during the six months ended June 30, 2017 and 2016, respectively. The reduction in net cash for working capital for each period was primarily related to the increase in receivables from customers (\$147 million and \$177 million in 2017 and 2016, respectively), and the timing of disbursements (including payments for payroll-related costs and purchased power). During the first six months of 2017, there was a reduction in payables of \$55 million compared to an increase in payables of \$30 million for the same period in 2016.

Net cash provided by regulatory assets and liabilities, including changes in over (under) collections of balancing accounts was \$39 million and \$90 million during the six months ended June 30, 2017 and 2016, 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:

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.

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Higher cash due to realization of \$47 million in proceeds from the MHI arbitration and approximately \$34 million from the Department of Energy related to spent nuclear fuel. For further information on the MHI claims and spent nuclear fuel, see "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies—San Onofre Related Matters" 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 undercollections 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 2016 overcollections related to TAMA, 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. The BRRBA tracks the differences between amounts authorized by the CPUC in the GRC proceedings and amounts billed to customers. An increase in cash of approximately \$303 million primarily due to recovery of prior FERC undercollections and lower spending for the new system generation program including lower capacity payments. The new system generation program records the benefits and costs of power purchase agreements and SCE-owned peaker generation units associated with new generation resources.

2016

Higher cash due to an increase in overcollections of \$145 million for the public purpose and energy efficiency programs due to higher funding and lower spending for these programs during the first six months of 2016.

ERRA overcollections for fuel and purchased power decreased by \$187 million during the first six months of 2016 primarily due to the implementation of the 2016 ERRA rate decrease in January 2016, partially offset by lower than forecasted power and gas prices experienced in 2016.

An increase in cash of approximately \$132 million primarily due to a \$122 million refund from the Department of Energy's failure to meet its obligation to begin accepting spent nuclear fuel from San Onofre. See "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies—Spent Nuclear Fuel" for further discussion.

Cash flows used in other noncurrent assets and liabilities were primarily related to net earnings from nuclear decommissioning trust investments (\$26 million and \$9 million in 2017 and 2016, respectively) and SCE's payments of decommissioning costs (\$98 million and \$88 million in 2017 and 2016, 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, 2017 and 2016. Issuances of debt and preference stock are discussed in "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements—Long-Term Debt" and "—Note 12. Preferred and Preference Stock of SCE."

	Six months ended June 30,	
(in millions)	2017	2016
Issuances of first and refunding mortgage bonds, net of discount and issuance costs	\$692	\$—
Issuance of term loan	300	—
Remarketing of pollution control bonds, net of issuance costs	134	—
Long-term debt matured or repurchased	(441)	(41)
Issuances of preference stock, net of issuance costs	463	294
Redemptions of preference stock	—	(125)
Short-term debt (repayments), net of borrowings and discount	(550)	457
Payments of common stock dividends to Edison International	(382)	(340)

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Payments of preferred and preference stock dividends	(62)	(61)
Other	(53)	(35)
Net cash provided by financing activities	\$101	\$149

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Net Cash Used in Investing Activities

Cash flows used in investing activities are primarily due to capital expenditures related to transmission and distribution investments (\$1.7 billion and \$1.8 billion for the six months ended June 30, 2017 and 2016, respectively). In addition, in the first six months of 2017 and 2016, SCE had a net redemption of nuclear decommissioning trust investments of \$73 million and \$144 million, respectively. 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)	2017	2016
Net cash used in operating activities:	\$26	\$ 9
Net earnings from nuclear decommissioning trust investments		
SCE's decommissioning costs	(98)	(88)
Net cash flow from investing activities:	3,046	1,391
Proceeds from sale of investments		
Purchases of investments	(2,973)	(1,247)
Net cash impact	\$1	\$ 65

Net cash used in operating activities relate to interest and dividends less administrative expenses, taxes, and SCE's decommissioning costs. See "Notes to Consolidated Financial Statements—Note 9. 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 (\$98 million and \$88 million in 2017 and 2016, respectively) and reimbursements to SCE from the nuclear decommissioning trust (\$99 million and \$153 million in 2017 and 2016, respectively). The 2016 net cash impact included reimbursements for 2016 and a portion of 2015, 2014, and 2013 decommissioning costs.

Edison International Parent and Other

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

	Six months ended June 30,	
(in millions)	2017	2016
Net cash used in operating activities	\$(88)	\$(84)
Net cash provided by financing activities	122	50
Net cash used in investing activities	(32)	(10)
Net increase (decrease) in cash and cash equivalents	\$2	\$(44)

Net Cash Provided by Financing Activities

Net cash provided by financing activities was as follows:

	Six months ended June 30,	
(in millions)	2017	2016
Dividends paid to		
Edison International	\$ (354)	\$ (313)
common shareholders	382	340

Dividends received from SCE				
Payment for stock-based compensation, net of receipt from stock option exercises	(120)	(21)
Long-term debt issuance, net of discount and issuance costs	397		397	
Short-term debt repayments, net of borrowings and discount	(192)	(351)
Other	9		(2)
Net cash provided by financing activities	\$	122	\$	50

Contingencies

SCE has contingencies related to San Onofre Related Matters, Nuclear Insurance, Wildfire Insurance, and Spent Nuclear Fuel, which are discussed in "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies."

MARKET RISK EXPOSURES

Edison International's and SCE's primary market risks are described in the 2016 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

The fair value of outstanding derivative instruments used to mitigate exposure to commodity price risk was a net liability of \$999 million and \$1.1 billion at June 30, 2017 and December 31, 2016, 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, 2017, the amount of balance sheet exposure as described above broken down by the credit ratings of SCE's counterparties, was as follows:

		June 30, 2017	
(in millions)		Exposure ¹	Net Exposure
S&P Credit Rating ¹			
A or higher	\$59	\$	—\$ 59

SCE assigns a credit rating based on the lower of a counterparty's S&P, Fitch or Moody's rating. For ease of

¹ reference, the above table uses the S&P classifications to summarize risk, but reflects the lower of the three credit ratings.

Exposure excludes amounts related to contracts classified as normal purchases and sales and non-derivative

² contractual commitments that are not recorded on the consolidated balance sheets, except for any related net accounts receivable.

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 2016 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.

FINANCIAL STATEMENTS

Consolidated Statements of Income

Edison International

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
(in millions, except per-share amounts, unaudited)				
Total operating revenue	\$2,965	\$2,777	\$5,428	\$5,218
Purchased power and fuel	1,175	1,064	1,959	1,858
Operation and maintenance	707	721	1,303	1,350
Depreciation, decommissioning and amortization	512	505	1,011	982
Property and other taxes	86	85	186	178
Impairment and other charges	16	21	21	21
Total operating expenses	2,496	2,396	4,480	4,389
Operating income	469	381	948	829
Interest and other income	37	33	70	65
Interest expense	(159)	(144)	(311)	(284)
Other expenses	(12)	(11)	(20)	(19)
Income from continuing operations before income taxes	335	259	687	591
Income tax expense (benefit)	26	(51)	(14)	(24)
Income from continuing operations	309	310	701	615
Income from discontinued operations, net of tax	—	(2)	—	(1)
Net income	309	308	701	614
Preferred and preference stock dividend requirements of SCE	31	31	62	61
Other noncontrolling interests	—	(3)	(1)	(8)
Net income attributable to Edison International common shareholders	\$278	\$280	\$640	\$561
Amounts attributable to Edison International common shareholders:				
Income from continuing operations, net of tax	\$278	\$282	\$640	\$562
Income from discontinued operations, net of tax	—	(2)	—	(1)
Net income attributable to Edison International common shareholders	\$278	\$280	\$640	\$561
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	\$0.87	\$1.96	\$1.72
Discontinued operations	—	(0.01)	—	—
Total	\$0.85	\$0.86	\$1.96	\$1.72
Diluted earnings per common share attributable to Edison International common shareholders:				
Weighted-average shares of common stock outstanding, including effect of dilutive securities	329	330	329	330
Continuing operations	\$0.85	\$0.86	\$1.95	\$1.70
Discontinued operations	—	(0.01)	—	—
Total	\$0.85	\$0.85	\$1.95	\$1.70
Dividends declared per common share	\$0.5425	\$0.4800	\$1.0850	\$0.9600

