

EDISON INTERNATIONAL  
Form 10-Q  
July 28, 2016

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, 2016

☐ 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<br>2244 Walnut Grove Avenue<br>(P.O. Box 976)<br>Rosemead, California 91770<br>(Address of principal executive offices)<br>(626) 302-2222<br>(Registrant's telephone number, including area code) | SOUTHERN CALIFORNIA EDISON COMPANY<br>2244 Walnut Grove Avenue<br>(P.O. Box 800)<br>Rosemead, California 91770<br>(Address of principal executive offices)<br>(626) 302-1212<br>(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 or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-12 of the Exchange Act. (Check One):

Edison International

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|                                       |  |  |   |   |
|---------------------------------------|--|--|---|---|
|                                       | Large Accelerated<br>Filer <input checked="" type="checkbox"/> | Accelerated Filer <input type="checkbox"/> | Non-accelerated Filer <input type="checkbox"/>            | Smaller Reporting<br>Company <input type="checkbox"/> |
| Southern California Edison<br>Company | Large Accelerated<br>Filer <input type="checkbox"/>            | Accelerated Filer <input type="checkbox"/> | Non-accelerated Filer <input checked="" type="checkbox"/> | Smaller Reporting<br>Company <input type="checkbox"/> |

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

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

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 26, 2016:

|                                    |                    |
|------------------------------------|--------------------|
| 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.

|                          |   |
|--------------------------|---|
| AFUDC                    | allowance for funds used during construction  |
| 2015 Form 10-K           | Edison International's and SCE's combined Annual Report on Form 10-K for the year-ended December 31, 2015   |
| ALJ                      | administrative law judge  |
| APS                      | Arizona Public Service Company  |
| 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  |
| CAA                      | Clean Air Act   |
| CAISO                    | California Independent System Operator  |
| CARB                     | California Air Resources Board  |
| Competitive Businesses   | businesses focused on providing energy solutions, including distributed generation and/or storage, to commercial and industrial customers; engaging in competitive transmission opportunities; and exploring distributed water treatment and recycling. |
| CPUC                     | California Public Utilities Commission  |
| CRRs                     | congestion revenue rights   |
| DOE                      | U.S. Department of Energy   |
| Edison Energy            | Edison Energy, LLC, a wholly-owned subsidiary of Edison Energy Group and one of the Competitive Businesses  |
| Edison Energy Group      | Edison Energy Group, Inc., the holding company for the Competitive Businesses   |
| EME                      | Edison Mission Energy   |
| EME Settlement Agreement | Settlement Agreement entered into by Edison International, EME, and the Consenting Noteholders in February 2014   |
| EMG                      | Edison Mission Group Inc.   |
| EPS                      | earnings per share  |
| ERRA                     | energy resource recovery account  |
| FERC                     | Federal Energy Regulatory Commission  |
| Four Corners             | coal fueled electric generating facility located in Farmington, New Mexico in which SCE held a 48% ownership interest   |
| GAAP                     | generally accepted accounting principles  |
| GHG                      | greenhouse gas  |
| GRC                      | general rate case   |
| GWh                      | gigawatt-hours  |
| HLBV                     | hypothetical liquidation at book value  |
| IRS                      | Internal Revenue Service  |
| Joint Proxy Statement    | Edison International's and SCE's definitive Proxy Statement filed with the SEC in connection with Edison International's and SCE's Annual Shareholders' Meeting held on April 28, 2016  |
| MD&A                     | Management's Discussion and Analysis of Financial Condition and Results of Operations in this report  |
| MHI                      | Mitsubishi Heavy Industries, Ltd. and a related company   |
| Moody's                  | Moody's Investors Service   |
| MW                       | megawatts   |
| MWh                      | megawatt-hours  |
| NAAQS                    | national ambient air quality standards  |



|      |                                    |
|------|------------------------------------|
| NEIL | Nuclear Electric Insurance Limited |
| NEM  | net energy metering                |

