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 September 30, 2019

☐ **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	SOUTHERN CALIFORNIA EDISON COMPANY
2244 Walnut Grove Avenue	**2244 Walnut Grove Avenue**
(P.O. Box 976)	**(P.O. Box 800)**
Rosemead, California 91770	**Rosemead, California 91770**
(Address of principal executive offices)	(Address of principal executive offices)
(626) 302-2222	**(626) 302-1212**
(Registrant's telephone number, including area code)	(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 o Southern California Edison Company Yes ☑ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Edison International Yes ☑ No o 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):

	Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer	Smaller Reporting Company	Emerging growth company
Edison International	☑	☐	☐	☐	☐
Southern California Edison Company		☐	☑	☐	☐

Securities registered pursuant to Section 12(b) of the Act:

Edison International:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, no par value	EIX	NYSE LLC

Southern California Edison Company:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Cumulative Preferred Stock, 4.08% Series	SCEpB	NYSE American LLC
Cumulative Preferred Stock, 4.24% Series	SCEpC	NYSE American LLC
Cumulative Preferred Stock, 4.32% Series	SCEpD	NYSE American LLC
Cumulative Preferred Stock, 4.78% Series	SCEpE	NYSE American LLC

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 ☐ Southern California Edison Company ☐

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

Edison International Yes ☐ No ☑ 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 October 24, 2019:

Edison International	358,601,135 shares
Southern California Edison Company	434,888,104 shares

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

GLOSSARY

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

2017/2018 Wildfire/Mudslide Events	the Thomas Fire, the Koenigstein Fire, the Montecito Mudslides and the Woolsey Fire, collectively
2018 Form 10-K	Edison International's and SCE's combined Annual Report on Form 10-K for the year ended December 31, 2018
AB 1054	California Assembly Bill 1054, executed by the Governor of California on July 12, 2019
AFUDC	allowance for funds used during construction
ALJ	administrative law judge
ARO(s)	asset retirement obligation(s)
Bcf	billion cubic feet
bonus depreciation	Federal tax deduction of a percentage of the qualifying property placed in service during periods permitted under tax laws
BRRBA	Base Revenue Requirement Balancing Account
CAISO	California Independent System Operator
Cal Advocates	CPUC's Public Advocates Office (formerly known as the Office of Ratepayer Advocates or ORA)
CAL FIRE	California Department of Forestry and Fire Protection
CCAs	Community Choice Aggregators which are cities, counties, and certain other public agencies with the authority to generate and/or purchase electricity for their local residents and businesses
Commission on Catastrophic Wildfire Cost and Recovery	Commission on Catastrophic Wildfire Cost and Recovery established by the California Governor’s Office of Planning and Research as required by California Senate Bill 901
CPUC	California Public Utilities Commission
December 2017 Wildfires	several wind-driven wildfires, including the Thomas Fire and the Koenigstein Fire, that occurred in December 2017 and impacted portions of SCE's service territory
DERs	distributed energy resources
DOE	U.S. Department of Energy
DRP	Distributed Resources Plan
Edison Energy	Edison Energy, LLC, a wholly-owned subsidiary of Edison Energy Group that advises and provides energy solutions to large energy users
Edison Energy Group	Edison Energy Group, Inc., a wholly-owned subsidiary of Edison International, is a holding company for subsidiaries engaged in competitive businesses that provide energy services to commercial and industrial customers
EME	Edison Mission Energy
EME Settlement Agreement	Settlement Agreement by and among Edison Mission Energy, Edison International and the Consenting Noteholders identified therein, dated February 18, 2014
Electric Service Provider	an entity that offers electric power and ancillary services to customers that take final delivery of electric power and do not resell the power
ERRA	Energy Resource Recovery Account
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FERC 2018 Settlement Period	January 1, 2018 through November 11, 2019
Fitch	Fitch Ratings, Inc.
GAAP	generally accepted accounting principles
GHG	greenhouse gas
GRC	general rate case
GS&RP	Grid Safety and Resiliency Program
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 25, 2019
Koenigstein Fire	a wind-driven fire that originated near Koenigstein Road in the City of Santa Paula in Ventura County on December 4, 2017
Liability Cap	If the insurance fund allowed under AB 1054 is established, and subject to certain other conditions, a cap on the aggregate requirement to reimburse the insurance fund over a trailing three calendar year period equal to 20% of the equity portion of the utility’s transmission and distribution rate base in the year of the prudency determination
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations in this report
MHI	Mitsubishi Heavy Industries, Inc. and related companies
Montecito Mudslides	the mudslides and flooding in Montecito, Santa Barbara County, that occurred in January 2018
Moody's	Moody's Investors Service, Inc.
MW	megawatts
MWdc	megawatts measured for solar projects representing the accumulated peak capacity of all the solar modules
NDCTP	Nuclear Decommissioning Cost Triennial Proceeding
NEIL	Nuclear Electric Insurance Limited
NEM	net energy metering
NERC	North American Electric Reliability Corporation
NOL	net operating loss
NRC	Nuclear Regulatory Commission
OII	Order Instituting Investigation
OII Parties	SCE, SDG&E, The Alliance for Nuclear Responsibility, The California Large Energy Consumers Association, California State University, Citizens Oversight dba Coalition to Decommission San Onofre, the Coalition of California Utility Employees, the Direct Access Customer Coalition, Ruth Henricks, Cal Advocates, TURN, and Women's Energy Matters, all of whom are parties to the Revised San Onofre Settlement Agreement
PABA	Portfolio Allocation Balancing Account
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)
PCIA	Power Charge Indifference Adjustment
PG&E	Pacific Gas & Electric Company
Prior San Onofre Settlement Agreement	San Onofre OII Settlement Agreement by and among TURN, Cal Advocates, SDG&E, the Coalition of California Utility Employees, and Friends of the Earth, dated November 20, 2014
Revised San Onofre Settlement Agreement	Revised San Onofre OII Settlement Agreement among OII Parties, dated January 30, 2018 and modified on August 2, 2018
ROE	return on common equity
S&P	Standard & Poor's Financial Services LLC
San Onofre	retired nuclear generating facility located in south San Clemente, California in which SCE holds a 78.21% ownership interest
SCE	Southern California Edison Company, a wholly-owned subsidiary of Edison International
SDG&E	San Diego Gas & Electric
SEC	U.S. Securities and Exchange Commission
SED	Safety and Enforcement Division of the CPUC
SoCalGas	Southern California Gas Company
SoCore Energy	SoCore Energy LLC, a former subsidiary of Edison Energy Group that was sold in April 2018

TAMA	Tax Accounting Memorandum Account
Tax Reform	Tax Cuts and Jobs Act signed into law on December 22, 2017
Thomas Fire	a wind-driven fire that originated in the Anlauf Canyon area Ventura County on December 4, 2017
TOU	Time-Of-Use
TURN	The Utility Reform Network
US EPA	U.S. Environmental Protection Agency
VCFD	The Ventura County Fire Department
WMP	a wildfire mitigation plan required to be filed every three years under California Assembly Bill 1054 to describe a utility's plans to construct, operate, and maintain electrical lines and equipment that will help minimize the risk of catastrophic wildfires caused by such electrical lines and equipment
Wildfire Insurance Fund	The insurance fund established pursuant to AB 1054
Woolsey Fire	a wind-driven fire that originated in Ventura County in November 2018

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements reflect Edison International's and SCE's current expectations and projections about future events based on Edison International's and SCE's knowledge of present facts and circumstances and assumptions about future events and include any statements that do not directly relate to a historical or current fact. Other information distributed by Edison International and SCE that is incorporated in this report, or that refers to or incorporates this report, may also contain forward-looking statements. In this report and elsewhere, the words "expects," "believes," "anticipates," "estimates," "projects," "intends," "plans," "probable," "may," "will," "could," "would," "should," and variations of such words and similar expressions, or discussions of strategy or plans, are intended to identify forward-looking statements. Such statements necessarily involve risks and uncertainties that could cause actual results to differ materially from those anticipated. Some of the risks, uncertainties and other important factors that could cause results to differ from those currently expected, or that otherwise could impact Edison International and SCE, include, but are not limited to the:

- ability of SCE to recover its costs through regulated rates, including costs related to uninsured wildfire-related and mudslide-related liabilities and costs incurred to prevent future wildfires;
- ability to obtain sufficient insurance at a reasonable cost, including insurance relating to SCE's nuclear facilities and wildfire-related claims, and to recover the costs of such insurance or, in the event liabilities exceed insured amounts, the ability to recover uninsured losses from customers or other parties;
- risks associated with AB 1054 effectively mitigating the significant risk faced by California investor-owned utilities related to liability for damages arising from catastrophic wildfires where utility facilities are a substantial cause, including SCE's ability to maintain a valid safety certification, SCE's ability to recover uninsured wildfire-related costs from the Wildfire Insurance Fund, the longevity of the Wildfire Insurance Fund, and the CPUC's interpretation of and actions under AB 1054;
- ability of SCE to implement its WMP, including effectively implementing Public Safety Power Shut-Offs when appropriate;
- decisions and other actions by the CPUC, the FERC, the NRC and other regulatory and legislative authorities, including decisions and actions related to determinations of authorized rates of return or return on equity, the recoverability of wildfire-related and mudslide-related costs, wildfire mitigation efforts, and delays in regulatory and legislative actions;
- ability of Edison International or SCE to borrow funds and access the bank and capital markets on reasonable terms;
- actions by credit rating agencies to downgrade Edison International or SCE's credit ratings or to place those ratings on negative watch or outlook;
- risks associated with the decommissioning of San Onofre, including those related to public opposition, permitting, governmental approvals, on-site storage of spent nuclear fuel, delays, contractual disputes, and cost overruns;
- extreme weather-related incidents and other natural disasters (including earthquakes and events caused, or exacerbated, by climate change, such as wildfires), which could cause, among other things, public safety issues, property damage and operational issues;
- risks associated with cost allocation resulting in higher rates for utility bundled service customers because of possible customer bypass or departure for other electricity providers such as CCAs and Electric Service Providers;
- risks inherent in SCE's transmission and distribution infrastructure investment program, including those related to project site identification, public opposition, environmental mitigation, construction, permitting, power curtailment costs (payments due under power contracts in the event there is insufficient transmission to enable acceptance of power delivery), changes in the CAISO's transmission plans, and governmental approvals;
- risks associated with the operation of transmission and distribution assets and power generating facilities, including public and employee safety issues, the risk of utility assets causing or contributing to wildfires, failure, availability, efficiency, and output of equipment and facilities, and availability and cost of spare parts;
- physical security of Edison International's and SCE's critical assets and personnel and the cybersecurity of Edison International's and SCE's critical information technology systems for grid control, and business, employee and customer data;

- ability of Edison International to develop competitive businesses, manage new business risks, and recover and earn a return on its investment in newly developed or acquired businesses;
- changes in tax laws and regulations, at both the state and federal levels, or changes in the application of those laws, that could affect recorded deferred tax assets and liabilities and effective tax rate;
- changes in the fair value of investments and other assets;
- changes in interest rates and rates of inflation, including escalation rates (which may be adjusted by public utility regulators);
- governmental, statutory, regulatory, or administrative changes or initiatives affecting the electricity industry, including the market structure rules applicable to each market adopted by the NERC, CAISO, Western Electricity Council, and similar regulatory bodies in adjoining regions, and changes in California's environmental priorities that lessen the importance the state places on GHG reduction;
- availability and creditworthiness of counterparties and the resulting effects on liquidity in the power and fuel markets and/or the ability of counterparties to pay amounts owed in excess of collateral provided in support of their obligations;
- cost and availability of labor, equipment and materials;
- potential for penalties or disallowance for non-compliance with applicable laws and regulations; and
- cost of fuel for generating facilities and related transportation, which could be impacted by, among other things, disruption of natural gas storage facilities, to the extent not recovered through regulated rate cost escalation provisions or balancing accounts.

Additional information about risks and uncertainties, including more detail about the factors described in this report, is contained throughout this report and in the 2018 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 2018 Form 10-K, and carefully consider the risks, uncertainties, and other factors that affect Edison International's and SCE's businesses. Forward-looking statements speak only as of the date they are made and neither Edison International nor SCE are obligated to publicly update or revise forward-looking statements. Readers should review future reports filed by Edison International and SCE with the SEC. Edison International and SCE provide direct links to certain SCE and other parties' regulatory filings and documents with the CPUC and the FERC and certain agency rulings and notices in open proceedings at www.edisoninvestor.com (SCE Regulatory Highlights) so that such filings, rulings and notices are available to all investors. Edison International and SCE post or provide direct links to certain documents and information related to Southern California wildfires which may be of interest to investors at www.edisoninvestor.com (Southern California Wildfires) in order to publicly disseminate such information. Edison International and SCE also routinely post or provide direct links to presentations, documents and other information that may be of interest to investors at www.edisoninvestor.com (Events and Presentations) in order to publicly disseminate such information.

The MD&A for the nine months ended September 30, 2019 discusses material changes in the consolidated financial condition, results of operations and other developments of Edison International and SCE since December 31, 2018 and as compared to the nine months ended September 30, 2018. This discussion presumes that the reader has read or has access to Edison International's and SCE's MD&A for the calendar year 2018 (the "year-ended 2018 MD&A"), which was included in the 2018 Form 10-K.

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

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

MANAGEMENT OVERVIEW

Highlights of Operating Results

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

	Three months ended September 30,			Nine months ended September 30,		
(in millions)	2019	2018	Change	2019	2018	Change
Net income (loss) attributable to Edison International						
SCE	$ 503	$ 536	$ (33)	$ 1,215	$ 1,119	$ 96
Edison International Parent and Other	(32)	(23)	(9)	(74)	(112)	38
Edison International	471	513	(42)	1,141	1,007	134
Less: Non-core items						
SCE	(48)	7	(55)	(99)	7	(106)
Edison International Parent and Other	—	(4)	4	—	(46)	46
Total non-core items	(48)	3	(51)	(99)	(39)	(60)
Core earnings (losses)						
SCE	551	529	22	1,314	1,112	202
Edison International Parent and Other	(32)	(19)	(13)	(74)	(66)	(8)
Edison International	$ 519	$ 510	$ 9	$ 1,240	$ 1,046	$ 194

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

Edison International's third quarter 2019 earnings decreased $42 million from the third quarter of 2018, resulting from a decrease in SCE's earnings of $33 million and an increase in Edison International Parent and Other's losses of $9 million. SCE's lower earnings consisted of $55 million of higher non-core losses and $22 million of higher core earnings. The increase in core earnings was primarily due to the adoption of the 2018 GRC final decision in the second quarter of 2019 and higher FERC revenue due to the pending settlement of SCE's 2018 Formula Rate proceeding, partially offset by higher wildfire mitigation expenses. SCE had higher non-core losses from the amortization of SCE's contributions to the Wildfire Insurance Fund.