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)	2017	2016	2017	2016
Net income	\$309	\$308	\$701	\$614
Other comprehensive income, net of tax:				
Pension and postretirement benefits other than pensions:				
Amortization of net loss included in net income	1	1	3	3
Other	—	—	2	—
Other comprehensive income, net of tax	1	1	5	3
Comprehensive income	310	309	706	617
Less: Comprehensive income attributable to noncontrolling interests	31	28	61	53
Comprehensive income attributable to Edison International	\$279	\$281	\$645	\$564

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

Consolidated Balance Sheets

Edison International

(in millions, unaudited)

June 30, 2017 December 31, 2016

ASSETS

Cash and cash equivalents	\$98	\$ 96
Receivables, less allowances of \$58 and \$62 for uncollectible accounts at respective dates	833	714
Accrued unbilled revenue	399	370
Inventory	235	239
Derivative assets	58	73
Regulatory assets	634	350
Other current assets	289	281
Total current assets	2,546	2,123
Nuclear decommissioning trusts	4,381	4,242
Other investments	87	83
Total investments	4,468	4,325
Utility property, plant and equipment, less accumulated depreciation and amortization of \$8,914 and \$9,000 at respective dates	37,267	36,806
Nonutility property, plant and equipment, less accumulated depreciation of \$106 and \$99 at respective dates	245	194
Total property, plant and equipment	37,512	37,000
Regulatory assets	7,850	7,455
Other long-term assets	377	416
Total long-term assets	8,227	7,871

Total assets \$52,753 \$ 51,319

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, 2017 December 31, 2016

LIABILITIES AND EQUITY

Short-term debt	\$566	\$ 1,307
Current portion of long-term debt	581	981
Accounts payable	1,113	1,342
Accrued taxes	15	50
Customer deposits	275	269
Derivative liabilities	190	216
Regulatory liabilities	903	756
Other current liabilities	959	991
Total current liabilities	4,602	5,912
Long-term debt	11,662	10,175
Deferred income taxes and credits	8,709	8,327
Derivative liabilities	869	941
Pensions and benefits	1,377	1,354
Asset retirement obligations	2,618	2,590
Regulatory liabilities	5,961	5,726
Other deferred credits and other long-term liabilities	2,143	2,102
Total deferred credits and other liabilities	21,677	21,040
Total liabilities	37,941	37,127
Commitments and contingencies (Note 11)		
Redeemable noncontrolling interest	12	5
Common stock, no par value (800,000,000 shares authorized; 325,811,206 shares issued and outstanding at respective dates)	2,515	2,505
Accumulated other comprehensive loss	(48)	(53)
Retained earnings	9,679	9,544
Total Edison International's common shareholders' equity	12,146	11,996
Noncontrolling interests – preferred and preference stock of SCE	2,654	2,191
Total equity	14,800	14,187

Total liabilities and equity	\$52,753	\$ 51,319
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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)	2017	2016
Cash flows from operating activities:		
Net income	\$701	\$614
Less: loss from discontinued operations	—	(1)
Income from continuing operations	701	615
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation, decommissioning and amortization	1,048	1,025
Allowance for equity during construction	(41)	(42)
Impairment and other charges	21	—
Deferred income taxes and investment tax credits	(12)	(40)
Other	11	11
Nuclear decommissioning trusts	(73)	(144)
EME insurance proceeds	—	1
Changes in operating assets and liabilities:		
Receivables	(115)	(33)
Inventory	8	(41)
Accounts payable	34	67
Prepaid and accrued taxes	(40)	1
Other current assets and liabilities	(113)	(135)
Derivative assets and liabilities	(19)	15
Regulatory assets and liabilities	39	90
Other noncurrent assets and liabilities	(16)	42
Net cash provided by operating activities	1,433	1,432
Cash flows from financing activities:		
Long-term debt issued or remarketed, net of discount and issuance costs of \$12 and \$3 for respective periods	1,523	397
Long-term debt matured	(442)	(41)
Preference stock issued, net	463	294
Preference stock redeemed	—	(125)
Short-term debt financing, net	(742)	106
Settlements of stock-based compensation, net	(152)	(61)
Dividends to noncontrolling interests	(62)	(61)
Dividends paid	(354)	(313)
Other	(11)	3
Net cash provided by financing activities	223	199
Cash flows from investing activities:		
Capital expenditures	(1,749)	(1,828)
Proceeds from sale of nuclear decommissioning trust investments	3,046	1,391
Purchases of nuclear decommissioning trust investments	(2,973)	(1,247)
Other	22	3

Net cash used in investing activities	(1,654	(1,681)
Net increase (decrease) in cash and cash equivalents	2	(50)
Cash and cash equivalents at beginning of period	96	161
Cash and cash equivalents at end of period	\$98	\$ 111

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

Consolidated Statements of Income	Southern California Edison Company			
	Three months ended June 30,		Six months ended June 30,	
(in millions, unaudited)	2017	2016	2017	2016
Operating revenue	\$2,953	\$2,768	\$5,409	\$5,204
Purchased power and fuel	1,175	1,064	1,959	1,858
Operation and maintenance	666	687	1,237	1,290
Depreciation, decommissioning and amortization	510	503	1,007	978
Property and other taxes	85	85	182	176
Total operating expenses	2,436	2,339	4,385	4,302
Operating income	517	429	1,024	902
Interest and other income	36	33	69	65
Interest expense	(146)	(134)	(287)	(265)
Other expenses	(12)	(11)	(19)	(19)
Income before income taxes	395	317	787	683
Income tax expense	57	(32)	69	10
Net income	338	349	718	673
Less: Preferred and preference stock dividend requirements	31	31	62	61
Net income available for common stock	\$307	\$318	\$656	\$612

Consolidated Statements of Comprehensive Income	Southern California Edison Company			
	Three months ended June 30,		Six months ended June 30,	
(in millions, unaudited)	2017	2016	2017	2016
Net income	\$338	\$349	\$718	\$673
Other comprehensive income, net of tax:				
Pension and postretirement benefits other than pensions:				
Amortization of net loss included in net income	1	1	2	2
Other	(1)	—	—	—
Other comprehensive income, net of tax	—	1	2	2
Comprehensive income	\$338	\$350	\$720	\$675

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

Consolidated Balance Sheets Southern California Edison Company

(in millions, unaudited)	June 30, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	\$39	\$ 39
Receivables, less allowances of \$57 and \$61 for uncollectible accounts at respective dates	816	699
Accrued unbilled revenue	399	369
Inventory	232	239
Derivative assets	58	73
Regulatory assets	634	350
Other current assets	275	262
Total current assets	2,453	2,031
Nuclear decommissioning trusts	4,381	4,242
Other investments	63	50
Total investments	4,444	4,292
Utility property, plant and equipment, less accumulated depreciation and amortization of \$8,914 and \$9,000 at respective dates	37,267	36,806
Nonutility property, plant and equipment, less accumulated depreciation of \$92 and \$89 at respective dates	74	75
Total property, plant and equipment	37,341	36,881
Regulatory assets	7,850	7,455
Other long-term assets	226	232
Total long-term assets	8,076	7,687
 Total assets	 \$52,314	 \$ 50,891