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|                                     |  |
|-------------------------------------|--|
| NERC                                | North American Electric Reliability Corporation  |
| NRC                                 | Nuclear Regulatory Commission  |
| ORA                                 | CPUC's Office of Ratepayers Advocates  |
| OII                                 | Order Instituting Investigation  |
| Palo Verde                          | large pressurized water 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)  |
| PG&E                                | Pacific Gas & Electric Company   |
| QF(s)                               | qualifying facility(ies)   |
| 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, The Utility Reform Network, the CPUC's Office of Ratepayer Advocates and SDG&E, which was later joined by the Coalition of California Utility Employees and Friends of the Earth, (together, the "Settling Parties"), 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  |
| TURN                                | The Utility Reform Network   |
| US EPA                              | U.S. Environmental Protection Agency   |
| VIE(s)                              | variable interest entity(ies)  |

## 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 statement that does 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 of plans, are intended to identify forward-looking statements. Such statements necessarily involve risks and uncertainties that could cause actual results to differ materially from those anticipated. Some of the risks, uncertainties and other important factors that could cause results to differ 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 regulatory assets related to San Onofre;
- decisions and other actions by the CPUC, the FERC, the NRC and other regulatory authorities, including the determinations of authorized rates of return or return on equity, outcome of San Onofre CPUC proceedings and delays in regulatory actions;
- ability of Edison International or SCE to borrow funds and access the capital markets on reasonable terms;
- 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 technological advancements in the generation, storage, transmission, distribution and use of electricity, and supported by public policy, government regulations and incentives;
- risks inherent in the construction of transmission and distribution infrastructure replacement and expansion projects, 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 retirement and decommissioning of nuclear generating facilities;
- physical security of SCE's critical assets and personnel and the cybersecurity of SCE's critical information technology systems for grid control, and business and customer data;
- ability of Edison International to develop its Competitive Businesses, manage new business risks, and recover and earn a return on its investment in newly developed or acquired businesses;
- 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 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 CAISO, WECC, NERC, and adjoining regions;
- availability and creditworthiness of counterparties and the resulting effects on liquidity in the power and fuel markets and/or the ability of counterparties to pay amounts owed in excess of collateral provided in support of their obligations;
- cost and availability of labor, equipment and materials;



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 MD&A and in Edison International's and SCE's combined 2015 Form 10-K, including the "Risk Factors" section. Readers are urged to read this entire report, including the information incorporated by reference, as well as the 2015 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. Additionally, 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](http://www.edisoninvestor.com) (SCE Regulatory Highlights) so that such filings are available to all investors upon SCE filing with the relevant agency.

The MD&A for the six months ended June 30, 2016 discusses material changes in the consolidated financial condition, results of operations and other developments of Edison International and SCE since December 31, 2015, and as compared to the six months ended June 30, 2015. This discussion presumes that the reader has read or has access to Edison International's and SCE's MD&A for the calendar year 2015 (the "year-ended 2015 MD&A"), which was included in the 2015 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.

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## 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 subsidiaries that are engaged in competitive businesses focused on providing energy solutions to commercial and industrial customers, including distributed resources, engaging in transmission opportunities, and exploring distributed water treatment and recycling (the "Competitive Businesses"). 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<br>ended June<br>30, |       |          | Six months<br>ended June<br>30, |       |          |
|--|-----------------------------------|-------|----------|---------------------------------|-------|----------|
| (in millions)  | 2016                              | 2015  | Change   | 2016                            | 2015  | Change   |
| Net income (loss) attributable to Edison International |                                   |       |          |                                 |       |          |
| Continuing operations                                  |                                   |       |          |                                 |       |          |
| SCE  | \$315                             | \$384 | \$ (69 ) | \$601                           | \$689 | \$ (88 ) |
| Edison International Parent and Other                  | (37 )                             | (5 )  | (32 )    | (54 )                           | (11 ) | (43 )    |
| Discontinued operations                                | (2 )                              | —     | (2 )     | (1 )                            | —     | (1 )     |
| Edison International                                   | 276                               | 379   | (103 )   | 546                             | 678   | (132 )   |
| Less: Non-core items                                   |                                   |       |          |                                 |       |          |
| SCE  | —                                 | —     | —        | —                               | —     | —        |
| Edison International Parent and Other                  | 2                                 | 1     | 1        | 4                               | 6     | (2 )     |
| Discontinued operations                                | (2 )                              | —     | (2 )     | (1 )                            | —     | (1 )     |
| Total non-core items                                   | —                                 | 1     | (1 )     | 3                               | 6     | (3 )     |
| Core earnings (losses)                                 |                                   |       |          |                                 |       |          |
| SCE  | 315                               | 384   | (69 )    | 601                             | 689   |          |