Edison International's earnings for the nine months ended September 30, 2019 increased $134 million from the nine months ended September 30, 2018, resulting from an increase in SCE's earnings of $96 million and a decrease in Edison International Parent and Other's losses of $38 million. SCE's higher earnings consisted of $106 million of higher non-core losses and $202 million of higher core earnings. The increase in core earnings was primarily due to the adoption of the 2018 GRC final decision in the second quarter of 2019, higher FERC revenue due to the pending settlement of SCE's 2018 Formula Rate proceeding and timing of regulatory deferrals of wildfire insurance costs, partially offset by higher wildfire mitigation and other maintenance expenses.

Edison International Parent and Other's increase in losses for the three months ended September 30, 2019 was due to higher core losses of $13 million primarily from higher interest expense and lower non-core losses of $4 million.

Edison International Parent and Other's decrease in losses for the nine months ended September 30, 2019 was due to higher core losses of $8 million primarily from higher interest expense, partially offset by lower losses from the competitive businesses under Edison Energy Group and lower non-core losses of $46 million.

Consolidated non-core items for the nine months ended September 30, 2019 and 2018 primarily included:

- A charge of $67 million ($48 million after-tax) recorded in the third quarter of 2019 from the amortization of SCE's contributions to the Wildfire Insurance Fund. See "Notes to Consolidated Financial Statements— Note 12. Commitments and Contingencies" for further information.
- An impairment charge of $170 million ($123 million after-tax) recorded in 2019 for SCE related to disallowed historical capital expenditures in SCE's 2018 GRC final decision.
- Income tax benefits of $69 million recorded in 2019 for SCE related to changes in the allocation of deferred tax re-measurement between customers and shareholders as a result of a CPUC resolution issued in February 2019. The resolution determined that customers are only entitled to excess deferred taxes which were included when setting rates and other deferred tax re-measurement belongs to shareholders.
- Income of $10 million ($7 million after-tax) recorded in 2018 related to the CPUC-mandated elimination of an obligation for SCE to fund a research, development and demonstration program intended to develop technologies and methodologies to reduce GHG emissions.
- Loss of $62 million ($49 million after-tax) recorded in 2018 for Edison International Parent and Other related to the sale of SoCore Energy in April 2018.

2018 General Rate Case

In May 2019, the CPUC approved a final decision in SCE's 2018 GRC. The final decision authorized a revenue requirement of $5.116 billion for 2018 and identified changes to certain balancing accounts, including the expansion of the TAMA to include the impacts of all differences between forecast and recorded tax expense. The final decision also disallowed certain historical spending, largely related to specific pole replacements the CPUC determined were performed prematurely.

The final decision allows a post-test year rate making mechanism that escalates capital additions by 2.49% for both 2019 and 2020. It also allows operation and maintenance expenses to be escalated for 2019 and 2020 through the use of various escalation factors for labor, non-labor and medical expenses. The methodology set forth in the final decision results in a revenue requirement of $5.451 billion in 2019 and $5.863 billion in 2020.

The revenue requirements in the 2018 GRC final decision are retroactive to January 1, 2018. SCE recorded the prior period impact of the 2018 GRC final decision in the second quarter of 2019, including an increase to core earnings of $131 million from the application of the decision to revenue, depreciation expense and income tax expense and a non-core impairment of utility property, plant and equipment of $170 million ($123 million after-tax) related to disallowed historical capital expenditures. See "Results of Operations—SCE" and "Notes to Consolidated Financial Statements—Note 11. Regulatory Assets and Liabilities" for further information.

2021 General Rate Case

In August 2019, SCE filed its 2021 GRC application for the three-year period 2021 – 2023, which requested a 2021 revenue requirement of $7.601 billion, an increase of $1.155 billion over the 2020 revenue requirement authorized in the 2018 GRC and updated for anticipated post test-year ratemaking changes. Including the impact of anticipated lower kWh sales in 2021 and $87.1 million of one-time memorandum account recoveries, this represents a 12.7% increase over 2020 rates. SCE's 2021 GRC request also includes proposed revenue requirement increases of $400 million in 2022 and $531 million in 2023.

SCE's requested increase to its revenue requirement in the 2021 GRC application, based on the current ROE and capital structure, is largely due to SCE's efforts to reduce wildfire risk. Certain of SCE's key wildfire mitigation forecast expenditures are subject to significant potential volatility. As a result, SCE has proposed establishing two-way balancing accounts for wildfire mitigation-related enhanced vegetation management, inspection activities, and grid hardening, as well as for insurance premiums.

SCE's 2021 GRC request excludes the revenue requirement associated with the approximately $1.6 billion in wildfire risk mitigation capital expenditures that SCE will exclude from the equity portion of SCE's rate base as required under AB 1054.

The capital programs requested in SCE's 2021 GRC include the infrastructure and programs necessary to implement California's ambitious public policy goals, including wildfire mitigation, de-carbonization of the economy through electrification and integration of distributed energy resources across a rapidly modernizing grid, see "—Capital Program" for further details.

SCE is requesting that the CPUC issue a final decision by the end of 2020. If the decision is delayed beyond 2020, SCE will, consistent with CPUC practice in prior GRCs, request the CPUC to issue an order directing that the authorized revenue requirement changes be effective January 1, 2021.

Wildfire Mitigation and Wildfire Insurance Expenses

In response to the increase in wildfire activity, faster progression of, and increased damage from wildfires across SCE's service territory and throughout California, SCE is currently incurring wildfire mitigation and wildfire insurance related spending at levels significantly exceeding amounts authorized in the 2018 GRC. Several regulatory mechanisms exist to allow SCE to track and seek recovery of these incremental costs. In accordance with the accounting standards applicable to rate-regulated enterprises, SCE defers costs as regulatory assets that are probable of future recovery from customers and has recorded regulatory assets for these incremental costs at September 30, 2019. While SCE believes such costs are probable of future recovery, there is no assurance that SCE will collect all amounts currently deferred as regulatory assets.

In December 2018, the CPUC approved the establishment of the Wildfire Expense Memorandum Account ("WEMA") to track incremental wildfire insurance costs and uninsured wildfire-related claims costs. As of September 30, 2019, SCE has recognized $230 million of regulatory assets in the WEMA related to incremental wildfire insurance costs.

In May 2019, the CPUC approved SCE's 2019 WMP. The CPUC decision requires SCE to meet certain reporting requirements, capture data, improve its metrics for evaluating performance, and update its next WMP in the areas of inspection and maintenance, vegetation management, system hardening, and situational awareness. Additionally, on July 31, 2019, SCE and certain parties to SCE's GS&RP proceeding submitted a motion to the CPUC requesting approval of a settlement agreement. If the CPUC approves the settlement agreement, SCE will be authorized to spend approximately $526 million ($407 million capital) in 2018 dollars, between 2018 and 2020. If the settlement agreement is approved by the CPUC, SCE will establish a balancing account to track GS&RP costs and forecasted costs for the GS&RP will be included in rates with a subsequent reasonableness review through the annual ERRA proceeding.

All other wildfire mitigation costs above those that are authorized will be subject to a subsequent reasonableness review, either through a later phase of the 2021 GRC or a separate application. As of September 30, 2019, SCE has recognized $169 million of regulatory assets related to incremental wildfire mitigation expenses and recorded $411 million of wildfire mitigation capital expenditures that may be eligible for recovery through the GS&RP and WMP memorandum accounts.

Capital Program

Total capital expenditures (including accruals) were $3.3 billion and $2.9 billion for the first nine months of 2019 and 2018, respectively.

Based on the 2021 GRC request, SCE forecasts capital expenditures for 2019 – 2023 to be approximately $23.8 billion to $25.6 billion. SCE's capital expenditure forecast for 2019 and 2020 has been updated since the filing of the 2018 Form 10-K to reflect planned CPUC jurisdictional spending as informed by the 2018 GRC final decision, including authorized capitalization rates, spending associated with SCE's wildfire mitigation-related capital expenditures under the GS&RP and WMP, and current expectations of FERC- jurisdictional spending. SCE's capital expenditure forecast for 2021 – 2023 reflects the requested CPUC jurisdictional spending included in the 2021 GRC application, approved non-GRC CPUC capital spending, and current expectations of FERC- jurisdictional capital spending. Based on management judgment using historical precedent of previously authorized amounts and potential permitting delays and other operational considerations, a range case has been provided reflecting a 10% reduction on the total capital forecast from 2021 through 2023 and a 10% reduction on FERC capital spending and non-GRC programs for 2020.

SCE's 2019 – 2023 forecast for major capital expenditures are set forth in the table below:

(in billions)	2019	2020	2021	2022	2023	Total 2019 – 2023
Distribution	$ 3.2	$ 3.3	$ 3.4	$ 3.4	$ 3.3	$ 16.6
Transmission	0.8	0.8	0.8	0.8	0.6	3.8
Generation	0.2	0.2	0.2	0.2	0.2	1.0
Subtotal	4.2	4.3	4.4	4.4	4.1	21.4
Estimated wildfire mitigation-related capital expenditures	0.4	0.7	0.9	1.0	1.2	4.2
Total estimated capital expenditures	$ 4.6	$ 5.0	$ 5.3	$ 5.4	$ 5.3	$ 25.6
Total estimated capital expenditures using range case discussed above	$ 4.6	$ 4.8	$ 4.8	$ 4.8	$ 4.8	$ 23.8

SCE's authorized CPUC-jurisdictional rate base is determined through the GRC and other regulatory proceedings. Differences between actual and CPUC authorized capital expenditures are addressed in subsequent GRC or other regulatory proceedings. FERC-jurisdictional rate base is generally determined based on actual capital expenditures.

Reflected below is SCE's weighted average annual rate base for 2018 – 2023 incorporating CPUC capital expenditures authorized in the 2018 GRC final decision, expected FERC capital expenditures and capital expenditures included in the 2021 GRC application. Under AB 1054, approximately $1.6 billion of wildfire risk mitigation capital expenditures cannot be included in the equity portion of SCE's rate base and instead can be recovered through issuance of securitized bonds. Accordingly, the table below does not reflect this $1.6 billion of wildfire risk mitigation capital expenditures. The table below does not reflect rate base associated with projects or programs that have not yet been approved by the CPUC. In addition, a third-party holds an option to invest up to $400 million in the West of Devers Transmission project at the estimated in-service date of 2021. The rate base has been reduced to reflect this option.

(in billions)	2018	2019	2020	2021	2022	2023
Rate base for expected capital expenditures	$ 28.5	$ 30.7	$ 33.4	$ 36.0	$ 38.2	$ 40.8
Rate base for expected capital expenditures (using range case described above)	$ 28.5	$ 30.7	$ 33.2	$ 35.3	$ 36.9	$ 39.0

Southern California Wildfires and Mudslides

Multiple factors have contributed to increased wildfire activity, faster progression of and increased damage from wildfires across SCE's service territory and throughout California. These include the buildup of dry vegetation in areas severely impacted by years of historic drought, lack of adequate clearing of hazardous fuels by responsible parties, higher temperatures, lower humidity, and strong Santa Ana winds. At the same time that wildfire risk has been increasing in Southern California, residential and commercial development has occurred and is occurring in some of the highest-risk areas. Such factors can increase the likelihood and extent of wildfires. SCE has determined that approximately 27% of its service territory is in areas identified as high fire risk.

In December 2017 and November 2018, wind-driven wildfires impacted portions of SCE's service territory, causing substantial damage to both residential and business properties and service outages for SCE customers. The investigating government agencies, the VCFD and CAL FIRE, have determined that the largest of the 2017 fires originated on December 4, 2017, in the Anlauf Canyon area of Ventura County (the investigating agencies refer to this fire as the "Thomas Fire"), followed shortly thereafter by the Koenigstein Fire. While the progression of these two fires remains under review, the December 4, 2017 fires eventually burned substantial acreage in both Ventura and Santa Barbara Counties. The largest of the November 2018 fires, known as the Woolsey Fire, originated in Ventura County and burned acreage in both Ventura and Los Angeles Counties.

In March 2019, the VCFD and CAL FIRE issued separate reports finding that the Thomas Fire and the Koenigstein Fire were each caused by SCE equipment. At this time, based on available information, SCE has not determined whether its equipment caused the Thomas Fire. Based on publicly available radar data showing a smoke plume in the Anlauf Canyon area emerging in advance of the start time of the Thomas Fire indicated in the Thomas Fire report, SCE believes that the Thomas Fire started at least 12 minutes prior to any issue involving SCE's system and at least 15 minutes prior to the start time indicated in the report. SCE has previously disclosed that SCE believed its equipment was associated with the ignition of the Koenigstein

Fire. SCE is continuing to assess the progression of the Thomas and Koenigstein Fires and the extent of damages that may be attributable to each fire.

SCE has received a non-final redacted draft of a report from the VCFD subject to a protective order in the litigation related to the Woolsey fire and, other than the information disclosed in this Form 10-Q, is not authorized to release the report or its contents to the public at this time. The draft report states that the VCFD investigation team determined that electrical equipment owned and operated by SCE was the cause of the Woolsey Fire. Absent additional evidence, SCE believes that it is likely that its equipment was associated with the ignition of the Woolsey Fire.

Multiple lawsuits related to the Thomas and Koenigstein Fires and the Woolsey Fire have been initiated against SCE and Edison International. Some of the Thomas and Koenigstein Fires lawsuits claim that SCE and Edison International have responsibility for the damages caused by the Montecito Mudslides based on a theory alleging that SCE has responsibility for the Thomas and/or Koenigstein Fires and that the Thomas and/or Koenigstein Fires proximately caused the Montecito Mudslides.

SCE's internal review into the facts and circumstances of each of the 2017/2018 Wildfire/Mudslide Events is ongoing, and SCE expects to obtain and review additional information and materials in the possession of third parties during the course of its internal reviews and the litigation processes. Final determinations of liability for the Thomas Fire, the Koenigstein Fire, the Montecito Mudslides and the Woolsey Fire, including determinations of whether SCE was negligent, would only be made during lengthy and complex litigation processes.

Even when investigations are still pending or liability is disputed, an assessment of likely outcomes, including through future settlement of disputed claims, may require a liability to be accrued under accounting standards. Based on information available to SCE and consideration of the risks associated with litigation, Edison International and SCE expect to incur a material loss in connection with the 2017/2018 Wildfire/Mudslide Events and have accrued a liability of $4.7 billion in the fourth quarter of 2018. This liability corresponds to the lower end of the reasonably estimated range of expected potential losses that may be incurred in connection with the 2017/2018 Wildfire/Mudslide Events and is subject to change as additional information becomes available.

Edison International and SCE will seek to offset any actual losses realized in connection with the 2017/2018 Wildfire/Mudslide Events with recoveries from insurance policies in place at the time of the events and, to the extent actual losses exceed insurance, through electric rates. In the fourth quarter of 2018, Edison International and SCE also recorded expected recoveries from insurance of $2.0 billion and expected recoveries through FERC electric rates of $135 million, which is the FERC portion of the $4.7 billion liability it accrued. SCE believes that, in light of the CPUC's decision in a cost recovery proceeding involving SDG&E arising from several 2007 wildfires in SDG&E's service area, there is substantial uncertainty regarding how the CPUC will interpret and apply its prudency standard to an investor-owned utility in future wildfire cost-recovery proceedings for fires ignited prior to July 12, 2019. Accordingly, while the CPUC has not made a determination regarding SCE's prudency relative to any of the 2017/2018 Wildfire/Mudslide Events, SCE is unable to conclude, at this time, that uninsured CPUC-jurisdictional wildfire-related costs are probable of recovery through electric rates.