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, 2017	December 31, 2016
LIABILITIES AND EQUITY		
Short-term debt	\$219	\$ 769
Current portion of long-term debt	179	579
Accounts payable	1,103	1,344
Accrued taxes	17	45
Accrued interest	206	174
Customer deposits	275	269
Derivative liabilities	190	216
Regulatory liabilities	903	756
Other current liabilities	500	555
Total current liabilities	3,592	4,707
Long-term debt	10,845	9,754
Deferred income taxes and credits	10,482	9,886
Derivative liabilities	868	941
Pensions and benefits	943	896
Asset retirement obligations	2,611	2,586
Regulatory liabilities	5,961	5,726
Other deferred credits and other long-term liabilities	1,817	1,912
Total deferred credits and other liabilities	22,682	21,947
Total liabilities	37,119	36,408
Commitments and contingencies (Note 11)		
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	651	657
Accumulated other comprehensive loss	(18) (20
Retained earnings	9,674	9,433
Total common shareholder's equity	12,475	12,238
Preferred and preference stock	2,720	2,245
Total equity	15,195	14,483
Total liabilities and equity	\$52,314	\$ 50,891

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

Consolidated Statements of Cash Flows Southern California Edison Company

	Six months ended June 30, 2017 2016	
(in millions, unaudited)		
Cash flows from operating activities:		
Net income	\$718	\$673
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation, decommissioning and amortization	1,042	1,017
Allowance for equity during construction	(41)	(42)
Deferred income taxes and investment tax credits	193	—
Other	4	5
Nuclear decommissioning trusts	(73)	(144)
Changes in operating assets and liabilities:		
Receivables	(118)	(59)
Inventory	8	2
Accounts payable	22	73
Prepaid and accrued taxes	(37)	(13)
Other current assets and liabilities	(96)	(123)
Derivative assets and liabilities	(19)	15
Regulatory assets and liabilities	39	90
Other noncurrent assets and liabilities	(121)	22
Net cash provided by operating activities	1,521	1,516
Cash flows from financing activities:		
Long-term debt issued or remarketed, net of discount and issuance costs of \$9 for the six months ended June 30, 2017	1,126	—
Long-term debt matured	(441)	(41)
Preference stock issued, net	463	294
Preference stock redeemed	—	(125)
Short-term debt financing, net	(550)	457
Dividends paid	(444)	(401)
Other	(53)	(35)
Net cash provided by financing activities	101	149
Cash flows from investing activities:		
Capital expenditures	(1,712)	(1,822)
Proceeds from sale of nuclear decommissioning trust investments	3,046	1,391
Purchases of nuclear decommissioning trust investments	(2,973)	(1,247)
Other	17	7
Net cash used in investing activities	(1,622)	(1,671)
Net decrease in cash and cash equivalents	—	(6)
Cash and cash equivalents, beginning of period	39	26
Cash and cash equivalents, end of period	\$39	\$20

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"). 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 International is also the parent company of Edison Energy Group, Inc., a holding company for subsidiaries engaged in pursuing competitive business opportunities across energy services and distributed solar for commercial and industrial customers. Such 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. 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, 2016 (the "2016 Form 10-K"). This quarterly report should be read in conjunction with the financial statements and notes included in the 2016 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 periods ended June 30, 2017 are not necessarily indicative of the operating results for the full year.

The December 31, 2016 financial statement data was derived from audited financial statements, but does not include all disclosures required by GAAP.

During the fourth quarter of 2016, Edison International and SCE early adopted an accounting standard for share-based payments using the modified retrospective approach, effective January 1, 2016. Prior year financial statements have been updated to reflect the modified retrospective application of this accounting standard. For further information, see Note 1 and Note 18 of "Notes to Consolidated Financial Statements" included in the 2016 Form 10-K and Note 2 and Note 7 of this Form 10-Q.

Cash Equivalents

Cash equivalents includes 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:

	Edison International		SCE	
(in millions)	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Money market funds	\$ 41	\$ 41	\$ 18	\$ 18

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:

	Edison International		SCE	
(in millions)	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016

Book balances reclassified to accounts payable \$ 54 \$ 138 \$54 \$ 136

Goodwill

Edison International assesses goodwill through annual goodwill impairment tests, at the reporting unit level as of October 1st of each year. Edison International updates these tests between annual tests if events occur or circumstances change such that it is more likely than not that the fair value of a reporting unit is below its carrying value. In connection with a strategic review of the Edison Energy Group's competitive businesses, Edison International evaluated the recoverability of goodwill and recorded an impairment of SoCore Energy's goodwill totaling \$16.5 million (\$10 million after-tax) in the second quarter of 2017.

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 performance shares and 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)	2017	2016	2017	2016
Basic earnings per share – continuing operations:				
Income from continuing operations attributable to common shareholders	\$278	\$282	\$640	\$562
Participating securities dividends	—	—	—	—
Income from continuing operations available to common shareholders	\$278	\$282	\$640	\$562
Weighted average common shares outstanding	326	326	326	326
Basic earnings per share – continuing operations	\$0.85	\$0.87	\$1.96	\$1.72
Diluted earnings per share – continuing operations:				
Income from continuing operations attributable to common shareholders	\$278	\$282	\$640	\$562
Participating securities dividends	—	—	—	—
Income from continuing operations available to common shareholders	\$278	\$282	\$640	\$562
Income impact of assumed conversions	—	—	—	—
Income from continuing operations available to common shareholders and assumed conversions	\$278	\$282	\$640	\$562
Weighted average common shares outstanding	326	326	326	326
Incremental shares from assumed conversions	3	4	3	4
Adjusted weighted average shares – diluted	329	330	329	330
Diluted earnings per share – continuing operations	\$0.85	\$0.86	\$1.95	\$1.70

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 1,327,310 and 42,890 shares of common stock for the three months ended June 30, 2017 and 2016, respectively, and 1,370,200 and 47,861 shares for the six months ended June 30, 2017 and 2016, 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 Not Yet 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 (or as) a good or service is transferred to the customer and the customer obtains control of the good or service. This

standard will be adopted on January 1, 2018. Edison International and SCE have completed the preliminary phases of their assessment of the impact on the consolidated financial statements and do not believe the adoption of this standard will have a material impact on the financial position or results of operations. For the six months ended June 30, 2017, approximately 95% of total

operating revenue arises from SCE's tariff offerings that provide electricity to customers. For such arrangements, revenue from contracts with customers will be equivalent to the electricity supplied and billed in that period (including estimated billings). As such, there will not be a change in the timing or pattern of revenue recognition for such sales. This standard will require enhanced disclosures, including a disaggregation of revenue from contracts with customers. Edison International and SCE plan to disaggregate customer contract revenue between revenue from earnings activities and revenue from cost-recovery activities. Some revenue arrangements, such as alternative revenue programs, are excluded from the scope of the new standard and, therefore, will be accounted for and presented separately from revenues recognized under the new standard on the Edison International and SCE consolidated financial statements. Edison International and SCE anticipate adopting the standard using the modified retrospective application which means that Edison International and SCE would recognize any cumulative effect of initially applying the revenue standard as an adjustment to the opening balance of retained earnings on January 1, 2018. In January 2016, the FASB issued an accounting standards update that amends the guidance on the classification and measurement of financial instruments. The amendments require equity investments (excluding those accounted for under the equity method or those that result in consolidation) to be measured at fair value, with changes in fair value recognized in net income. It also amends certain disclosure requirements associated with the fair value of financial instruments. In addition, the new guidance 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 asset. Edison International and SCE will adopt this guidance effective January 1, 2018. The adoption of this standard is not expected to have a material impact on Edison International's and SCE's consolidated financial statements. In February 2016, the FASB issued an accounting standards update related to lease accounting including enhanced disclosures. 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 lease payments. The asset will be based on the liability, subject to adjustment, such as for initial direct costs. 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 have straight-line expense for finance leases, assuming the rate recovery is based upon current payments. Lessees can elect to exclude from the balance sheet short-term contracts one year or less. This guidance is effective January 1, 2019. Early adoption is permitted, but Edison International and SCE do not expect to elect early adoption. 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 evaluating the impact this standard will have on the results of operations and statements of cash flows and lease disclosures. The FASB also 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. The FASB also issued accounting standards updates related to the presentation and classification of certain cash receipts and payments in the statement of cash flows, including a change to the amount of cash, cash equivalents, and restricted cash explained when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard is effective January 1, 2018 and requires retrospective application. 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 in applying the goodwill impairment test. A goodwill impairment will now be 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 the goodwill impairment test beginning in 2020.