Edison International and SCE continue to pursue legislative, regulatory and legal strategies to address the application of a strict liability standard to wildfire-related damages without the ability to recover resulting costs in electric rates.

2019 Wildfire Legislation

On July 12, 2019, AB 1054 was signed by the Governor of California and became effective immediately. The summary of the wildfire legislation in this report is based on SCE's interpretation of the legislation and is qualified in its entirety by, and should be read together with, AB 1054 and companion Assembly Bill 111.

Wildfire Insurance Fund

AB 1054 provided for the Wildfire Insurance Fund to reimburse utilities for payment of third-party damage claims arising from certain wildfires that exceed, in aggregate in a calendar year, the greater of $1 billion or the utility's insurance coverage. The Wildfire Insurance Fund was established in September 2019 when both SCE and SDG&E made their initial contributions to the fund. The Wildfire Insurance Fund is available for claims related to wildfires ignited after July 12, 2019 that are determined to have been caused by a utility by the responsible government investigatory agency.

SCE and SDG&E have collectively made initial contributions of approximately $2.7 billion to the Wildfire Insurance Fund. While PG&E has agreed to make an initial contribution of approximately $4.8 billion to the Wildfire Insurance Fund, its participation in, and contributions to, the fund are subject to it emerging from bankruptcy and meeting certain other conditions prior to June 30, 2020. SCE, SDG&E and PG&E are also expected to make aggregate annual contributions of

$3 billion to the Wildfire Insurance Fund over a 10-year period. If PG&E is unable to participate in the Wildfire Insurance Fund, the investor-owned utility aggregate annual contributions to the fund are expected to be approximately $1 billion. In addition to PG&E's, SCE's and SDG&E's contributions to the Wildfire Insurance Fund, $13.5 billion is expected to be collected from their ratepayers through a dedicated rate component to support a $10.5 billion contribution to the fund. Based on a decision adopted by the CPUC in October 2019 in the Order Instituting Rulemaking to Consider Authorization of a Non-Bypassable Charge to Support the Wildfire Insurance Fund, PG&E's ratepayers will not be required to contribute to the fund if PG&E does not participate in the Wildfire Insurance Fund. In that case, $7.5 billion will be collected from SCE's and SDG&E's ratepayers through the dedicated rate component to support a contribution to the Wildfire Insurance Fund. In addition to funding contributions to the Wildfire Insurance Fund, the amount collected from utility ratepayers will pay for, among other things, any interest and financing costs related to any bonds that are issued to support the contributions to the Wildfire Insurance Fund.

SCE made an initial contribution of approximately $2.4 billion to the Wildfire Insurance Fund in September 2019, and has committed to make ten annual contributions of approximately $95 million per year to the fund, starting on January 1, 2020. Edison International supported SCE's initial contribution to the Wildfire Insurance Fund by raising $1.2 billion from the issuance of Edison International equity. SCE raised the remaining $1.2 billion from the issuance of long-term debt. SCE's contributions to the Wildfire Insurance Fund will not be recoverable through electric rates and will be excluded from the measurement of SCE's CPUC-jurisdictional authorized capital structure. SCE will also not be entitled to cost recovery for any borrowing costs incurred in connection with its contributions to the Wildfire Insurance Fund.

Participating investor-owned utilities will be reimbursed from the Wildfire Insurance Fund for eligible claims, subject to the fund administrator's review, and will be required to reimburse the fund for withdrawn amounts that the CPUC disallows up to the Liability Cap. A utility will not be eligible for the Liability Cap if it does not maintain a valid safety certification or its actions or inactions that resulted in the wildfire are found to constitute conscious or willful disregard of the rights and safety of others. On July 25, 2019, SCE obtained its initial safety certification that will be valid for twelve months. The initial Liability Cap for SCE will be approximately $2.5 billion based on its 2019 rate base, and will be adjusted annually. SCE will not be allowed to recover borrowing costs incurred to reimburse the fund for amounts that the CPUC disallows. The Wildfire Insurance Fund and, consequently the Liability Cap, will terminate when the administrator determines that the fund has been exhausted.

AB 1054 Prudency Standard

As a result of the establishment of the Wildfire Insurance Fund, AB 1054 created a new standard that the CPUC must apply when assessing the prudency of a utility in connection with a request for recovery of wildfire costs for wildfires ignited after July 12, 2019. Under AB 1054, the CPUC is required to find a utility to be prudent if the utility's conduct related to the ignition was consistent with actions that a reasonable utility would have undertaken under similar circumstances, at the relevant point in time, and based on the information available at that time. Utilities with a valid safety certification will be presumed to have acted prudently related to a wildfire ignition unless a party in the cost recovery proceeding creates serious doubt as to the reasonableness of the utility's conduct, at which time, the burden shifts back to the utility to prove its conduct was reasonable. If a utility does not have a valid safety certification, it will have the burden to prove, based on a preponderance of evidence, that its conduct was prudent. The new prudency standard will survive the termination of the Wildfire Insurance Fund.

Utilities participating in the Wildfire Insurance Fund that are found to be prudent are not required to reimburse the fund for amounts withdrawn from the fund and can recover wildfire costs through electric rates if the fund has been exhausted.

Capital Expenditure Requirement

Under AB 1054, approximately $1.6 billion spent by SCE on wildfire risk mitigation capital expenditures cannot be included in the equity portion of SCE's rate base. SCE can apply for an irrevocable order from the CPUC to finance these capital expenditures, including through the issuance of securitized bonds, and can recover any prudently incurred financing costs. SCE expects to finance this capital requirement by issuing securitized bonds.

For further information, see "Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies—Initial and annual contributions to the wildfire insurance fund established pursuant to California Assembly Bill 1054 ", "Notes to Consolidated Financial Statements—Note 12. Commitments and Contingencies—Contingencies—Southern California Wildfires and Mudslides" and "Legal Proceedings."

RESULTS OF OPERATIONS

SCE

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 revenue 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.

Impact of 2018 GRC

Upon receipt of the 2018 GRC final decision in May 2019, SCE recorded the impact retroactive to January 1, 2018, which increased core earnings by $131 million primarily due to the application of the 2018 GRC final decision to revenue, depreciation expense and income tax expense. Depreciation expense decreased as a result of lower authorized depreciation rates. An increase in the authorized revenue requirement for income tax expenses offset income tax expenses recognized during 2018 and the first quarter of 2019. SCE also recorded an impairment charge of $170 million ($123 million after-tax) related primarily to the write-off of specific pole replacements the CPUC determined were performed prematurely.

The 2018 GRC final decision determines the amount of revenue that SCE is authorized to collect from customers to recover anticipated costs, including return on rate base. The 2018 GRC final decision approved an authorized revenue requirement of $5.116 billion for 2018, the first year (Test Year) of the three-year GRC period, and authorized annual increases under a set escalation mechanism based on labor, non-labor and medical expenses.

In the absence of a 2018 GRC final decision, SCE recognized revenue in 2018 and the first quarter of 2019 based on the 2017 authorized revenue requirement, adjusted for items SCE determined to be probable of occurring, primarily the July 2017 cost of capital decision and Tax Reform. Adjustments were also made to 2017 authorized revenue to reflect changes in authorized tax benefits for certain balancing accounts.

As indicated in the table below, authorized revenue in the 2018 GRC final decision is less than the amount recognized in 2018:

(in millions)		2017 Authorized Revenue		Adjustments		2018 Revenue Recognized in Form 10-K		2018 Test Year Authorized Revenue		Adjustment to 2018 Revenue recorded in 2019	
Authorized revenue	$	5,640	$	(235)	$	5,405	$	5,116	$	(289)	[1]
Cost of service:											
Operation and maintenance		1,931		(11)		1,920		1,582		(338)	[2]
Depreciation		1,575		59		1,634		1,579		(55)	[3]
Property and payroll taxes		285		9		294		315		21	
Income taxes		257		(287)		(30)		(19)		11	
Authorized return		1,592		(5)		1,587		1,659		72	
Total authorized revenue	$	5,640	$	(235)	$	5,405	$	5,116	$	(289)	

[1] The change in authorized revenue in the Test Year is comprised of $129 million in earnings activities and $160 million in cost recovery activities.

[2] Authorized revenue for operation and maintenance costs decreased due to:

- $178 million reduction for earnings activities primarily from SCE's initiatives to improve operational efficiency, which has resulted in lower forecasted costs than included in the 2017 authorized amounts.
- $160 million reduction in cost-recovery activities, which do not impact earnings, primarily for medical and employee benefit costs.

[3] Authorized revenue for depreciation decreased, as discussed above.

After the application of escalation factors to the Test Year, the CPUC authorized SCE to collect $5.451 billion from customers in 2019. During the second quarter of 2019, SCE recorded a reduction of revenue of $265 million to reflect $289 million of lower authorized revenue related to 2018 and $24 million of higher authorized revenue in 2019. The 2018 GRC final decision is retroactive to January 1, 2018 and the reduction of revenue contributes to a refund to customers of $554 million, which SCE recorded as a regulatory liability as of June 30, 2019. SCE expects to refund these amounts to customers through December 2020.

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

Three months ended September 30, 2019 versus September 30, 2018

	Three months ended September 30, 2019			Three months ended September 30, 2018		
(in millions)	Earning Activities	Cost-Recovery Activities	Total Consolidated	Earning Activities	Cost-Recovery Activities	Total Consolidated
Operating revenue	$ 1,832	$ 1,900	$ 3,732	$ 1,777	$ 2,483	$ 4,260
Purchased power and fuel	—	1,708	1,708	—	2,306	2,306
Operation and maintenance	609	210	819	447	204	651
Depreciation and amortization	459	—	459	466	—	466
Property and other taxes	98	—	98	96	—	96
Impairment and other	—	—	—	(10)	—	(10)
Other operating income	(1)	—	(1)	(3)	—	(3)
Total operating expenses	1,165	1,918	3,083	996	2,510	3,506
Operating income (loss)	667	(18)	649	781	(27)	754
Interest expense	(182)	(1)	(183)	(173)	—	(173)
Other income and (expense)	39	19	58	45	27	72
Income before income taxes	524	—	524	653	—	653
Income tax (benefit)/expense	(10)	—	(10)	86	—	86
Net income	534	—	534	567	—	567
Preferred and preference stock dividend requirements	31	—	31	31	—	31
Net income available for common stock	$ 503	$ —	$ 503	$ 536	$ —	$ 536
Net income available for common stock			$ 503			$ 536
Less: Non-core (expense)/income			(48)			7
Core earnings[1]			$ 551			$ 529

[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 $55 million primarily due to the following:
  - An increase in CPUC-related revenue of $44 million primarily due to the adoption of the 2018 GRC final decision. This increase is primarily due to SCE recording revenue in 2019 based on the 2018 final GRC decision in comparison to recording revenue in 2018 based on 2017 authorized revenue adjusted as discussed above.
  - Decreases in CPUC-related revenue of $35 million related to tax balancing account activities (offset in income taxes below) and $17 million from the receipt of a reimbursement related to spent nuclear fuel storage costs in 2018. See "Notes to Consolidated Financial Statements— Note 12. Commitments and Contingencies—Spent Nuclear Fuel" for further information.
  - An increase of $62 million in FERC-related revenue primarily due to the pending settlement of SCE's 2018 Formula Rate proceeding and higher operating costs subject to balancing account treatment. If approved by the FERC, the settlement filed in September 2019 will establish SCE's FERC transmission revenue requirement for the FERC 2018 Settlement Period. See "Liquidity and Capital Resources — SCE — Regulatory Proceedings—FERC Formula Rate" for further information.
- Higher operation and maintenance costs of $162 million primarily due to:
  - Expense of $67 million for insurance protection from the Wildfire Insurance Fund following SCE's election to participate in and contribute to the fund. See "Management Overview—Southern California Wildfires and Mudslides" for further information.

- Higher costs due to contractor scarcity resulting from wildfire mitigation activity and increased inspection and preventive maintenance in areas adjacent to high fire risk areas, partially offset by the impact of the adoption of the 2018 GRC final decision primarily due to a change in capitalization rates.

- Lower depreciation and amortization expense of $7 million primarily due to the change in depreciation rates from the adoption of the 2018 GRC final decision.
- Lower impairment and other expenses of $10 million primarily due to impact of the elimination of the GHG Reduction Funding Program as a result of the Revised San Onofre Settlement Agreement in 2018.
- Higher interest expense of $9 million primarily due to increased borrowings.
- Lower income tax expenses of $96 million primarily due to higher income tax benefits as a result of the adoption of the 2018 GRC final decision, tax benefits on property-related items, tax balancing accounts activities referred above and impact of tax expense on lower pre-tax income.

Cost-Recovery Activities

Cost-recovery activities were primarily affected by lower purchased power and fuel costs of $598 million driven by lower load related to customer departures to CCAs and cooler weather, partially offset by lower congestion revenue right credits.

Nine months ended September 30, 2019 versus September 30, 2018

	Nine months ended September 30, 2019			Nine months ended September 30, 2018		
(in millions)	Earning Activities	Cost-Recovery Activities	Total Consolidated	Earning Activities	Cost-Recovery Activities	Total Consolidated
Operating revenue	$ 4,919	$ 4,429	$ 9,348	$ 4,825	$ 4,792	$ 9,617
Purchased power and fuel	—	3,848	3,848	—	4,344	4,344
Operation and maintenance	1,622	637	2,259	1,468	528	1,996
Depreciation and amortization	1,259	—	1,259	1,387	—	1,387
Property and other taxes	300	—	300	298	—	298
Impairment and other	166	—	166	(10)	—	(10)
Other operating income	(4)	—	(4)	(5)	—	(5)
Total operating expenses	3,343	4,485	7,828	3,138	4,872	8,010
Operating income (loss)	1,576	(56)	1,520	1,687	(80)	1,607
Interest expense	(548)	(1)	(549)	(490)	(2)	(492)
Other income and (expense)	95	57	152	91	82	173
Income before income taxes	1,123	—	1,123	1,288	—	1,288
Income tax (benefit)/expense	(183)	—	(183)	78	—	78
Net income	1,306	—	1,306	1,210	—	1,210
Preferred and preference stock dividend requirements	91	—	91	91	—	91
Net income available for common stock	$ 1,215	$ —	$ 1,215	$ 1,119	$ —	$ 1,119
Net income available for common stock			$ 1,215			$ 1,119
Less: Non-core (expense)/income			(99)			7
Core earnings[1]			$ 1,314			$ 1,112

[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 $94 million primarily due to the following:
  - An increase in CPUC-related revenue of $50 million primarily due to the adoption of the 2018 GRC final decision. SCE recorded a reduction in revenue of $67 million in the second quarter of 2019 comprised of a decrease of $129 million attributable to the Test Year, as discussed above, partially offset by a $62 million increase attributable to 2019. The remaining change is primarily due to SCE recording revenue in 2019 based on the 2018 final GRC decision in comparison to recording revenue in 2018 based on 2017 authorized revenue adjusted as discussed above.
  - A decrease in CPUC-related revenue of $37 million related to tax balancing account activities (offset in income taxes below).
  - An increase of $95 million in FERC-related revenue primarily due to the pending settlement of SCE's 2018 Formula Rate proceeding and higher operating costs subject to balancing account treatment. If approved by the FERC, the settlement filed in September 2019 will establish SCE's FERC transmission revenue requirement for the FERC 2018 Settlement Period. See "Liquidity and Capital Resources — SCE — Regulatory Proceedings — FERC Formula Rate" for further information.
  - A decrease in other operating revenue of $14 million primarily due to rate adjustments implemented in the second quarter of 2019.
- Higher operation and maintenance costs of $154 million primarily due to:
  - Expense of $67 million for insurance protection from the Wildfire Insurance Fund following SCE's election to participate in and contribute to the fund. See "Management Overview—Southern California Wildfires and Mudslides" for further information.
  - Higher costs due to contractor scarcity resulting from wildfire mitigation activity and increased inspection and preventive maintenance in areas adjacent to high fire risk areas, partially offset by the impact of the adoption of the 2018 GRC final decision primarily due to a change in capitalization rates and the timing of regulatory deferral and cost recovery of incremental wildfire insurance expenses.
- Lower depreciation and amortization expense of $128 million primarily due to the change in depreciation rates and the impact of disallowed historical capital expenditures from the adoption of the 2018 GRC final decision.
- Higher impairment and other of $176 million primarily related to the disallowed historical capital expenditures discussed above.
- Higher interest expense of $58 million primarily due to increased borrowings.
- Higher income tax benefits of $261 million primarily due to the adoption of the 2018 GRC final decision, tax benefits on property-related items and the impact of lower pre-tax income.

Cost-Recovery Activities

Cost-recovery activities were primarily affected by the following:

- Lower purchased power and fuel costs of $496 million primarily driven by lower load related to customer departures to CCAs and cooler weather, partially offset by lower congestion revenue right credits, higher contract termination charges and the absence of settlement funds received in 2018 related to the California energy crisis.
- Higher operation and maintenance costs of $109 million primarily driven by the authorization to recover 2018 wildfire insurance costs that had been deferred as regulatory assets and higher transmission access charges, partially offset by lower employee-related expenses subject to balancing accounts and lower spending on public programs.
- Lower other income and (expense) of $25 million primarily driven by lower net periodic benefit income related to the non-service cost components for SCE's other post-retirement benefit plans. See "Notes to Consolidated Financial Statements—Note 9. Compensation and Benefit Plans" for further information.

Supplemental Operating Revenue Information

SCE's retail billed and unbilled revenue (excluding wholesale sales) was $3.5 billion and $4.0 billion for the three months ended September 30, 2019 and 2018, respectively, and $8.6 billion and $9.0 billion for the nine months ended September 30, 2019 and 2018, respectively.

The decrease for the nine months ended September 30, 2019 compared to the same period in 2018 is primarily related to lower load related to customer departures to CCAs and cooler weather. See "—Cost-Recovery Activities" for further details.

As a result of the CPUC-authorized decoupling mechanism, SCE earnings are not affected by changes in retail electricity sales.

Income Taxes

SCE's income tax benefit increased by $96 million and $261 million for the three and nine months ended September 30, respectively, compared to the same periods in 2018.

The effective tax rates were (1.9)% and 13.2% for the three months ended September 30, 2019 and 2018, respectively. The effective tax rates were (16.3)% and 6.1% for the nine months ended September 30, 2019 and 2018, respectively. SCE's effective tax rate is below the federal statutory rate of 21% primarily due to CPUC's ratemaking treatment for the current tax benefit arising from certain property-related and other temporary differences, which reverse over time. The accounting treatment for these temporary differences results in recording regulatory assets and liabilities for amounts that would otherwise be recorded to deferred income tax expense. The effective tax rate decrease for the three months ended September 30, 2019 is primarily due to the accelerated amortization of excess deferred income taxes in connection with the pending settlement of SCE's FERC 2018 Formula Rate proceeding and return to provision adjustments associated with the filing of the 2018 Federal tax return. The effective tax rate decrease for the nine months ended September 30, 2019 is primarily due to tax benefits on property-related items recorded as a result of 2018 GRC final decision and also includes the change in the allocation of excess deferred tax re-measurement between customers and shareholders as a result of a CPUC resolution issued in February 2019.

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

Edison International Parent and Other

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

Loss from Operations

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

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2019	2018	2019	2018
Edison Energy Group and subsidiaries	$ —	$ (6)	$ (4)	$ (61)
Corporate expenses and other subsidiaries	(32)	(17)	(70)	(51)
Total Edison International Parent and Other	$ (32)	$ (23)	$ (74)	$ (112)

The loss from operations of Edison International Parent and Other increased $9 million and decreased $38 million for the three and nine months ended September 30, 2019, respectively, compared to the same periods in 2018.

The increase for the three months ended September 30, 2019 is primarily driven by higher interest expenses as a result of increased borrowings. The decrease for the nine months ended September 30, 2019 is primarily related to an absence of an after-tax impairment charge of $49 million resulting from SoCore Energy in 2018 and lower losses at the competitive business under Edison Energy Group, partially offset by higher interest expense.

LIQUIDITY AND CAPITAL RESOURCES

SCE

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, dividend payments to and equity contributions from Edison International, obligations to preferred and preference shareholders, and the outcome of tax and regulatory matters.

In the next 12 months, SCE expects to fund its cash requirements through operating cash flows, capital market financings, and equity contributions from Edison International Parent, as needed. SCE also has availability under its credit facility to fund cash requirements.

SCE made an initial contribution of $2.4 billion to the Wildfire Insurance Fund in September 2019 and has committed to make ten annual contributions of approximately $95 million to the fund, starting on January 1, 2020. Edison International Parent supported SCE's initial contribution to the Wildfire Insurance Fund by contributing $1.2 billion to SCE, which was raised from the issuance of Edison International Parent equity. SCE raised the remaining $1.2 billion from the issuance of long-term debt. SCE also expects to finance approximately $1.6 billion of capital expenses by issuing securitized bonds. Prior to issuance of such bonds, other debt instruments may be used to temporarily finance the expenditure. For further information, see "Management Overview—Southern California Wildfires and Mudslides."

SCE's long-term issuer credit ratings remain at investment grade levels after downgrade actions taken by the major credit agencies in the first quarter of 2019. In the third quarter of 2019, the major credit agencies changed SCE's outlook from negative to stable, due to the passage of AB 1054 and the establishment of the Wildfire Insurance Fund, which provided the Liability Cap and the new standard that the CPUC must apply when assessing the prudency of a utility. For further information, see "Management Overview—Southern California Wildfires and Mudslides." The following table summarizes SCE's current, long-term issuer credit ratings and outlook from the major credit rating agencies:

	Moody's	Fitch	S&P
Credit Rating	Baa2	BBB-	BBB
Outlook	Stable	Stable	Stable

SCE's credit ratings may be further affected if, among other things, regulators fail to successfully implement AB 1054 in a consistent and credit supportive manner or the Wildfire Insurance Fund is depleted by claims from catastrophic wildfires. Credit rating downgrades increase the cost and may impact the availability of short-term and long-term borrowings, including commercial paper, credit facilities, bond financings or other borrowings. In addition, some of SCE's power procurement contracts require SCE to pay related liabilities or post additional collateral if SCE's credit rating were to fall below investment grade rating from the major credit rating agencies. Incremental collateral requirements for power procurement contracts resulting from a potential downgrade of SCE's credit rating to below investment grade are $47 million as of September 30, 2019. In addition, if SCE's credit rating falls below investment grade, it may be required to post up to $50 million in collateral, in connection with its environmental remediation obligations, within 120 days of the end of the fiscal year in which the downgrade occurs. Furthermore, if SCE was downgraded below investment grade, counterparties may also institute new collateral requirements for future transactions. For further details, see "— Margin and Collateral Deposits."

Available Liquidity

At September 30, 2019, SCE had approximately $2.8 billion available under its $3.0 billion credit facility. In June 2019, SCE extended its credit facility through May 2024, pursuant to an option to extend, and may extend its credit facility for one additional year with the lenders' approval.

SCE borrowed $750 million under a term loan in February 2019 and issued $1.1 billion of first and refunding mortgage bonds in March 2019. The proceeds from the term loan and the March 2019 bond issuances were used to repay commercial paper borrowings and for general corporate purposes. In August 2019, SCE issued $1.2 billion of first and refunding mortgage bonds. The proceeds of which, along with the equity contribution from Edison International Parent described below, were used to make SCE's initial contribution to the Wildfire Insurance Fund. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Equity Financing."

In April 2019, Edison International Parent contributed $750 million to SCE, which SCE used to repay its February 2019 term loan discussed above. In June 2019, Edison International Parent contributed $450 million to SCE, which SCE used to repay commercial paper borrowings and for general corporate purposes. In August 2019, Edison International Parent contributed $1.2 billion to SCE, which SCE used, along with the debt issuance described above, to make its initial contribution to the Wildfire Insurance Fund. In August 2019 and September 2019, Edison International Parent contributed $200 million and $450 million, respectively, for general corporate purposes.

SCE may finance balancing account undercollections and working capital requirements to support operations and capital expenditures with commercial paper, its credit facility or other borrowings, subject to availability in the bank and capital markets. As necessary, SCE will utilize its available liquidity, capital market financings, other borrowings or parent company contributions to SCE equity in order to meet its obligations as they become due, including any potential costs related to the 2017/2018 Wildfire/Mudslide Events. For further information, see "Management Overview—Southern California Wildfires and Mudslides."

Debt Covenant

A debt covenant in SCE's credit facility limits its debt to total capitalization ratio to less than or equal to 0.65 to 1. At September 30, 2019, SCE's debt to total capitalization ratio was 0.46 to 1.

At September 30, 2019, SCE was in compliance with all other financial covenants that affect access to capital.

Capital Investment Plan

Major Transmission Projects

Eldorado-Lugo-Mohave Upgrade

In April 2019, SCE filed an amended application for a certificate of public convenience and necessity with the CPUC, which included total project costs of $257 million, an increase of $24 million as compared to the previous estimate.

Riverside Transmission Reliability Project

In October 2018, the CPUC issued an environmental report that identified a new route alternative, different from SCE's proposed and preferred project, as the environmentally preferred project and proposed an additional underground section of the proposed 220-kV power line. In June 2019, SCE filed testimony with the CPUC that increased SCE's preferred project cost estimate to $451 million and updated the in-service date to 2024. This is an increase of $10 million and an extension of one year as compared to the previous estimate.

Regulatory Proceedings

2020 Cost of Capital Application

In April 2019, SCE filed an application with the CPUC for authority to establish its authorized cost of capital for utility operations for a three-year term, beginning January 1, 2020. In its application, SCE requested a ROE of 16.60% for 2020 and committed to reduce its ROE if there was a material reduction in its wildfire cost recovery risk due to regulatory or legislative reform. In August 2019, as a result of the anticipated impact of AB 1054 on SCE's wildfire cost recovery risks, SCE updated its requested ROE to 11.45% for 2020, compared to its current CPUC ROE of 10.3%.

SCE also seeks to modify its current capital structure to increase the common equity component of its capital structure from its current authorized level of 48% to 52% in 2020 and correspondingly reduce its preferred equity from 9% to 5%. If this change is not approved, SCE seeks an additional 0.3% ROE to account for the increased leverage. SCE does not propose to change its currently authorized level of long-term debt of 43%. In the application, SCE projects a cost of long-term debt of 4.74% and an embedded cost of preferred equity of 5.70% and requests that the CPUC authorize these costs for 2020. Based on the capital structure and cost factors discussed above, SCE proposes a weighted average return on rate base of 8.28% for 2020.

Based on the revenue requirement approved in SCE's 2018 GRC, SCE's proposed cost of capital and capital structure will result in a projected revenue requirement increase in 2020 of approximately $204 million from revenue currently included in bundled electric rates of $9.4 billion.

FERC Formula Rate

2018 and 2019 Formula Rates

As discussed in the year-end 2018 MD&A, the FERC accepted, subject to refund and settlement procedures, SCE's request to implement its 2018 Formula Rate, effective January 1, 2018, to determine SCE's FERC transmission revenue requirement. In April 2019, SCE filed an application with the FERC to revise the 2018 Formula Rate with the 2019 Formula Rate, which was subsequently accepted by the FERC, effective November 11, 2019, subject to refund and settlement procedures.

In September 2019, SCE filed a settlement on its formula rates for the 2018 Formula Rate case that will establish SCE's FERC transmission revenue requirement for the FERC 2018 Settlement Period. The settlement provides for a weighted-average ROE of 11.2%, which includes a previously authorized 50 basis point incentive for CAISO participation and individual and previously authorized project incentives. Under the settlement, if the FERC issues a final, unappealable ruling that finds SCE is not eligible for the 50 basis point incentive for CAISO participation, then the ROE for the FERC 2018 Settlement Period will be reduced to 10.7%. The FERC has approved implementing this settlement on an interim basis pending the FERC's consideration of the settlement. The transmission revenue requirement and rates that have been billed to customers for the FERC 2018 Settlement Period were based on a total FERC weighted average ROE of 11.58%. SCE will true-up customer rates for the difference between its original request and the settlement from existing regulatory liabilities pending FERC's consideration of the settlement and will reverse the true-up if the settlement is not approved by the FERC. SCE had been recognizing revenue during the FERC 2018 Settlement Period based on its expectations of the probable outcome of the 2018 Formula Rate case. Regulatory assets and liabilities were adjusted based on the probable approval of the 2018 Formula Rate case settlement, which resulted in recording a $48.4 million increase in net income.

In the 2019 Formula Rate case, SCE requested a base return on equity of 17.12% ("FERC Base ROE"). The requested FERC Base ROE reflected a conventional ROE of 11.12% and an additional ROE of 6% to compensate investors for current wildfire risk. SCE's total ROE request, inclusive of project incentives and a 0.5% incentive for CAISO participation, was approximately 18.4%, compared to its proposed settlement for its 2018 Formula Rate of 11.2%.

In September 2019, SCE filed a partial settlement on the 2019 Formula Rate that modifies its requested FERC Base ROE from 17.12% to 11.97%. This reduced ROE request reflects a conventional ROE of 11.12% and an additional ROE of 0.85% to compensate investors for current wildfire risk. As with the equivalent reduction in SCE's requested ROE in its 2020 CPUC Cost of Capital proceeding, for SCE this partial settlement reflects the anticipated impact of AB 1054 on its requested ROE. As modified, SCE's total ROE request, inclusive of project incentives and a 0.5% incentive for CAISO participation, would be approximately 13.25%. The FERC has approved implementing the 2019 Formula Rate as revised by partial settlement effective as of November 12, 2019 pending the FERC's consideration of the partial settlement but subject to hearing and settlement procedures. If the partial settlement is not approved by the FERC, SCE will increase customer rates to reflect the impact of the 2019 Formula Rate based on SCE's initial request being implemented effective as of November 12, 2019. Whether or not the partial settlement is approved by the FERC, amounts billed to customers under the 2019 Formula Rate will be subject to refund until the 2019 Formula Rate proceeding is ultimately resolved.