In March 2017, the FASB issued an accounting standards update which amends the current requirements related to the presentation of the components of net periodic benefit cost for an entity's defined benefit pension and other postretirement plans. The adoption of this standard is not expected to have a material impact on Edison International's and SCE's financial position or results of operations, but will result in the separate presentation of service costs as an operating expense and non-service costs within other income and expense. The new standards update is effective on January 1, 2018. It is required to be applied on a retrospective basis for the presentation of the service cost component and the other components of net benefit cost and on a prospective basis for the capitalization of only the service cost component of net benefit cost.

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, 2017:

(in millions, except per-share amounts)	Equity Attributable to Common Shareholders				Noncontrolling Interests	
	Accumulated			Subtotal	Preferred and Preference Stock	Total Equity
	Common Stock	Other Comprehensive Loss	Retained Earnings			
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)
Non-cash 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 Edison International's changes in equity for the six months ended June 30, 2016:

(in millions, except per-share amounts)	Equity Attributable to Common Shareholders				Noncontrolling Interests	
	Accumulated			Subtotal	Preferred and Preference Stock	Total Equity
	Common Stock	Other Comprehensive Loss	Retained Earnings			
Balance at December 31, 2015	\$2,484	\$ (56)	\$ 8,940	\$ 11,368	\$ 2,020	\$ 13,388
Net income	—	—	561 ¹	561	61	622
Other comprehensive income	—	3	—	3	—	3
Common stock dividends declared (\$0.9600 per share)	—	—	(313)	(313)	—	(313)
Dividends to noncontrolling interests	—	—	—	—	(61)	(61)
Stock-based compensation	—	—	(18) ¹	(18)	—	(18)
Non-cash stock-based compensation	12	—	—	12	—	12
Issuance of preference stock	—	—	—	—	294	294
Redemption of preference stock	—	—	(2)	(2)	(123)	(125)
Balance at June 30, 2016	\$2,496	\$ (53)	\$ 9,168	\$ 11,611	\$ 2,191	\$ 13,802

Edison International adopted an accounting standard related to share-based payments during the fourth quarter of 2016, effective January 1, 2016. See Note 1 for further information. The table above reflects the adoption of this standard on January 1, 2016. Net income and stock-based compensation (as previously reported) were \$546 million and \$(60) million, respectively, for the six months ended June 30, 2016.

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

(in millions)	Equity Attributable to Edison International					
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Preferred 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)
Non-cash 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

The following table provides SCE's changes in equity for the six months ended June 30, 2016:

(in millions)	Equity Attributable to Edison International					
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Preferred Stock	Total Equity
Balance at December 31, 2015	\$2,168	\$ 652	\$ (22)	\$ 8,804	\$ 2,070	\$13,672
Net income	—	—	—	673 ¹	—	673
Other comprehensive income	—	—	2	—	—	2
Dividends declared on common stock	—	—	—	(340)	—	(340)
Dividends declared on preferred and preference stock	—	—	—	(61)	—	(61)
Stock-based compensation	—	—	—	(34) ¹	—	(34)
Non-cash stock-based compensation	—	6	—	—	—	6
Issuance of preference stock	—	(6)	—	—	300	294
Redemption of preference stock	—	2	—	(2)	(125)	(125)
Balance at June 30, 2016	\$2,168	\$ 654	\$ (20)	\$ 9,040	\$ 2,245	\$14,087

SCE adopted an accounting standard related to share-based payments during the fourth quarter of 2016, effective January 1, 2016. See Note 1 for further information. The table above reflects the adoption of this standard on January 1, 2016. Net income and stock-based compensation (as previously reported) were \$662 million and \$(40) million, respectively, for the six months ended June 30, 2016.

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. A subsidiary of Edison International is the primary beneficiary of entities that own rooftop solar projects. 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 or the fair value of those derivative contracts. 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 2016 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 4,900 MW and 4,349 MW at June 30, 2017 and 2016, respectively, and the amounts that SCE paid to these projects were \$106 million and \$92 million for the three months ended June 30, 2017 and 2016, respectively, and \$246 million and \$219 million for six months ended June 30, 2017 and 2016, respectively. These amounts are recoverable in customer rates, subject to reasonableness review.

Unconsolidated Trusts of SCE

SCE Trust I, Trust II, Trust III, Trust IV, Trust V, and Trust VI were formed in 2012, 2013, 2014, 2015, 2016, and 2017, respectively, for the exclusive purpose of issuing the 5.625%, 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 I, Trust II, Trust III, Trust IV, Trust V and Trust VI issued to the public trust securities in the face amounts of \$475 million, \$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 F, Series G, Series H, Series J, Series K, and Series L Preference Stock issued by SCE in the principal amounts of \$475 million, \$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 F, 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 F, 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.

The Trust I, Trust II, Trust III, Trust IV, and Trust V balance sheets as of June 30, 2017 and December 31, 2016, consisted of investments of \$475 million, \$400 million, \$275 million, \$325 million, and \$300 million in the Series F, Series G, Series H, Series J, and Series K Preference Stock, respectively, \$475 million, \$400 million, \$275 million, \$325 million, and \$300 million of trust securities, respectively, and \$10,000 each of common stock. The Trust VI

balance sheet as of June 30, 2017 consisted of investments of \$475 million in the Series L Preference Stock, \$475 million of trust securities, and \$10,000 of common stock.

In July 2017, SCE Trust I redeemed \$475 million of trust securities from the public and \$10,000 of common stock from SCE. See Note 12 for additional information.

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

(in millions)	Three months ended June 30,					
	Trust I	Trust II	Trust III	Trust IV	Trust V	Trust VI
2017						
Dividend income	\$6	\$5	\$4	\$5	\$4	\$—
Dividend distributions	6	5	4	5	4	—
2016						
Dividend income	\$6	\$5	\$4	\$5	\$4	*
Dividend distributions	6	5	4	5	4	*
(in millions)	Six months ended June 30,					
	Trust I	Trust II	Trust III	Trust IV	Trust V	Trust VI
2017						
Dividend income	\$13	\$10	\$8	\$9	\$8	\$—
Dividend distributions	13	10	8	9	8	—
2016						
Dividend income	\$13	\$10	\$8	\$9	\$5	*
Dividend distributions	13	10	8	9	5	*

* 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, 2017 and December 31, 2016, 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 (New York Mercantile Exchange and 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 tolling arrangements and 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. Changes in fair value are based on changes to forward market prices, including extrapolation of short-term observable inputs into forecasted

prices for illiquid forward periods. 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:

(in millions)	June 30, 2017			Netting and Collateral ¹	Total
	Level 1	Level 2	Level 3		
Assets at fair value					
Derivative contracts	\$—	\$23	\$36	\$	—\$59
Other	29	—	—	—	29
Nuclear decommissioning trusts:					
Stocks ²	1,611	—	—	—	1,611
Fixed Income ³	1,049	1,559	—	—	2,608
Short-term investments, primarily cash equivalents	111	119	—	—	230
Subtotal of nuclear decommissioning trusts ⁴	2,771	1,678	—	—	4,449
Total assets	2,800	1,701	36	—	4,537
Liabilities at fair value					
Derivative contracts	—	10	1,048	—	1,058
Total liabilities	—	10	1,048	—	1,058
Net assets (liabilities)	\$2,800	\$1,691	\$(1,012)	\$	—\$3,479
December 31, 2016					
(in millions)				Netting and Collateral ¹	Total
	Level 1	Level 2	Level 3		
Assets at fair value					
Derivative contracts	\$—	\$6	\$68	\$	—\$74
Other	33	—	—	—	33
Nuclear decommissioning trusts:					
Stocks ²	1,547	—	—	—	1,547
Fixed Income ³	865	1,751	—	—	2,616
Short-term investments, primarily cash equivalents	36	170	—	—	206
Subtotal of nuclear decommissioning trusts ⁴	2,448	1,921	—	—	4,369
Total assets	2,481	1,927	68	—	4,476
Liabilities at fair value					
Derivative contracts	—	—	1,157	—	1,157
Total liabilities	—	—	1,157	—	1,157
Net assets (liabilities)	\$2,481	\$1,927	\$(1,089)	\$	—\$3,319

¹ Represents the netting of assets and liabilities under master netting agreements and cash collateral across the levels of the fair value hierarchy. Netting among positions classified within the same level is included in that level.

²

Approximately 68% and 70% of SCE's equity investments were located in the United States at June 30, 2017 and December 31, 2016, respectively.

³ Includes corporate bonds, which were diversified and included collateralized mortgage obligations and other asset backed securities of \$74 million and \$79 million at June 30, 2017 and December 31, 2016, respectively.

⁴ Excludes net payables of \$68 million and \$127 million at June 30, 2017 and December 31, 2016, 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 \$23 million at both June 30, 2017 and December 31, 2016, 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:

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Fair value of net liabilities at beginning of period	\$(1,166)	\$(1,213)	\$(1,089)	\$(1,148)
Total realized/unrealized losses:				
Included in regulatory assets and liabilities ¹	11	43	(66)	(22)
Contract amendment ²	143	—	143	—
Fair value of net liabilities at end of period	\$(1,012)	\$(1,170)	\$(1,012)	\$(1,170)
Change during the period in unrealized gains and losses related to assets and liabilities held at the end of the period	\$(12)	\$19	\$(97)	\$(54)

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.

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 2017 and 2016.

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)		Valuation Technique(s)	Significant	Range
	Assets	Liabilities		Unobservable Input	(Weighted Average)
Congestion revenue rights					
June 30, 2017	\$ 36	\$ —	Market simulation model and auction prices	Load forecast	3,708 MW - 22,840 MW
				Power prices ¹	\$3.65 - \$99.58
				Gas prices ²	\$2.51 - \$4.87
December 31, 2016	67	—	Market simulation model and auction prices	Load forecast	3,708 MW - 22,840 MW
				Power prices ¹	\$3.65 - \$99.58
				Gas prices ²	\$2.51 - \$4.87
Tolling					
June 30, 2017	—	1,043	Option model	Volatility of gas prices	13% - 43% (21%)

				Volatility of power prices	27% - 67% (34%)
				Power prices	\$23.41 - \$47.10 (\$33.16)
December 31, 2016	—	1,154	Option model	Volatility of gas prices	15% - 48% (20%)
				Volatility of power prices	29% - 71% (40%)
				Power prices	\$23.40 - \$51.24 (\$34.70)

¹ Prices are in dollars per megawatt-hour.

² Prices are in dollars per million British thermal units.

Level 3 Fair Value Sensitivity

Congestion Revenue Rights

For CRRs, where SCE is the buyer, generally increases (decreases) in forecasted load in isolation would result in increases (decreases) to the fair value. In general, an increase (decrease) in electricity and gas prices at illiquid locations tends to result in increases (decreases) to fair value; however, changes in electricity and gas prices in opposite directions may have varying results on fair value.

Tolling Arrangements

The fair values of SCE's tolling arrangements contain intrinsic value and time value. Intrinsic value is the difference between the market price and strike price of the underlying commodity. Time value is made up of several components, including volatility, time to expiration, and interest rates. The option model for tolling arrangements reflects plant specific information such as operating and start-up costs.

For tolling arrangements where SCE is the buyer, increases in volatility of the underlying commodity prices would result in increases to fair value as it represents greater price movement risk. As power and gas prices increase, the fair value of tolling arrangements tends to increase. The valuation of tolling arrangements is also impacted by the correlation between gas and power prices. As the correlation increases, the fair value of tolling arrangements tends to decline.

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, 2017		December 31, 2016	
(in millions)	Carrying Value ¹	Fair Value	Carrying Value ¹	Fair Value
SCE	\$11,024	\$12,507	\$10,333	\$11,539
Edison International	12,243	13,742	11,156	12,368

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.

The carrying value of Edison International's and SCE's trade receivables and payables, other investments, and short-term debt approximates fair value.

Note 5. Debt and Credit Agreements

Long-Term Debt

During the first quarter of 2017, SCE borrowed \$300 million under a Term Loan Agreement due July 2018, with a variable interest rate based on the London Interbank Offered Rate plus 65 basis points (1.82% at June 30, 2017). The

proceeds were used for general corporate purposes.

36

During the first quarter of 2017, SCE reissued \$135 million of 2.625% pollution-control bonds subject to mandatory remarketing in December 2023. The proceeds were used for general corporate purposes.

During the first quarter of 2017, SCE issued \$700 million of 4.00% first and refunding mortgage bonds due in 2047 and Edison International issued \$400 million of 2.125% senior notes due in 2020. The proceeds were used to repay commercial paper borrowings and for general corporate purposes. In addition, the proceeds from SCE's bonds were used to fund SCE's capital program.

Credit Agreements and Short-Term Debt

SCE and Edison International Parent have multi-year revolving credit facilities of \$2.75 billion and \$1.25 billion, respectively, both maturing in July 2022. The maturity date for both credit facilities was extended in July 2017. 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, 2017, SCE outstanding commercial paper, net of discount, was \$219 million at a weighted-average interest rate of 1.29%. At June 30, 2017, letters of credit issued under SCE's credit facility aggregated \$53 million and are scheduled to expire in twelve months or less. At December 31, 2016, the outstanding commercial paper, net of discount, was \$769 million at a weighted-average interest rate of 0.9%.

At June 30, 2017, Edison International Parent's outstanding commercial paper, net of discount, was \$344 million at a weighted-average interest rate of 1.38%. At December 31, 2016, the outstanding commercial paper, net of discount, was \$538 million at a weighted-average interest rate of 0.97%.

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, qualifying facility 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.

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 setoff 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 \$11 million and \$12 million as of June 30, 2017 and December 31, 2016, respectively, for which SCE has posted \$8 million and \$12 million collateral at June 30, 2017 and December 31, 2016, respectively to its counterparties at the respective dates for its derivative liabilities and related outstanding payables. If the credit-risk-related contingent features underlying these agreements were

triggered on June 30, 2017, SCE would be required to post \$21 million of additional collateral of which \$18 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 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:

(in millions)	June 30, 2017						
	Derivative Assets			Derivative Liabilities			Net
	Short-Term	Long-Term	Subtotal	Short-Term	Long-Term	Subtotal	Liability
Commodity derivative contracts							
Gross amounts recognized	\$60	\$ 1	\$ 61	\$192	\$ 868	\$1,060	\$ 999
Gross amounts offset in the consolidated balance sheets	(2)	—	(2)	(2)	—	(2)	—
Cash collateral posted ¹	—	—	—	—	—	—	—
Net amounts presented in the consolidated balance sheets	\$58	\$ 1	\$ 59	\$190	\$ 868	\$1,058	\$ 999
December 31, 2016							
(in millions)	Derivative Assets			Derivative Liabilities			Net
	Short-Term	Long-Term	Subtotal	Short-Term	Long-Term	Subtotal	Liability
	Short-Term	Long-Term	Subtotal	Short-Term	Long-Term	Subtotal	Liability
Commodity derivative contracts							
Gross amounts recognized	\$74	\$ 1	\$ 75	\$217	\$ 941	\$1,158	\$ 1,083
Gross amounts offset in the consolidated balance sheets	(1)	—	(1)	(1)	—	(1)	—
Cash collateral posted ¹	—	—	—	—	—	—	—
Net amounts presented in the consolidated balance sheets	\$73	\$ 1	\$ 74	\$216	\$ 941	\$1,157	\$ 1,083

In addition, at June 30, 2017 and December 31, 2016, SCE had received \$1 million and \$2 million, respectively, of ¹ collateral that is not offset against derivative assets and is reflected in "Other current liabilities" on the consolidated balance sheets.