Energy Efficiency Mechanism

In October 2019, the CPUC approved incentives of approximately $10.6 million for activities in program years 2016 and 2017. The award is approximately 5% less than SCE's requested award as a result of a CPUC decision that changed the formula used to calculate the Energy Efficiency Savings and Performance Incentive awards.

SCE has requested an award of approximately $16.7 million in incentives for activities in program years 2017 and 2018.

SCE Dividends

CPUC holding company rules require that SCE's dividend policy be established by SCE's Board of Directors on the same basis as if SCE were a stand-alone utility company, and that the capital requirements of SCE, as deemed to be necessary to meet SCE's electricity service obligations, shall receive first priority from the Boards of Directors of both Edison International and SCE. In addition, the CPUC regulates SCE's capital structure which limits the dividends it may pay to its shareholders. Under SCE's interpretation of CPUC regulations, the common equity component of SCE's capital structure must remain at or above 48% on a weighted average basis over the 37-month period that SCE's capital structure is in effect for ratemaking purposes. Under AB 1054, the impact of SCE's contributions to the Wildfire Insurance Fund will be excluded from the measurement of SCE's CPUC-jurisdictional authorized capital structure. For further information, see "Management Overview—Southern California Wildfires and Mudslides."

Under SCE's interpretation of the CPUC's capital structure decisions, SCE is required to file an application for a waiver of the 48% equity ratio condition discussed above if an adverse financial event reduces its spot equity ratio below 47%. On February 28, 2019, SCE submitted an application to the CPUC for waiver of compliance with this equity ratio requirement, describing that while the charge accrued in connection with the 2017/2018 Wildfire/Mudslide Events caused its equity ratio to fall below 47% on a spot basis as of December 31, 2018, SCE remains in compliance with the 48% equity ratio over the applicable 37-month average basis. In its application, SCE requested a limited waiver to exclude wildfire-related charges and wildfire-related debt issuances from its equity ratio calculations until a determination regarding cost recovery is made. Under the CPUC's rules, SCE will not be deemed to be in violation of the equity ratio requirement, and therefore may continue to issue debt and dividends, while the waiver application is pending resolution. For further information, see "Notes to Consolidated Financial Statements—Note 12. Commitments and Contingencies—Contingencies—Southern California Wildfires and Mudslides." At September 30, 2019, without excluding the $1.8 billion after-tax wildfire related charge incurred in 2018, SCE's 37-month average common equity component of total capitalization was 48.7% and the maximum additional dividend that SCE could pay to Edison International under this limitation was $236 million, resulting in a restriction on net assets of approximately $17.4 billion. If the waiver had been approved by CPUC at September 30, 2019, SCE's 37-month average common equity component of total capitalization would have been 49.6%.

As a California corporation, SCE's ability to pay dividends is also governed by the California General Corporation Law. California law requires that for a dividend to be declared: (a) retained earnings must equal or exceed the proposed dividend, or (b) immediately after the dividend is made, the value of the corporation's assets must exceed the value of its liabilities plus amounts required to be paid, if any, in order to liquidate stock senior to the shares receiving the dividend. Additionally, a California corporation may not declare a dividend if it is, or as a result of the dividend would be, likely to be unable to meet its liabilities as they mature. Prior to declaring dividends, SCE's Board of Directors evaluates available information, including when applicable, information pertaining to the 2017/2018 Wildfire/Mudslide Events, to ensure that the California law requirements for the declarations are met.

The timing and amount of future dividends are also dependent on a number of other factors including SCE's requirements to fund other obligations and capital expenditures, and its ability to access the capital markets, and generate operating cash flows and earnings. If SCE incurs significant costs related to the 2017/2018 Wildfire/Mudslide Events and is unable to recover such costs through insurance or from customers or access capital markets on reasonable terms, SCE may be limited in its ability to pay future dividends to Edison International and its preferred and preference shareholders.

Margin and Collateral Deposits

Certain derivative instruments, power procurement contracts and other contractual arrangements contain collateral requirements. In addition, certain environmental remediation obligations require financial assurance that may be in the form of collateral postings. Future collateral requirements may differ from the requirements at September 30, 2019 due to the addition of incremental power and energy procurement contracts with collateral requirements, if any, the impact of changes in wholesale power and natural gas prices on SCE's contractual obligations, and the impact of SCE's credit ratings falling below investment grade.

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 September 30, 2019.

(in millions)		
Collateral posted[1]	$	260
Incremental collateral requirements for power and energy procurement contracts resulting from a potential downgrade of SCE's credit rating to below investment grade[2]		47
Incremental collateral requirements for power and energy procurement contracts resulting from adverse market price movement[3]		31
Posted and potential collateral requirements	$	338

[1] Net collateral provided to counterparties and other brokers consisted of $224 million in letters of credit and surety bonds and $36 million of cash, of which $8 million was offset against net derivative liabilities and $28 million of cash collateral was reflected in "Other current assets" on the consolidated balance sheets.

[2] If SCE's credit rating falls below investment grade, existing power and energy procurement contracts would require $47 million of incremental collateral. Counterparties may also institute new collateral requirements, applicable to future transactions, at the time of a downgrade. Furthermore, SCE may also be required to post up to $50 million in collateral in connection with its environmental remediation obligations, within 120 days of the end of the fiscal year in which the downgrade occurs.

[3] Incremental collateral requirements were based on potential changes in SCE's forward positions as of September 30, 2019 due to adverse market price movements over the remaining lives of existing power contracts using a 95% confidence level.

Decommissioning of San Onofre

As discussed in the year-end 2018 MD&A, spent fuel transfer operations at San Onofre were suspended on August 3, 2018 due to an incident that occurred when an SCE contractor was loading a spent fuel canister into the Independent Spent Fuel Storage Installation (ISFSI). In May 2019, after an extensive review, the NRC determined that fuel loading can be safely resumed at San Onofre. SCE commenced fuel transfer operations at San Onofre in July 2019. In October 2019, the California Coastal Commission approved SCE's application for the Coastal Development Permit required to start major decommissioning activities at San Onofre. The permit may be challenged by interested parties. SCE plans on commencing major decommissioning activities in 2020 in accordance with the terms of the permit, subject to any legal challenges that may be raised by interested parties.

Edison International Parent and Other

In the next 12 months, Edison International expects to fund its net cash requirements through capital market and bank financings, including by issuing additional debt and equity, as needed.

At September 30, 2019, Edison International Parent had no borrowings on its $1.5 billion credit facility. In June 2019, Edison International Parent extended its credit facility through May 2024, pursuant to an option to extend, and may extend the credit facility for one additional year with the lenders' approval.

In April 2019, Edison International Parent entered into a $1.0 billion term loan. Of the proceeds of the term loan, $750 million was contributed to SCE and the remainder of the proceeds were used for general corporate and working capital purposes. In June 2019, Edison International Parent issued $600 million of 5.75% senior notes due June 15, 2027. Of the proceeds of the senior notes offering, $450 million was contributed to SCE and the remainder of the proceeds were used for general corporate and working capital purposes. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Equity Financing."

In April 2019, Edison International Parent registered $1.5 billion of additional shares of its common stock with the SEC, of which it currently anticipates issuing up to $0.5 billion in 2019 through designated broker-dealers at prevailing market prices (an at-the-market offering).

In July 2019, Edison International issued approximately $2.2 billion of common stock in an underwritten offering. Of the proceeds of the common stock issuance, $1.2 billion was contributed to SCE for its initial contribution to the Wildfire Insurance Fund, $200 million and $450 million were contributed to SCE in August 2019 and September 2019, respectively, for general corporate purposes. The remaining $350 million will be used for general corporate purposes. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Equity Financing." Edison International believes that these contributions, along with future proceeds from the at-the-market offering, will enable SCE to increase the common equity component of its capital structure to 52% in 2020 as proposed in SCE's Cost of Capital application filed with the CPUC in April 2019.

Edison International Parent and Other's liquidity and its ability to pay operating expenses and pay dividends to common shareholders are dependent on access to the bank and capital markets, dividends from SCE, realization of tax benefits, and its ability to meet California law requirements for the declaration of dividends. Prior to declaring dividends, Edison International's Board of Directors evaluates available information, including when applicable, information pertaining to the 2017/2018 Wildfire/Mudslide Events, to ensure that the California law requirements for the declarations are met. For information on the California law requirements on the declaration of dividends, see "—SCE—SCE Dividends." Edison International intends to maintain its target payout ratio of 45% – 55% of SCE's core earnings, subject to the factors identified above.

Edison International may finance its ongoing cash requirements, including common stock dividends, working capital requirements, payment of obligations, and capital investments, including capital contributions to subsidiaries, with short-term or other financings, subject to availability in the bank and capital markets.

A debt covenant in Edison International Parent's credit facility requires a consolidated debt to total capitalization ratio as defined in the credit agreement of less than or equal to 0.70 to 1. At September 30, 2019, Edison International Parent's consolidated debt to total capitalization ratio was 0.55 to 1.

At September 30, 2019, Edison International Parent was in compliance with all financial covenants that affect access to capital.

Edison International Parent's long-term issuer credit ratings remain at investment grade levels after downgrade actions taken by the major credit rating agencies in the first quarter of 2019. In the third quarter of 2019, the major credit agencies changed Edison International Parent's outlook from negative to stable, due to the passage of AB 1054 and the establishment of the Wildfire Insurance Fund, which provided the Liability Cap and the new standard that the CPUC must apply when assessing the prudency of a utility. For further information, see "Management Overview—Southern California Wildfires and Mudslides."

The following table summarizes Edison International Parent's current long-term issuer credit ratings and outlook from the major credit rating agencies:

	Moody's	Fitch	S&P
Credit Rating	Baa3	BBB-	BBB
Outlook	Stable	Stable	Stable

Edison International Parent's credit ratings may be further affected if, among other things, regulators fail to successfully implement AB 1054 in a consistent and credit supportive manner or the Wildfire Insurance Fund is depleted by claims from catastrophic wildfires. Credit rating downgrades increase the cost and may impact the availability of short-term and long-term borrowings, including commercial paper, credit facilities, note financings or other borrowings.

Net Operating Loss and Tax Credit Carryforwards

Edison International has net operating loss and tax credit carryforwards retained by SCE, which are available to offset future consolidated taxable income or tax liabilities. In May 2019, SCE received the 2018 GRC final decision, which included a reduction in revenue and taxable income for 2018 through 2020. At September 30, 2019, net operating loss and tax credit carryforwards reflect the impact of the 2018 GRC final decision, the potential for claims related to the 2017/2018 Wildfire/Mudslide Events, and participation in the Wildfire Insurance Fund as described in AB 1054. Edison International expects to realize its NOL and tax credit carryforward position through 2027.

Historical Cash Flows

SCE

(in millions)	Nine months ended September 30, 2019		Nine months ended September 30, 2018
Net cash (used in) provided by operating activities	$	(639)	$ 2,258
Net cash provided by financing activities		4,039	340
Net cash used in investing activities		(3,336)	(3,074)
Net increase (decrease) in cash, cash equivalents and restricted cash	$	64	$ (476)

Net Cash (Used in) Provided by Operating Activities

The following table summarizes major categories of net cash (used in) provided by operating activities as provided in more detail in SCE's consolidated statements of cash flows for the nine months ended September 30, 2019 and 2018.

	Nine months ended September 30,		Change in cash flows
(in millions)	2019	2018	2019/2018
Net income	$ 1,306	$ 1,210	
Non-cash items[1]	1,277	1,697	
Subtotal	$ 2,583	$ 2,907	$ (324)
Contributions to Wildfire Insurance Fund	(2,363)	—	(2,363)
Changes in cash flow resulting from working capital[2]	(247)	(692)	445
Regulatory assets and liabilities	(470)	213	(683)
Other noncurrent assets and liabilities[3]	(142)	(170)	28
Net cash (used in) provided by operating activities	$ (639)	$ 2,258	$ (2,897)

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

2 Changes in working capital items include receivables, inventory, accounts payable, tax receivables and payables, and other current assets and liabilities.

3 Includes the nuclear decommissioning trusts. See "Nuclear Decommissioning Activities" below for further information.

Net cash (used in) provided by operating activities was impacted by the following:

Net income and non-cash items decreased in 2019 by $324 million. Net Income increased by $96 million primarily due to the adoption of the 2018 GRC final decision in the second quarter of 2019, higher FERC revenue due to the pending settlement of SCE's 2018 Formula Rate proceeding, and timing of regulatory deferrals of wildfire insurance costs, partially offset by higher wildfire mitigation and other maintenance expenses. The $420 million decrease in non-cash items included changes in deferred income taxes and investment credits of $(207) million and $108 million in 2019 and 2018, respectively, depreciation and amortization of $1.3 billion and $1.6 billion in 2019 and 2018, respectively, and an impairment charge of $170 million recorded in 2019 related to disallowed historical capital expenditures in SCE's 2018 GRC final decision.

Net cash used in operating activities was also impacted by cash outflow of $2.4 billion related to SCE's contribution to the Wildfire Insurance Fund in September 2019. See "Notes to Consolidated Financial Statements—Note 12. Commitments and Contingencies" for further information.

Net cash outflow for working capital was $247 million and $692 million during the nine months ended September 30, 2019 and 2018, respectively. Net cash for working capital in 2019 was impacted by insurance premium payments of $453 million for wildfire-related coverage, partially offset by net tax refunds of $166 million. The working capital outflow was also due to an increase in receivables from customers of $533 million and $632 million in 2019 and 2018, respectively, and an increase in payables of $270 million in 2019 primarily related to purchased power.

Net cash provided by regulatory assets and liabilities, including changes in overcollections of balancing accounts was $(470) million and $213 million during the nine months ended September 30, 2019 and 2018, 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:

2019

- BRRBA overcollections decreased by $33 million primarily due to refunds of prior overcollections (including incremental tax benefits), offset by distribution revenue previously collected from customers in 2019 and 2018 that are being refunded over an 18-month period, starting in July 2019, as part of SCE's 2018 GRC final decision.
- PABA was established in May 2019 to determine and pro-ratably recover from responsible bundled service and departing load customers the “above-market” costs of all generation resources that are eligible for cost recovery. Net undercollections for ERRA, PABA and the new system generation program decreased by $93 million primarily due to recovery of prior ERRA undercollections and overcollections of generation revenue occurring in 2019 and 2018 that are being refunded over an 18-month period, starting in July 2019, as part of SCE's 2018 GRC final decision. The cash inflow was partially offset by lower sales than forecasted in rates, higher than forecasted power and gas prices experienced in 2019, charges from CPUC-authorized contract terminations and refunds of prior overcollections from the new system generation program.
- Elimination of approximately $360 million in a regulatory liability that was established in 2018 to record adjustments associated with the delay in the 2018 GRC decision. In May 2019, the CPUC approved the final decision in SCE's 2018 GRC, resulting in 2019 and 2018 overcollections being refunded to customers through BRRBA and PABA, as discussed above.
- Undercollections of $234 million related to wildfire-related expenses that are probable of future recovery from customers, including risk mitigation costs and insurance premiums. See "Notes to Consolidated Financial Statements—Note 11. Regulatory Assets and Liabilities" for further information.
- Higher cash due to $141 million of overcollections related to the timing of greenhouse gas auction revenue and low carbon fuel standard credits sales, and the related refunds and rebates to eligible customers.