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 recorded 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:

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Realized losses	\$ (3)	\$ (25)	\$ (5)	\$ (52)

Unrealized gains (losses) 6 72 (80) 8

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Notional Volumes of Derivative Instruments

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

Commodity	Unit of Measure	Economic Hedges	
		June 30, 2017	December 31, 2016
Electricity options, swaps and forwards	GWh	1,731	1,816
Natural gas options, swaps and forwards	Bcf	144	36
Congestion revenue rights	GWh	63,103	93,319
Tolling arrangements	GWh	41,924	61,093

Note 7. 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:

(in millions)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Edison International:				
Income from continuing operations before income taxes	\$335	\$259	\$687	\$591
Provision for income tax at federal statutory rate of 35%	117	91	241	207
Increase in income tax from:				
State tax, net of federal benefit	6	4	16	11
Property-related ¹	(83)	(138)	(196)	(217)
Change related to uncertain tax positions	(6)	2	(18)	1
Shared-based compensation ²	(3)	(4)	(46)	(15)
Other	(5)	(6)	(11)	(11)
Total income tax expense (benefit) from continuing operations	\$26	\$(51)	\$(14)	\$(24)
Effective tax rate	7.8 %	(19.7)%	(2.0)%	(4.1)%
SCE:				
Income from continuing operations before income taxes	\$395	\$317	\$787	\$683
Provision for income tax at federal statutory rate of 35%	138	111	275	239
Increase in income tax from:				
State tax, net of federal benefit	9	6	22	15
Property-related ¹	(83)	(138)	(196)	(217)
Change related to uncertain tax positions	—	(1)	(11)	(2)
Shared-based compensation ²	(1)	(3)	(9)	(11)
Other	(6)	(7)	(12)	(14)
Total income tax expense (benefit) from continuing operations	\$57	\$(32)	\$69	\$10
Effective tax rate	14.4 %	(10.1)%	8.8 %	1.5 %

¹ During the second quarter of 2016, SCE recorded \$79 million for 2012 – 2014 incremental tax benefits related to repair deductions, which were flowed-through to customers (\$133 million pre-tax).

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.

² Includes state taxes for Edison International and SCE of \$3 million and \$2 million, respectively, for the six months ended June 30, 2016. Refer to Note 1 for further information.

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.

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, discussed further in Note 11. San Onofre was permanently shut down on June 7, 2013 as a result of failure of replacement steam generators supplied by MHI. 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 effective tax rate. Due to the tax abandonment loss recognized during the first six months of 2017, Edison International and SCE both expect to report federal and California tax losses in 2017.

Unrecognized Tax Benefits

In the first quarter of 2017, Edison International settled all open tax positions with the Internal Revenue Service ("IRS") for taxable years 2007 through 2012. The following table provides a reconciliation of unrecognized tax benefits for 2017 as a result of the audit settlement:

(in millions)	Edison International	SCE
Balance at January 1, 2017	\$ 471	\$ 371
Tax positions taken during the current year:		
Increases	20	20
Tax positions taken during a prior year:		
Increases	3	3
Decreases	—	—
Decreases for settlements during the period	(83)	(78)
Balance at June 30, 2017	\$ 411	\$ 316

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 2013 – 2015 and 2010 – 2015, respectively. Edison International has settled all open tax position with the IRS for taxable years prior to 2013. Tax years 2003 – 2009 are currently under protest with the California Franchise Tax Board.

Note 8. Compensation and Benefit Plans

Pension Plans

Edison International made contributions of \$76 million during the six months ended June 30, 2017, which includes contributions of \$44 million by SCE. Edison International expects to make contributions of \$60 million during the remainder of 2017, which includes \$41 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.

Pension expense components for continuing operations are:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2017	2016	2017	2016
Edison International:				
Service cost	\$36	\$39	\$72	\$78
Interest cost	41	44	82	88
Expected return on plan assets	(53)	(56)	(106)	(112)
Settlement costs ¹	8	—	8	—
Amortization of prior service cost	1	1	2	2
Amortization of net loss ²	5	9	10	18
Expense under accounting standards	\$38	\$37	\$68	\$74
Regulatory adjustment	(3)	(9)	(6)	(18)
Total expense recognized	\$35	\$28	\$62	\$56
SCE:				
Service cost	\$35	\$38	\$70	\$76
Interest cost	37	41	74	82
Expected return on plan assets	(50)	(53)	(100)	(106)
Amortization of prior service cost	1	1	2	2
Amortization of net loss ²	4	8	8	16
Expense under accounting standards	\$27	\$35	\$54	\$70
Regulatory adjustment	(3)	(9)	(6)	(18)
Total expense recognized	\$24	\$26	\$48	\$52

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

¹ Retirement Plan exceeded the estimated service and interest costs, resulting in a partial settlement of that plan. A settlement loss of approximately \$7.7 million (\$4.6 million after tax) was recorded at Edison International in the second quarter of 2017.

Includes the amount of net loss reclassified from other comprehensive loss. 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

² million and \$3 million, respectively, for the six months ended June 30, 2017. The amount reclassified for Edison International and SCE was \$3 million and \$1 million, respectively, for the three months ended June 30, 2016, and \$6 million and \$3 million, respectively, for the six months ended June 30, 2016.

Postretirement Benefits Other Than Pensions

Edison International made contributions of \$10 million during the six months ended June 30, 2017 and expects to make contributions of \$11 million during the remainder of 2017, 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 under these plans, with some exceptions, are generally unvested and subject to change. Under the terms of the Edison International Health and Welfare 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.

PBOP expense components for continuing operations are:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2017	2016	2017	2016
Edison International:				
Service cost	\$9	\$10	\$18	\$20
Interest cost	24	26	48	52
Expected return on plan assets	(27)	(28)	(54)	(56)
Amortization of prior service cost	(1)	(1)	(2)	(2)
Total expense	\$5	\$7	\$10	\$14
SCE:				
Service cost	\$9	\$10	\$18	\$20
Interest cost	24	26	48	52
Expected return on plan assets	(27)	(28)	(54)	(56)
Amortization of prior service cost	(1)	(1)	(2)	(2)
Total expense	\$5	\$7	\$10	\$14

Note 9. 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):

	Longest Maturity Dates	Amortized Cost		Fair Value	
(in millions)		June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Stocks	—	\$304	\$ 319	\$1,611	\$ 1,547
Municipal bonds	2054	617	659	737	766
U.S. government and agency securities	2067	1,209	1,131	1,288	1,191
Corporate bonds	2057	523	600	584	659
Short-term investments and receivables/payables ¹	One-year	156	75	161	79
Total		\$2,809	\$ 2,784	\$4,381	\$ 4,242

¹ Short-term investments include \$32 million and \$114 million of repurchase agreements payable by financial institutions which earn interest, are fully secured by U.S. Treasury securities and mature by July 3, 2017 and January 4, 2017 as of June 30, 2017 and December 31, 2016, 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 \$1.6 billion and \$1.5 billion at June 30, 2017 and December 31, 2016, respectively.

The following table sets forth a summary of changes in the fair value of the trust:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2017	2016	2017	2016
Balance at beginning of period	\$4,352	\$4,290	\$4,242	\$4,331
Gross realized gains	13	22	112	75
Gross realized losses	—	(1)	(16)	(4)
Unrealized gains, net of losses	87	72	114	113
Other-than-temporary impairments	(3)	(8)	(4)	(33)
Interest and dividends	31	32	59	60
Income taxes	(26)	(24)	(26)	(42)
Decommissioning disbursements	(73)	(38)	(99)	(154)
Administrative expenses and other	—	(1)	(1)	(2)
Balance at end of period	\$4,381	\$4,344	\$4,381	\$4,344

Trust assets are used to pay income taxes. Deferred tax liabilities related to net unrealized gains at June 30, 2017 were \$388 million. Accordingly, the fair value of trust assets available to pay future decommissioning costs, net of deferred income taxes, totaled \$4.0 billion at June 30, 2017. Due to regulatory mechanisms, changes in assets of the trusts from income or loss items have no impact on operating revenue or earnings.

Decommissioning disbursements are funded from sales of investments of the nuclear decommissioning trusts.

Note 10. Regulatory Assets and Liabilities

Regulatory Assets

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

(in millions)	June 30, December 31, 2017 2016	
Current:		
Regulatory balancing accounts	\$ 374	\$ 135
Energy derivatives and other power contracts	199	150
Unamortized investments, net of accumulated amortization	25	49
Other	36	16
Total current	634	350
Long-term:		
Deferred income taxes, net of liabilities	4,875	4,478
Pensions and other postretirement benefits	712	710
Energy derivatives and other power contracts	969	947
Unamortized investments, net of accumulated amortization	78	80
San Onofre	772	857
Unamortized loss on reacquired debt	176	184
Regulatory balancing accounts	72	66
Environmental remediation	123	126
Other	73	7
Total long-term	7,850	7,455
Total regulatory assets	\$ 8,484	\$ 7,805

Regulatory Liabilities

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

(in millions)	June 30, 2017	December 31, 2016
Current:		
Regulatory balancing accounts	\$ 822	\$ 736
San Onofre MHI arbitration award ¹	47	—
Other	34	20
Total current	903	756
Long-term:		
Costs of removal	2,820	2,847
Recoveries in excess of ARO liabilities ²	1,758	1,639
Regulatory balancing accounts	1,326	1,180
Other	57	60
Total long-term	5,961	5,726
Total regulatory liabilities	\$ 6,864	\$ 6,482

¹ Represents SCE's net recovery from claims against MHI. See Note 11 for further discussion.

Represents the cumulative differences between ARO expenses and amounts collected in rates primarily for the

² 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 9 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, 2017	December 31, 2016
Asset (liability)		
Energy resource recovery account	\$228	\$ (20)
New system generation balancing account	(175)	(6)
Public purpose programs and energy efficiency programs	(1,064)	(992)
Tax accounting memorandum account and pole loading balancing account	(197)	(142)
Base rate recovery balancing account	(257)	(426)

Department of Energy litigation memorandum account	(156)	(122)
Greenhouse gas auction revenue	24	31
FERC balancing accounts	(136)	(69)
Other	31	31
Liability	\$(1,702)	\$ (1,715)

Note 11. Commitments and Contingencies

Third-Party Power Purchase Agreements

During the first six months of 2017, SCE had existing PPAs that met the critical contract provisions (including completion of major milestones for construction). The commitments for these contracts are estimated to be: \$50 million in 2017, \$120 million in 2018, \$122 million in 2019, \$123 million in 2020, \$124 million in 2021, and \$1.0 billion for the remaining period thereafter. For further information, see Note 11 in the 2016 Form 10-K.

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.

San Onofre Related Matters

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 Settlement Agreement by and among SCE, The Utility Reform Network, the CPUC's Office of Ratepayer Advocates and San Diego Gas & Electric ("SDG&E"), which was later joined by the Coalition of California Utility Employees and Friends of the Earth, dated November 20, 2014 (the "San Onofre OII Settlement Agreement"), which 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 SCE not reporting certain ex parte communications on a timely basis, the San Onofre OII 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. In comments filed with the CPUC in July 2016, SCE asserted that the San Onofre OII Settlement Agreement continues to meet this standard and therefore should not be disturbed. A number of the parties to the San Onofre OII, however, have requested that the CPUC either modify the San Onofre OII Settlement Agreement or vacate its previous approval of the settlement and reinstate the San Onofre OII for further proceedings.

In a December 2016 joint ruling, the Assigned Commissioner and the Assigned ALJ expressed concerns about the extent to which the failure to timely report ex parte communications had impacted the settlement negotiations and directed SCE and SDG&E to meet and confer with the other parties in the San Onofre OII to consider changing the terms of the San Onofre OII Settlement Agreement. In March 2017, SCE and the parties participating in the meet-and-confer process initiated a mediation of the issues identified in the December 2016 joint ruling. The CPUC has established a joint report deadline of August 15, 2017, at which time the parties must report on the outcome of the meet-and-confer process. SCE has recorded a regulatory asset of \$772 million at June 30, 2017 to reflect the expected recoveries under the San Onofre OII Settlement Agreement. Management assesses at the end of each reporting period

whether regulatory assets are probable of future recovery. SCE assessed the San Onofre regulatory asset at June 30, 2017 and continues to conclude that the asset is probable, though not certain, of recovery based on SCE's knowledge of facts and judgment in applying the relevant regulatory principles to the issue. Such judgment is subject to uncertainty, and regulatory principles and precedents are not necessarily binding and are capable of interpretation.

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 San Onofre OII 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 in May 2015. In light of the San Onofre OII meet-and-confer sessions, the Ninth Circuit cancelled the hearing that had been scheduled for February 9, 2017 and ordered the parties to notify the Ninth Circuit of the status of the San Onofre OII by May 1, 2017 and periodically thereafter. The parties have filed the required status reports with the court.

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 purported 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 an amended complaint, 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, which extends the Class Period to August 10, 2015. Defendants filed a motion to dismiss the third amended complaint in June 2017, and are awaiting a ruling.

Also in July 2015, a federal shareholder derivative lawsuit was filed against members of the Edison International Board of Directors for breach of fiduciary duty and other claims. The federal derivative lawsuit is based on similar allegations to the federal class action securities lawsuit and seeks monetary damages, including punitive damages, and various corporate governance reforms. An additional federal shareholder derivative lawsuit making essentially the same allegations was filed in August 2015 and was subsequently consolidated with the July 2015 federal derivative lawsuit. In September 2016, the federal court granted defendants' motion to dismiss the consolidated complaint, with an opportunity for plaintiffs to amend the complaint. Plaintiffs did not file an amended complaint by the required date. Plaintiffs' deadline to appeal the federal court's order granting defendants' motion to dismiss lapsed in March 2017 and no appeal was filed.

In October 2015, a shareholder derivative lawsuit was filed in California state court against members of the Edison International Board of Directors for breach of fiduciary duty and other claims, making similar allegations to those in the federal derivative lawsuits discussed above. In light of the ruling in the parallel federal derivative lawsuit discussed above, plaintiff requested that the court voluntarily dismiss the state court action. The action was dismissed in April 2017.

In November 2015, a purported securities 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. These defendants' motion was heard by the court in November 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

an amended complaint in early July 2017. Defendants have filed motion to dismiss the amended complaint, which will be heard by the court in October 2017.

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

MHI Claims

SCE pursued claims against MHI, which designed and supplied the replacement steam generators. In October 2013, SCE sent MHI a formal request for binding arbitration under the auspices of the International Chamber of Commerce seeking damages for all losses. SCE alleged contract and tort claims and sought at least \$4 billion in damages on behalf of itself and its customers and in its capacity as Operating Agent for San Onofre. MHI denied any liability and asserted counterclaims for \$41 million, for which SCE denied any liability. Each of the other San Onofre owners (SDG&E and Riverside) sued MHI, alleging claims arising from MHI's supplying the faulty steam generators. These litigation claims have been stayed pending

the arbitration. The other co-owners were added as additional claimants in the arbitration. In March 2017, the arbitration tribunal found MHI liable for breach of contract, but rejected claimants' other claims. The tribunal found that damages were subject to contractual limitations on liability. In addition, the tribunal ordered the claimants to pay MHI's legal costs but rejected MHI's counterclaims. The net recovery awarded to SCE was initially determined to be \$52 million. An adjustment to the interest awarded to SCE subsequently reduced the net recovery to approximately \$47 million. The decision is the final award of the tribunal but can be challenged in court on limited grounds. SCE has determined that it will not appeal the decision. As a result of uncertainty associated with the allocation of the award under the San Onofre OII Settlement Agreement, SCE recorded a regulatory liability for the net recovery.