2018

- BRRBA overcollections increased by $478 million during the first nine months of 2018 primarily due to a $263 million reclassification of 2017 incremental tax benefits from TAMA to BRRBA (to be refunded in 2019) and higher sales than forecasted in rates, partially offset by a refund of 2016 incremental tax benefits.
- Higher cash due to $138 million of overcollections for the public purpose and energy efficiency programs resulting from lower program spending.
- Higher cash reflected in regulatory liabilities of approximately $269 million primarily due to the delay in the 2018 GRC decision. Amounts billed to customers during the first nine months of 2018 were based on the 2017 authorized GRC revenue requirement, however, the amount of revenue recognized was adjusted mainly for the July 2017 cost of capital decision and Tax Reform pending the outcome of the 2018 GRC and therefore, a regulatory liability was established to record any associated adjustments.
- Net undercollections for ERRA and the new system generation program were $592 million and $267 million at September 30, 2018 and December 31, 2017, respectively. Net undercollections increased $325 million during the first nine months of 2018 primarily due to an increase in costs due to higher than forecasted power and gas prices experienced in 2018 and higher load requirements than forecasted in rates, partially offset by an increase in cash due to recovery of prior year undercollections.
- TAMA overcollections decreased by $290 million primarily due to a reclassification from TAMA to BRRBA to refund customers as discussed above.
- During the third quarter of 2018, SCE requested approval from the CPUC to track and recover wildfire related costs including insurance premiums in excess of the amounts that will be ultimately approved in the 2018 GRC decision. At September 30, 2018, SCE had a regulatory asset of $63 million related to these costs.

Cash flows used in other noncurrent assets and liabilities were primarily related to net earnings from nuclear decommissioning trust investments ($19 million and $29 million in 2019 and 2018, respectively) and SCE's payments of decommissioning costs ($126 million and $109 million in 2019 and 2018, 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 nine months ended September 30, 2019 and 2018. Issuances of debt are discussed in "Notes to Consolidated Financial Statements—Note 5. Debt and Equity Financing."

	Nine months ended September 30,	
(in millions)	2019	2018
Issuances of first and refunding mortgage bonds, net of discount and issuance costs	$ 2,306	$ 2,692
Capital contribution from Edison International Parent	3,050	—
Long-term debt matured	(81)	(639)
Short-term debt repayments, net of borrowings and discount	(721)	(1,137)
Payments of common stock dividends to Edison International	(400)	(474)
Payments of preferred and preference stock dividends	(96)	(96)
Other	(19)	(6)
Net cash provided by financing activities	$ 4,039	$ 340

Net Cash Used in Investing Activities

Cash flows used in investing activities are primarily due to capital expenditures related to transmission and distribution investments ($3.5 billion and $3.2 billion for the nine-month periods ended September 30, 2019 and 2018, respectively). In addition, SCE had a net redemption of nuclear decommissioning trust investments of $114 million and $86 million during the nine months ended September 30, 2019 and 2018, 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:

	Nine months ended September 30,	
(in millions)	2019	2018
Net cash used in operating activities:		
Net earnings from nuclear decommissioning trust investments	$ 19	$ 29
SCE's decommissioning costs	(126)	(109)
Net cash provided by investing activities:		
Proceeds from sale of investments	3,354	3,017
Purchases of investments	(3,240)	(2,931)
Net cash impact	$ 7	$ 6

Net cash used in operating activities relates to interest and dividends less administrative expenses, taxes, and SCE's decommissioning costs. See "Notes to Consolidated Financial Statements—Note 10. Investments" for further information. Investing activities represent the purchase and sale of investments within the nuclear decommissioning trusts, including the reinvestment of earnings from nuclear decommissioning trust investments. The net cash impact reflects timing of decommissioning payments ($126 million and $109 million in 2019 and 2018, respectively) and reimbursements to SCE from the nuclear decommissioning trust ($133 million and $115 million in 2019 and 2018, respectively).

Edison International Parent and Other

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

	Nine months ended September 30,	
(in millions)	2019	2018
Net cash (used in) provided by operating activities	$ (178)	$ 13
Net cash provided by (used in) financing activities	519	(651)
Net cash (used in) provided by investing activities	(9)	61
Net increase (decrease) in cash and cash equivalents	$ 332	$ (577)

Net Cash (Used in) Provided by Operating Activities

Net cash (used in) provided by operating activities was impacted by the following:

- $101 million cash outflow related to intercompany tax-allocation payments in 2019 and $75 million cash inflow from income tax refunds 2018.
- $77 million and $62 million cash outflow from operating activities in 2019 and 2018, respectively, primarily due to payments relating to interest and operating costs.

Net Cash Provided by (Used in) Financing Activities

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

	Nine months ended September 30,	
(in millions)	2019	2018
Dividends paid to Edison International common shareholders	$ (594)	$ (591)
Dividends received from SCE	400	474
Capital contribution to SCE	(3,050)	—
Issuance of long-term debt, net of discount and issuance costs	596	545
Issuance of common stock	2,165	—
Issuance of term loan	1,000	—
Long-term debt repayment	—	(15)
Short-term debt repayments, net of borrowings and discount	(1)	(1,091)
Other	3	27
Net cash provided by (used in) financing activities	$ 519	$ (651)

Net Cash (Used in) Provided by Investing Activities

Net cash (used in) provided by investing activities decreased $70 million during the nine months of 2019 compared to 2018 primarily due to a cash inflow of $78 million from the sale of SoCore Energy in April 2018.

Contingencies

SCE has contingencies related to the 2017/2018 Wildfire/Mudslide Events, wildfire insurance, Environmental Remediation, Nuclear Insurance and Spent Nuclear Fuel, which are discussed in "Notes to Consolidated Financial Statements—Note 12. Commitments and Contingencies."

MARKET RISK EXPOSURES

Edison International's and SCE's primary market risks are described in the 2018 Form 10-K. For a further discussion of market risk exposures, including commodity price risk, credit risk, and interest rate risk, see "Notes to Consolidated Financial Statements—Note 4. Fair Value Measurements" and "—Note 6. Derivative Instruments."

Commodity Price Risk

SCE records derivative instruments on its consolidated balance sheets as either assets or liabilities measured at fair value unless otherwise exempted from derivative treatment as normal purchases or sales. The fair value of outstanding derivative instruments used to mitigate exposure to commodity price risk was reflected as a net asset of $64 million and $167 million on SCE's consolidated balance sheets at September 30, 2019 and December 31, 2018, 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 of counterparties based on credit ratings 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. Based on SCE's policies and risk exposures related to credit, SCE does not anticipate a material adverse effect on their financial statements as a result of counterparty nonperformance. At September 30, 2019, 97% of SCE's power and gas trading counterparty credit risk exposure is associated with entities that have an investment grade rating of A or higher. SCE assigns a credit rating to counterparties based on the lower of a counterparty's S&P or Moody's rating.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

For a discussion of Edison International's and SCE's critical accounting policies, other than the policy described below, see "Critical Accounting Estimates and Policies" in the year-ended 2018 MD&A.

Contributions to the Wildfire Insurance Fund

Nature of Estimates Required. At September 30, 2019, Edison International and SCE have a $2.8 billion long-term asset and a $323 million current asset reflected as "Wildfire Insurance Fund contributions" in the consolidated balance sheets, for an initial $2.4 billion contribution made during the third quarter of 2019 and the present value of annual contributions SCE has committed to make to the Wildfire Insurance Fund. At September 30, 2019, a long-term liability of $782 million and a current liability of $94 million have been reflected as "Other deferred credits and other long-term liabilities" and "Other current liabilities", respectively, for the present value of unpaid contribution amounts. Contributions were discounted to the present value at the date SCE committed to participate in the Wildfire Insurance Fund using US treasury interest rates.

Management concluded it would be most appropriate to account for the contributions to the Wildfire Insurance Fund similar to prepaid insurance, ratably allocating the expense to periods based on an estimated period of coverage.

Key Assumptions and Approach Used. The Wildfire Insurance Fund does not have a defined life. Instead, the Wildfire Insurance Fund will terminate when the administrator determines that the fund has been exhausted. Management estimates that the Wildfire Insurance Fund will provide insurance coverage for a period of 10 years. The determination of the correct period in which to record an expense in relation to contributions to the Wildfire Insurance Fund depends, among other factors, on management's assessment of: the future occurrence and magnitude of wildfires; the involvement of SCE, or other electrical corporations, in the ignition of those fires; the probable future outcomes of CPUC cost recovery proceedings for wildfire claims, which may require reimbursement of the fund by electrical corporations; the participation of PG&E in the fund; and the use of the contributions by the administrator of the Wildfire Insurance Fund. Further information regarding these factors may become available due to the actions of the fund administrator, or other entities, which could require management to reassess the period of coverage. In estimating the period of coverage, Edison International and SCE used a *Monte Carlo* simulation based on five years of historical data from wildfires caused by electrical equipment to estimate expected loss. The details of the operation of the Wildfire Insurance Fund and estimates related to claims by SCE, PG&E and SDG&E from the fund have been applied to expected loss simulations to estimate the period of coverage of the fund. The most sensitive inputs to the estimated period of coverage are the expected frequency of wildfire events caused by electrical equipment and the estimated costs associated with those forecasted events. Using a longer period of historical data significantly increases the estimated period of coverage of the fund.

Effect if Different Assumptions Used. Changes in the estimated life of the insurance fund could have a material impact on the expense recognition.

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**

(in millions, except per-share amounts, unaudited)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Total operating revenue	$ 3,741	$ 4,269	$ 9,377	$ 9,648
Purchased power and fuel	1,708	2,306	3,848	4,344
Operation and maintenance	841	674	2,318	2,068
Depreciation and amortization	459	466	1,260	1,391
Property and other taxes	99	97	302	301
Impairment and other	—	(11)	166	60
Other operating income	(2)	(2)	(5)	(5)
Total operating expenses	3,105	3,530	7,889	8,159
Operating income	636	739	1,488	1,489
Interest expense	(214)	(188)	(619)	(538)
Other income and (expense)	58	76	151	176
Income before taxes	480	627	1,020	1,127
Income tax (benefit) expense	(22)	83	(212)	43
Net income	502	544	1,232	1,084
Preferred and preference stock dividend requirements of SCE	31	31	91	91
Other noncontrolling interests	—	—	—	(14)
Net income attributable to Edison International common shareholders	$ 471	$ 513	$ 1,141	$ 1,007
Basic earnings per share:				
Weighted-average shares of common stock outstanding	347	326	333	326
Basic earnings per common share attributable to Edison International common shareholders	$ 1.36	$ 1.57	$ 3.43	$ 3.09
Diluted earnings per share:				
Weighted-average shares of common stock outstanding, including effect of dilutive securities	349	327	334	327
Diluted earnings per common share attributable to Edison International common shareholders	$ 1.35	$ 1.57	$ 3.42	$ 3.08

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

Consolidated Statements of Comprehensive Income				**Edison International**
	Three months ended September 30,		Nine months ended September 30,	
(in millions, unaudited)	2019	2018	2019	2018
Net income	$ 502	$ 544	$ 1,232	$ 1,084
Other comprehensive income, net of tax:				
Pension and postretirement benefits other than pensions:				
Amortization of net loss included in net income	2	1	5	5
Other	—	1	—	(4)
Other comprehensive income, net of tax	2	2	5	1
Comprehensive income	504	546	1,237	1,085
Less: Comprehensive income attributable to noncontrolling interests	31	31	91	77
Comprehensive income attributable to Edison International	$ 473	$ 515	$ 1,146	$ 1,008

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

Consolidated Balance Sheets		**Edison International**
(in millions, unaudited)	September 30, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 547	$ 144
Receivables, less allowances of $51 and $52 for uncollectible accounts at respective dates	1,099	730
Accrued unbilled revenue	639	482
Inventory	348	282
Income tax receivables	127	191
Prepaid expenses	293	148
Derivative assets	49	171
Regulatory assets	1,120	1,133
Wildfire Insurance Fund contributions	323	—
Other current assets	117	78
Total current assets	4,662	3,359
Nuclear decommissioning trusts	4,479	4,120
Other investments	89	63
Total investments	4,568	4,183
Utility property, plant and equipment, less accumulated depreciation and amortization of $9,873 and $9,566 at respective dates	43,150	41,269
Nonutility property, plant and equipment, less accumulated depreciation of $84 and $82 at respective dates	85	79
Total property, plant and equipment	43,235	41,348
Regulatory assets	5,731	5,380
Wildfire Insurance Fund contributions	2,849	—
Operating lease right-of-use assets	705	—
Other long-term assets	2,462	2,445
Total long-term assets	11,747	7,825
Total assets	$ 64,212	$ 56,715

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

Consolidated Balance Sheets		**Edison International**
(in millions, except share amounts, unaudited)	September 30, 2019	December 31, 2018
LIABILITIES AND EQUITY		
Short-term debt	$ 1,000	$ 720
Current portion of long-term debt	479	79
Accounts payable	1,663	1,511
Customer deposits	302	299
Regulatory liabilities	1,010	1,532
Current portion of operating lease liabilities	91	—
Other current liabilities	1,458	1,254
Total current liabilities	6,003	5,395
Long-term debt	17,066	14,632
Deferred income taxes and credits	5,023	4,576
Pensions and benefits	861	869
Asset retirement obligations	3,030	3,031
Regulatory liabilities	8,544	8,329
Operating lease liabilities	615	—
Wildfire-related claims	4,669	4,669
Other deferred credits and other long-term liabilities	3,048	2,562
Total deferred credits and other liabilities	25,790	24,036
Total liabilities	48,859	44,063
Commitments and contingencies (Note 12)		
Common stock, no par value (800,000,000 shares authorized; 358,522,961 and 325,811,206 shares issued and outstanding at respective dates)	4,746	2,545
Accumulated other comprehensive loss	(55)	(50)
Retained earnings	8,469	7,964
Total Edison International's common shareholders' equity	13,160	10,459
Noncontrolling interests – preferred and preference stock of SCE	2,193	2,193
Total equity	15,353	12,652
Total liabilities and equity	$ 64,212	$ 56,715