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, 2017, SCE's recorded estimated minimum liability to remediate its 19 identified material sites (sites with a liability balance at June 30, 2017, in which the upper end of the range of the costs is at least \$1 million) was \$125 million, including \$74 million related to San Onofre. In addition to these sites, SCE also has 17 immaterial sites with a liability balance as of June 30, 2017, for which the total minimum recorded liability was \$3 million. Of the \$128 million total environmental remediation liability for SCE, \$123 million has been recorded as a regulatory asset. SCE expects to recover \$47 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 \$75 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 \$150 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 \$5 million to \$18 million. Costs incurred for the six months ended June 30, 2017 and 2016 were \$4 million and \$1 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 \$1.06 billion. 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 \$13.4 billion. Based on its ownership interests, SCE could

be required to pay a maximum of approximately \$255 million per nuclear incident. However, it would have to pay no more than approximately \$38 million per incident in any one year.

For more information on nuclear insurance coverage, see Note 11 in the 2016 Form 10-K.

Wildfire Insurance

Severe wildfires in California have given rise to large damage claims against California utilities for fire-related losses alleged to be the result of the failure of electric and other utility equipment. Invoking a California Court of Appeal decision, plaintiffs pursuing these claims have relied on the doctrine of inverse condemnation, which can impose strict liability (including liability for a claimant's attorneys' fees) for property damage. Drought conditions in California have also increased the duration of the wildfire season and the risk of severe wildfire events. SCE has approximately \$1 billion of insurance coverage for wildfire liabilities for the period ending on May 31, 2018. SCE has a self-insured retention of \$10 million per wildfire occurrence. Various coverage limitations within the policies that make up this insurance coverage could result in additional self-insured costs in the event of multiple wildfire occurrences during the policy period. SCE or its vegetation management contractors may experience coverage reductions and/or increased insurance costs in future years. No assurance can be given that future losses will not exceed the limits of insurance coverage.

Spent Nuclear Fuel

Under federal law, the U.S. Department of Energy ("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 will 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) primarily due to DOE allocation limits. SCE accepted the DOE's determination, and the government will pay the 2014 – 2015 claim under the terms of the settlement. SCE will make the claim submission for 2016 damages in the third quarter of 2017. All damages recovered by SCE are subject to CPUC review as to how these amounts would be distributed among customers, shareholders, or to offset fuel decommissioning or storage costs.

Note 12. Preferred and Preference Stock of SCE

During the second quarter of 2017, SCE issued \$475 million of 5.00% Series L preference stock (190,004 shares; cumulative, \$2,500 liquidation value) to SCE Trust VI, a special purpose entity formed to issue trust securities as discussed in Note 3. The Series L preference stock may be redeemed at a premium, in whole, but not in part, at any time prior to June 26, 2022 if certain changes in tax or investment company law or interpretation or applicable rating agency equity credit criteria occur. On or after June 26, 2022, SCE may redeem the Series L shares at par, in whole or in part. The shares are not subject to mandatory redemption. In July 2017, the proceeds were used to redeem \$475 million of SCE's Series F Preference Stock.

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)	2017	2016	2017	2016
Beginning balance	\$(49)	\$(54)	\$(53)	\$(56)
Pension and PBOP – net loss:				
Reclassified from accumulated other comprehensive loss ¹	1	1	3	3
Other	—	—	2	—
Change	1	1	5	3
Ending Balance	\$(48)	\$(53)	\$(48)	\$(53)

¹ These items are included in the computation of net periodic pension and PBOP Plan expense. See Note 8 for additional information.

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

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2017	2016	2017	2016
Beginning balance	\$(18)	\$(21)	\$(20)	\$(22)
Pension and PBOP – net loss:				
Reclassified from accumulated other comprehensive loss ¹	1	1	2	2
Other	(1)	—	—	—
Change	—	1	2	2
Ending Balance	\$(18)	\$(20)	\$(18)	\$(20)

¹ These items are included in the computation of net periodic pension and PBOP Plan expense. See Note 8 for additional information.

Note 14. Interest and Other Income and Other Expenses

Interest and other income and other expenses are as follows:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2017	2016	2017	2016
SCE interest and other income:				
Equity allowance for funds used during construction	\$ 23	\$ 19	\$ 41	\$ 42
Increase in cash surrender value of life insurance policies and life insurance benefits	10	11	22	17
Interest income	1	2	3	3

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Other	2	1	3	3
Total SCE				
interest and other	36	33	69	65
income				
Other income of				
Edison	1	—	1	—
International				
Parent and Other				
Total Edison				
International				
interest and other	\$ 37	\$ 33	\$ 70	\$ 65
income				
SCE other				
expenses:				
Civic, political				
and related	\$ 7	\$ 8	\$ 10	\$ 12
activities and				
donations				
Other	5	3	9	7
Total SCE other	12	11	19	19
expenses				
Other expenses of				
Edison	—	—	1	—
International				
Parent and Other				
Total Edison				
International	\$ 12	\$ 11	\$ 20	\$ 19
other expenses				

Note 15. Supplemental Cash Flows Information

Supplemental cash flows information for continuing operations is:

	Edison International		SCE	
	Six months ended June 30,			
(in millions)	2017	2016	2017	2016
Cash payments for interest and taxes:				
Interest, net of amounts capitalized	\$240	\$228	\$223	\$221
Tax payments, net of refunds	14	12	20	32
Non-cash financing and investing activities:				
Dividends declared but not paid:				
Common stock	\$177	\$156	\$—	\$—
Preferred and preference stock	12	12	12	12

SCE's accrued capital expenditures at June 30, 2017 and 2016 were \$283 million and \$338 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 2017. 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 2017 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 2016 Form 10-K.

LEGAL PROCEEDINGS

None.

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 2017.

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, 2017 to April 30, 2017	160,144	\$ 80.68	—	—
May 1, 2017 to May 31, 2017	311,524	\$ 79.32	—	—
June 1, 2017 to June 30, 2017	232,253	\$ 79.97	—	—
Total	703,921	\$ 79.84	—	—

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 Reinvestment¹ 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

- | | |
|-------|--|
| 3.1 | <u>Restated Articles of Incorporation of Southern California Edison Company, together with all Certificates of Determination of Preferences of all outstanding Preferred and Preference Stock</u> |
| 31.1 | <u>Certifications of the Chief Executive Officer and Chief Financial Officer of Edison International pursuant to Section 302 of the Sarbanes-Oxley Act</u> |
| 31.2 | <u>Certifications of the Chief Executive Officer and Chief Financial Officer of Southern California Edison Company pursuant to Section 302 of the Sarbanes-Oxley Act</u> |
| 32.1 | <u>Certifications of the Chief Executive Officer and the Chief Financial Officer of Edison International required by Section 906 of the Sarbanes-Oxley Act</u> |
| 32.2 | <u>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</u> |
| 101.1 | Financial statements from the quarterly report on Form 10-Q of Edison International for the quarter ended June 30, 2017, filed on July 27, 2017, 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, 2017, filed on July 27, 2017, 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 |

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/ Connie J. Erickson

Aaron D. Moss
Vice President and Controller
(Duly Authorized Officer and
Principal Accounting Officer)

Connie J. Erickson
Vice President and Controller
(Duly Authorized Officer and
Principal Accounting Officer)

Date: July 27, 2017

Date: July 27, 2017