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

Consolidated Statements of Cash Flows **Edison International**

(in millions, unaudited)	Nine months ended September 30, 2019	2018
Cash flows from operating activities:		
Net income	$ 1,232	$ 1,084
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	1,316	1,639
Allowance for equity during construction	(75)	(76)
Impairment and other	166	60
Deferred income taxes and investment tax credits	(221)	133
Other	88	48
Nuclear decommissioning trusts	(114)	(86)
Contributions to Wildfire Insurance Fund	(2,363)	—
Changes in operating assets and liabilities:		
Receivables	(383)	(325)
Inventory	(68)	(25)
Accounts payable	284	20
Tax receivables and payables	163	137
Other current assets and liabilities	(340)	(424)
Regulatory assets and liabilities, net	(470)	213
Other noncurrent assets and liabilities	(32)	(127)
Net cash (used in) provided by operating activities	(817)	2,271
Cash flows from financing activities:		
Long-term debt issued, net of premium, discount and issuance costs of $2 and $63 for the respective periods	2,902	3,237
Term loan issued	1,000	—
Long-term debt matured	(81)	(654)
Common stock issued	2,165	—
Short-term debt financing, net	(722)	(2,228)
Payments for stock-based compensation	(64)	(37)
Receipts from stock option exercises	51	20
Dividends to noncontrolling interests	(96)	(96)
Dividends paid	(594)	(591)
Other	(3)	38
Net cash provided by (used in) financing activities	4,558	(311)
Cash flows from investing activities:		
Capital expenditures	(3,497)	(3,241)
Proceeds from sale of nuclear decommissioning trust investments	3,354	3,017
Purchases of nuclear decommissioning trust investments	(3,240)	(2,931)
Proceeds from sale of SoCore Energy, net of cash acquired by buyer	—	78
Other	38	64
Net cash used in investing activities	(3,345)	(3,013)
Net increase (decrease) in cash, cash equivalents and restricted cash	396	(1,053)
Cash, cash equivalents and restricted cash at beginning of period	152	1,132
Cash, cash equivalents and restricted cash at end of period	$ 548	$ 79

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

Consolidated Statements of Income **Southern California Edison Company**

(in millions, unaudited)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Operating revenue	$ 3,732	$ 4,260	$ 9,348	$ 9,617
Purchased power and fuel	1,708	2,306	3,848	4,344
Operation and maintenance	819	651	2,259	1,996
Depreciation and amortization	459	466	1,259	1,387
Property and other taxes	98	96	300	298
Impairment and other	—	(10)	166	(10)
Other operating income	(1)	(3)	(4)	(5)
Total operating expenses	3,083	3,506	7,828	8,010
Operating income	649	754	1,520	1,607
Interest expense	(183)	(173)	(549)	(492)
Other income and (expense)	58	72	152	173
Income before taxes	524	653	1,123	1,288
Income tax (benefit) expense	(10)	86	(183)	78
Net income	534	567	1,306	1,210
Less: Preferred and preference stock dividend requirements	31	31	91	91
Net income available for common stock	$ 503	$ 536	$ 1,215	$ 1,119

Consolidated Statements of Comprehensive Income **Southern California Edison Company**

(in millions, unaudited)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net income	$ 534	$ 567	$ 1,306	$ 1,210
Other comprehensive income (loss), net of tax:				
Pension and postretirement benefits other than pensions:				
Amortization of net loss included in net income	1	1	3	4
Other	—	—	—	(5)
Other comprehensive income (loss), net of tax	1	1	3	(1)
Comprehensive income	$ 535	$ 568	$ 1,309	$ 1,209

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

Consolidated Balance Sheets		**Southern California Edison Company**
(in millions, unaudited)	September 30, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 86	$ 21
Receivables, less allowances of $51 for uncollectible accounts at both dates	1,087	711
Accrued unbilled revenue	638	482
Inventory	348	282
Income tax receivables	131	312
Prepaid expenses	292	144
Derivative assets	49	171
Regulatory assets	1,120	1,133
Wildfire Insurance Fund contributions	323	—
Other current assets	105	69
Total current assets	4,179	3,325
Nuclear decommissioning trusts	4,479	4,120
Other investments	74	45
Total investments	4,553	4,165
Utility property, plant and equipment, less accumulated depreciation and amortization of $9,873 and $9,566 at respective dates	43,150	41,269
Nonutility property, plant and equipment, less accumulated depreciation of $78 and $77 at respective dates	81	75
Total property, plant and equipment	43,231	41,344
Regulatory assets	5,731	5,380
Wildfire Insurance Fund contributions	2,849	—
Operating lease right-of-use assets	701	—
Long-term insurance receivable due from affiliate	1,000	1,000
Other long-term assets	1,378	1,360
Total long-term assets	11,659	7,740
Total assets	$ 63,622	$ 56,574

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)	September 30, 2019	December 31, 2018
LIABILITIES AND EQUITY		
Short-term debt	$ —	$ 720
Current portion of long-term debt	79	79
Accounts payable	1,663	1,519
Customer deposits	302	299
Regulatory liabilities	1,010	1,532
Current portion of operating lease liabilities	90	—
Other current liabilities	1,182	997
Total current liabilities	4,326	5,146
Long-term debt	15,129	12,892
Deferred income taxes and credits	6,360	5,898
Pensions and benefits	434	433
Asset retirement obligations	3,030	3,031
Regulatory liabilities	8,544	8,329
Operating lease liabilities	611	—
Wildfire-related claims	4,669	4,669
Other deferred credits and other long-term liabilities	2,874	2,391
Total deferred credits and other liabilities	26,522	24,751
Total liabilities	45,977	42,789
Commitments and contingencies (Note 12)		
Preferred and preference stock	2,245	2,245
Common stock, no par value (560,000,000 shares authorized; 434,888,104 shares issued and outstanding at respective dates)	2,168	2,168
Additional paid-in capital	3,737	680
Accumulated other comprehensive loss	(25)	(23)
Retained earnings	9,520	8,715
Total equity	17,645	13,785
Total liabilities and equity	$ 63,622	$ 56,574

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

Consolidated Statements of Cash Flows		**Southern California Edison Company**
	Nine months ended September 30,	
(in millions, unaudited)	2019	2018
Cash flows from operating activities:		
Net income	$ 1,306	$ 1,210
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	1,312	1,632
Allowance for equity during construction	(75)	(76)
Impairment and other	166	(10)
Deferred income taxes and investment tax credits	(207)	108
Other	81	43
Nuclear decommissioning trusts	(114)	(86)
Contributions to Wildfire Insurance Fund	(2,363)	—
Changes in operating assets and liabilities:		
Receivables	(392)	(337)
Inventory	(68)	(25)
Accounts payable	275	2
Tax receivables and payables	279	80
Other current assets and liabilities	(341)	(412)
Regulatory assets and liabilities, net	(470)	213
Other noncurrent assets and liabilities	(28)	(84)
Net cash (used in) provided by operating activities	(639)	2,258
Cash flows from financing activities:		
Long-term debt issued, net of premium, discount and issuance costs of $6 and $58 for the respective periods	2,306	2,692
Long-term debt matured	(81)	(639)
Capital contributions from Edison International Parent	3,050	—
Short-term debt financing, net	(721)	(1,137)
Payments for stock-based compensation	(39)	(16)
Receipts from stock option exercises	22	8
Dividends paid	(496)	(570)
Other	(2)	2
Net cash provided by financing activities	4,039	340
Cash flows from investing activities:		
Capital expenditures	(3,495)	(3,223)
Proceeds from sale of nuclear decommissioning trust investments	3,354	3,017
Purchases of nuclear decommissioning trust investments	(3,240)	(2,931)
Other	45	63
Net cash used in investing activities	(3,336)	(3,074)
Net increase (decrease) in cash, cash equivalents and restricted cash	64	(476)
Cash, cash equivalents and restricted cash at beginning of period	22	515
Cash, cash equivalents and restricted cash at end of period	$ 86	$ 39

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Organization and Basis of Presentation

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

Edison International's and SCE's significant accounting policies were described in the "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, 2018 (the "2018 Form 10-K"). This quarterly report should be read in conjunction with the financial statements and notes included in the 2018 Form 10-K.

In the opinion of management, all adjustments, consisting only of adjustments of a normal recurring nature, 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 nine-month periods ended September 30, 2019 are not necessarily indicative of the operating results for the full year. Certain prior period amounts have been conformed to the current period's presentation.

The December 31, 2018 financial statement data was derived from audited financial statements, but does not include all disclosures required by GAAP.

Cash, Cash Equivalents and Restricted Cash

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

	Edison International		SCE	
(in millions)	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Money market funds	$ 493	$ 116	$ 41	$ 1

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)	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Book balances reclassified to accounts payable	$ 63	$ 65	$ 61	$ 65

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

(in millions)	September 30, 2019	December 31, 2018
Edison International:		
Cash and cash equivalents	$ 547	$ 144
Short-term restricted cash[1]	1	8
Total cash, cash equivalents, and restricted cash	$ 548	$ 152
SCE:		
Cash and cash equivalents	$ 86	$ 21
Short-term restricted cash[1]	—	1
Total cash, cash equivalents, and restricted cash	$ 86	$ 22

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

Goodwill

At September 30, 2019, Edison International has $59 million of goodwill, all of which is related to its Edison Energy reporting unit. Goodwill constitutes the majority of Edison International's $83 million investment in Edison Energy. Edison International assesses goodwill through an annual goodwill impairment test, at the reporting unit level as of October 1st of each year. Edison International will update its goodwill impairment test 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. The fair value of the Edison Energy reporting unit is estimated using the income approach, which utilizes discounted cash flow analysis based on the earnings expected to be generated in the future. This determination requires significant assumptions and estimates in forecasting future cash flows and establishing a market discount rate and a terminal value. The most critical assumption affecting the estimate of the Edison Energy reporting unit's fair value is its forecasted growth in sales to commercial and industrial customers. Edison Energy is currently in the process of updating its long-term plan. A reduction in expected future cash flows could result in a goodwill impairment.

Revenue Recognition

Regulatory Proceedings

2018 General Rate Case

In May 2019, the California Public Utilities Commission ("CPUC") approved a final decision in SCE's 2018 GRC. The final decision authorized a revenue requirement of $5.116 billion for 2018 and identified changes to certain balancing accounts, including the expansion of the TAMA to include the impacts of all differences between forecast and recorded tax expense. The final decision also disallowed certain historical spending, largely related to specific pole replacements the CPUC determined were performed prematurely.

The final decision allows a post-test year rate making mechanism that escalates capital additions by 2.49% for both 2019 and 2020. It also allows operation and maintenance expenses to be escalated for 2019 and 2020 through the use of various escalation factors for labor, non-labor and medical expenses. The methodology set forth in the final decision results in a revenue requirement of $5.451 billion in 2019 and $5.863 billion in 2020.

The revenue requirements in the 2018 GRC final decision are retroactive to January 1, 2018. SCE recorded the prior period impact of the 2018 GRC final decision in the second quarter of 2019, including:

- An increase to earnings of $131 million from the application of the decision to revenue, depreciation expense and income tax expense. Depreciation expense decreased as a result of lower authorized depreciation rates. An increase in the authorized revenue requirement for income tax expenses offsets income tax expenses recognized during 2018 and the first quarter of 2019. The reduction of revenue of $265 million reflects $289 million of lower authorized revenue related to 2018 and $24 million of higher authorized revenue in 2019. The reduction in revenue contributes to a refund to customers of $554 million which SCE recorded as a regulatory liability as of June 30, 2019. SCE expects to refund these amounts to customers through December 2020.
- An impairment of utility property, plant and equipment of $170 million ($123 million after-tax) related to disallowed historical capital expenditures, primarily the write-off of specific pole replacements the CPUC determined were performed prematurely.

See Note 11 for further information.

2018 and 2019 FERC Formula Rate

In October 2017, SCE filed its 2018 formula rate ("Formula Rate") with the FERC. In December 2017, the FERC issued an order setting the effective date of SCE's 2018 FERC Formula Rate as of January 1, 2018, subject to settlement procedures and refund. In November 2018, SCE filed its 2019 annual update with the FERC with the proposed rates effective January 1, 2019, subject to settlement procedures and refund, and requested a decrease in transmission revenue requirement of $131 million, or 11% from amounts currently authorized in rates. In April 2019, SCE filed an application with the FERC to revise the 2018 Formula Rate with the 2019 Formula Rate, which was subsequently accepted by the FERC, effective November 11, 2019, subject to refund and settlement procedures. In September 2019, SCE filed a settlement on its formula rates for the 2018 Formula Rate case that, will establish SCE's FERC transmission revenue requirement for January 1, 2018 through November 11, 2019 (the “FERC 2018 Settlement Period”). The settlement provides for a weighted-average ROE of 11.2%, which includes a previously authorized 50 basis point incentive for CAISO participation and individual and previously authorized project incentives. Under the settlement, if the FERC issues a final, unappealable ruling that finds SCE is not eligible for the 50 basis point incentive for CAISO participation, then the ROE for the FERC 2018 Settlement Period will be reduced to 10.7%. The FERC has approved implementing this settlement on an interim basis pending the FERC's consideration of the settlement. The transmission revenue requirement and rates that have been billed to customers for the FERC 2018 Settlement Period were based on a total FERC weighted average ROE of 11.58%. SCE will true-up customer rates for the difference between its original request and the settlement from existing regulatory liabilities pending FERC's consideration of the settlement and will reverse the true-up if the settlement is not approved by the FERC. SCE had been recognizing revenue during the FERC 2018 Settlement Period based on its expectations of the probable outcome of the 2018 Formula Rate case. Regulatory assets and liabilities were adjusted based on the probable approval of the 2018 Formula Rate case settlement, which resulted in recording a $48.4 million increase in net income.

In the 2019 Formula Rate case, SCE requested a base return on equity of 17.12% ("FERC Base ROE"). The requested FERC Base ROE reflected a conventional ROE of 11.12% and an additional ROE of 6% to compensate investors for current wildfire risk. SCE's total ROE request, inclusive of project incentives and a 0.5% incentive for CAISO participation, was approximately 18.4%, compared to its proposed settlement for its 2018 Formula Rate of 11.2%.

In September 2019, SCE filed a partial settlement on the 2019 Formula Rate that modifies its requested FERC Base ROE from 17.12% to 11.97%. This reduced ROE request reflects a conventional ROE of 11.12% and an additional ROE of 0.85% to compensate investors for current wildfire risk. As with the equivalent reduction in SCE's requested ROE in its 2020 CPUC Cost of Capital proceeding, for SCE, this partial settlement reflects the anticipated impact of AB 1054 on its requested ROE. As modified, SCE's total ROE request, inclusive of project incentives and a 0.5% incentive for CAISO participation, would be approximately 13.25%. The FERC has approved implementing the 2019 Formula Rate as revised by partial settlement effective as of November 12, 2019 pending the FERC's consideration of the partial settlement but subject to hearing and settlement procedures. If the partial settlement is not approved by the FERC, SCE will increase customer rates to reflect the impact of the 2019 Formula Rate based on SCE's initial request being implemented effective as of November 12, 2019. Whether or not the partial settlement is approved by the FERC, amounts billed to customers under the 2019 Formula Rate will be subject to refund until the 2019 Formula Rate proceeding is ultimately resolved.

See Note 7 for further information on SCE's revenue.

Earnings Per Share

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

	Three months ended September 30,		Nine months ended September 30,	
(in millions, except per-share amounts)	2019	2018	2019	2018
Basic earnings per share:				
Net income attributable to common shareholders	$ 471	$ 513	$ 1,141	$ 1,007
Participating securities dividends	—	—	—	—
Net income available to common shareholders	$ 471	$ 513	$ 1,141	$ 1,007
Weighted average common shares outstanding	347	326	333	326
Basic earnings per share	$ 1.36	$ 1.57	$ 3.43	$ 3.09
Diluted earnings per share:				
Net income attributable to common shareholders	$ 471	$ 513	$ 1,141	$ 1,007
Participating securities dividends	—	—	—	—
Net income available to common shareholders	$ 471	$ 513	$ 1,141	$ 1,007
Income impact of assumed conversions	—	—	—	—
Net income available to common shareholders and assumed conversions	$ 471	$ 513	$ 1,141	$ 1,007
Weighted average common shares outstanding	347	326	333	326
Incremental shares from assumed conversions	2	1	1	1
Adjusted weighted average shares – diluted	349	327	334	327
Diluted earnings per share	$ 1.35	$ 1.57	$ 3.42	$ 3.08

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 1,398,884 and 3,817,072 shares of common stock for the three months ended September 30, 2019 and 2018, respectively, and 5,997,917 and 6,042,695 shares for the nine months ended September 30, 2019 and 2018, respectively, were outstanding, but were not included in the computation of diluted earnings per share because the effect would have been antidilutive.

Initial and annual contributions to the wildfire insurance fund established pursuant to California Assembly Bill 1054 (the "Wildfire Insurance Fund" and "AB 1054")

Edison International and SCE accounted for the contributions to the Wildfire Insurance Fund similar to prepaid insurance. No period of coverage was provided in AB 1054, therefore expense is being allocated to periods ratably based on an estimated period of coverage. At September 30, 2019, Edison International and SCE have a $2.8 billion long-term asset and a $323 million current asset reflected as "Wildfire Insurance Fund contributions" in the consolidated balance sheets, for an initial $2.4 billion contribution made during the third quarter of 2019 and the present value of annual contributions SCE has committed to make to the Wildfire Insurance Fund. At September 30, 2019, a long-term liability of $782 million and a current liability of $94 million have been reflected as "Other deferred credits and other long-term liabilities" and "Other current liabilities", respectively, for the present value of unpaid contribution amounts. Contributions were discounted to the present value at the date SCE committed to participate in the Wildfire Insurance Fund using US treasury interest rates.

A period of 10 years is being used to amortize the asset. All expenses related to the contributions are being reflected in "operation and maintenance" in the consolidated statements of income. Changes in the estimated period of coverage provided by the Wildfire Insurance Fund could lead to material changes in the future expense recognition. In estimating the period of coverage Edison International and SCE used *Monte Carlo* simulations based on five years of historical data from wildfires caused by electrical equipment to estimate expected loss. The details of the operation of the Wildfire Insurance Fund and estimates related to claims by SCE, PG&E and SDG&E from the fund, have been applied to the expected loss simulations to estimate the period of coverage of the fund. The most sensitive inputs to the estimated period of coverage are the expected frequency of wildfire events caused by electrical equipment and the estimated costs associated with those forecasted events. Edison International and SCE evaluate all inputs annually, or upon claims being made from the fund for catastrophic wildfires, the expected life of the insurance fund will be adjusted as required.

Edison International and SCE will assess the Wildfire Insurance Fund contribution assets for impairment in the event that a participating utility's electrical equipment is found to be the substantial cause of a catastrophic wildfire, based on the ability of SCE to benefit from the coverage provided by the Wildfire Insurance Fund in an amount equal to the recorded assets.

New Accounting Guidance

Accounting Guidance Adopted

On January 1, 2019, Edison International and SCE adopted accounting standards updates that require lessees to recognize a lease on the balance sheet as a right-of-use ("ROU") asset and related lease liability and classify the lease as either operating or finance. Edison International and SCE adopted this guidance using the modified retrospective approach for leases that existed as of the adoption date and elected the optional transition method not to restate periods prior to the adoption date. Edison International and SCE also elected the package of practical expedients not to reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs, and the practical expedient not to reassess existing land easements. Adoption of this standard increased ROU assets and lease liabilities on the consolidated balance sheets by $956 million and $951 million as of January 1, 2019 for Edison International and SCE, respectively. The standard did not materially impact the consolidated statements of income for Edison International or SCE.

Based on accounting standards adopted at January 1, 2019, 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. This occurs when an entity has the right to obtain substantially all of the economic benefits from and has the right to direct the use of the identified asset. SCE determines if an arrangement is a lease at contract inception, and for all classes of assets, SCE includes both lease and non-lease components as a single component and accounts for it as a lease. Lease liabilities are recognized based on the present value of the lease payments over the lease term at the commencement date. Lease ROU assets are based on the liability, subject to adjustments, such as lease incentives. In measuring lease assets and liabilities, SCE excludes variable lease payments, other than those that depend on an index, a rate or are in substance fixed payments. SCE's lease terms include options to extend or terminate the lease when it is reasonably certain that such options will be exercised. Operating leases are included in operating lease ROU assets and operating lease liabilities on the consolidated balance sheets. Finance leases are included in property, plant and equipment and other liabilities on the consolidated balance sheets. See Note 13 for further information.

In February 2018, the FASB issued an accounting standards update to provide entities an election to reclassify stranded tax effects resulting from Tax Reform from accumulated other comprehensive income to retained earnings. Stranded tax effects originated in December 2017 when deferred taxes were re-measured at the lower federal corporate tax rate with the impact included in operating income, while the tax effects of items within accumulated other comprehensive income were not similarly adjusted. Edison International and SCE adopted this guidance on January 1, 2019 and reclassified stranded tax effects of $10 million and $5 million, respectively, from accumulated other comprehensive income to retained earnings. See Notes 2 and 14 for further information.

In August 2018, the FASB issued an accounting standards update to remove, modify, and add certain disclosure requirements related to fair value measurement. Edison International and SCE adopted this guidance effective January 1, 2019. The adoption of this guidance did not have a material impact on Edison International's and SCE's disclosures. See Note 4 for further information.

Accounting Guidance Not Yet Adopted

In June 2016, the FASB issued an accounting standards update to require the use of the current expected credit loss model to measure impairment of financial instruments and the use of an allowance to record estimated credit losses on available-for-sale debt securities. The guidance, as amended in November 2018 and May 2019, allows entities to irrevocably elect the fair value option for any financial instrument previously measured on an amortized costs basis. Edison International and SCE have identified accounts receivable and available for sale debt securities held in nuclear decommissioning trusts as financial assets in scope for this guidance. Edison International and SCE are in the process of implementing process changes necessary to comply with the standard's disclosure requirements. Edison International and SCE do not believe the adoption of the standard will have a material impact on the financial position or results of operations and will apply a prospective adoption approach to available-for-sale debt securities and a modified retrospective approach to all other financial assets. Edison International and SCE will not elect the fair value option. Edison International and SCE will adopt this guidance effective January 1, 2020.

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

In August 2018, the FASB issued an accounting standards update which aligns the requirement for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing costs incurred to develop or obtain internal-use software. The guidance also clarified presentation requirements for reporting implementation costs in the financial statements. Edison International and SCE completed an evaluation of hosting arrangements that are service contracts with incurred implementation costs and currently the implementation costs are immaterial, as such the guidance will be applied prospectively. Edison International and SCE will adopt this guidance effective January 1, 2020.

In August 2018, the FASB issued an accounting standards update to remove, modify, and add certain disclosure requirements related to employer-sponsored defined benefit pension or other postretirement plans. The guidance is effective January 1, 2021, with early adoption permitted. Edison International and SCE are currently evaluating the impact of the guidance and do not expect the adoption of this standard will materially affect disclosures.

Note 2. Consolidated Statements of Changes in Equity

The following table provides Edison International's changes in equity for the three and nine months ended September 30, 2019:

(in millions, except per-share amounts)	Equity Attributable to Common Shareholders: Common Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Subtotal	Noncontrolling Interests: Preferred and Preference Stock	Total Equity
Balance at December 31, 2018	$ 2,545	$ (50)	$ 7,964	$ 10,459	$ 2,193	$ 12,652
Net income	—	—	278	278	30	308
Other comprehensive income	—	2	—	2	—	2
Cumulative effect of accounting changes[1]	—	(10)	10	—	—	—
Common stock dividends declared ($0.6125 per share)	—	—	(200)	(200)	—	(200)
Dividends to noncontrolling interests ($0.255 - $0.299 per share for preferred stock; $15.625 - $35.936 per share for preference stock)	—	—	—	—	(30)	(30)
Stock-based compensation	—	—	(18)	(18)	—	(18)
Noncash stock-based compensation	5	—	—	5	—	5
Balance at March 31, 2019	$ 2,550	$ (58)	$ 8,034	$ 10,526	$ 2,193	$ 12,719
Net income	—	—	392	392	30	422
Other comprehensive income	—	1	—	1	—	1
Common stock dividends declared ($0.6125 per share)	—	—	(200)	(200)	—	(200)
Dividends to noncontrolling interests ($0.255 - $0.299 per share for preferred stock; $15.625 - $35.936 per share for preference stock)	—	—	—	—	(30)	(30)
Stock-based compensation	—	—	(4)	(4)	—	(4)
Noncash stock-based compensation	5	—	—	5	—	5
Balance at June 30, 2019	$ 2,555	$ (57)	$ 8,222	$ 10,720	$ 2,193	$ 12,913
Net income	—	—	471	471	31	502
Other comprehensive income	—	2	—	2	—	2
Common stock issued, net of issuance cost	2,185	—	—	2,185	—	2,185
Common stock dividends declared ($0.6125 per share)	—	—	(219)	(219)	—	(219)
Dividends to noncontrolling interests ($0.255 - $0.299 per share for preferred stock; $15.625 - $35.936 per share for preference stock)	—	—	—	—	(31)	(31)
Stock-based compensation	—	—	(5)	(5)	—	(5)
Noncash stock-based compensation	6	—	—	6	—	6
Balance at September 30, 2019	$ 4,746	$ (55)	$ 8,469	$ 13,160	$ 2,193	$ 15,353

[1] Edison International recognized cumulative effect adjustments to the opening balance of retained earnings and accumulated other comprehensive loss on January 1, 2019 related to the adoption of the accounting standards updates on the reclassification of stranded tax effects resulting from Tax Reform. See Note 1 for further information.

The following table provides Edison International's changes in equity for the three and nine months ended September 30, 2018:

	Equity Attributable to Common Shareholders				Noncontrolling Interests		
(in millions, except per-share amounts)	Common Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Subtotal	Other	Preferred and Preference Stock	Total Equity
Balance at December 31, 2017	$ 2,526	$ (43)	$ 9,188	$ 11,671	$ 2	$ 2,193	$ 13,866
Net income (loss)	—	—	218	218	(3)	30	245
Other comprehensive income	—	2	—	2	—	—	2
Cumulative effect of accounting changes[1]	—	(5)	10	5	—	—	5
Common stock dividends declared ($0.6050 per share)	—	—	(197)	(197)	—	—	(197)
Dividends to noncontrolling interests ($0.255 - $0.299 per share for preferred stock; $15.625 - $35.936 per share for preference stock)	—	—	—	—	—	(30)	(30)
Stock-based compensation	—	—	(8)	(8)	—	—	(8)
Noncash stock-based compensation	5	—	—	5	—	—	5
Other	—	—	—	—	1	—	1
Balance at March 31, 2018	$ 2,531	$ (46)	$ 9,211	$ 11,696	$ —	$ 2,193	$ 13,889
Net income (loss)	—	—	276	276	(8)	30	298
Other comprehensive income	—	2	—	2	—	—	2
Contribution from tax equity investor	—	—	—	—	24	—	24
Common stock dividends declared ($0.6050 per share)	—	—	(197)	(197)	—	—	(197)
Dividends to noncontrolling interests ($0.255 - $0.299 per share for preferred stock; $15.625 - $35.936 per share for preference stock)	—	—	—	—	—	(30)	(30)
Stock-based compensation	—	—	(4)	(4)	—	—	(4)
Noncash stock-based compensation	6	—	—	6	—	—	6
Deconsolidation of SoCore Energy	—	—	—	—	(15)	—	(15)
Other	—	—	—	—	(1)	—	(1)
Balance at June 30, 2018	$ 2,537	$ (44)	$ 9,286	$ 11,779	$ —	$ 2,193	$ 13,972
Net income	—	—	513	513	—	31	544
Other comprehensive income	—	2	—	2	—	—	2
Common stock dividends declared ($0.6050 per share)	—	—	(197)	(197)	—	—	(197)
Dividends to noncontrolling interests ($0.255 - $0.299 per share for preferred stock; $15.625 - $35.936 per share for preference stock)	—	—	—	—	—	(31)	(31)
Stock-based compensation	—	—	(5)	(5)	—	—	(5)
Noncash stock-based compensation	4	—	—	4	—	—	4
Balance at September 30, 2018	$ 2,541	$ (42)	$ 9,597	$ 12,096	$ —	$ 2,193	$ 14,289

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

The following table provides SCE's changes in equity for the three and nine months ended September 30, 2019:

(in millions, except per-share amounts)	Preferred and Preference Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
Balance at December 31, 2018	$ 2,245	$ 2,168	$ 680	$ (23)	$ 8,715	$ 13,785
Net income	—	—	—	—	323	323
Other comprehensive income	—	—	—	1	—	1
Cumulative effect of accounting change[1]	—	—	—	(5)	5	—
Dividends declared on common stock ($0.4599 per share)	—	—	—	—	(200)	(200)
Dividends declared on preferred and preference stock ($0.255 - $0.299 per share for preferred stock; $15.625 - $35.936 per share for preference stock)	—	—	—	—	(30)	(30)
Stock-based compensation	—	—	—	—	(12)	(12)
Noncash stock-based compensation	—	—	3	—	—	3
Balance at March 31, 2019	$ 2,245	$ 2,168	$ 683	$ (27)	$ 8,801	$ 13,870
Net income	—	—	—	—	449	449
Other comprehensive income	—	—	—	1	—	1
Capital contribution from Edison International Parent	—	—	1,200	—	—	1,200
Dividends declared on preferred and preference stock ($0.255 - $0.299 per share for preferred stock; $15.625 - $35.936 per share for preference stock)	—	—	—	—	(30)	(30)
Stock-based compensation	—	—	—	—	(1)	(1)
Noncash stock-based compensation	—	—	3	—	—	3
Balance at June 30, 2019	$ 2,245	$ 2,168	$ 1,886	$ (26)	$ 9,219	$ 15,492
Net income	—	—	—	—	534	534
Other comprehensive income	—	—	—	1	—	1
Capital contribution from Edison International Parent	—	—	1,850	—	—	1,850
Dividends declared on common stock ($0.4599 per share)	—	—	—	—	(200)	(200)
Dividends declared on preferred and preference stock ($1.02 - $1.195 per share for preferred stock; $62.50 - $143.75 per share for preference stock)	—	—	—	—	(31)	(31)
Stock-based compensation	—	—	(2)	—	(2)	(4)
Noncash stock-based compensation	—	—	3	—	—	3
Balance at September 30, 2019	$ 2,245	$ 2,168	$ 3,737	$ (25)	$ 9,520	$ 17,645

1 SCE recognized a cumulative effect adjustment to the opening balance of retained earnings and accumulated other comprehensive loss on January 1, 2019 related to the adoption of the accounting standards update on the reclassification of stranded tax effects resulting from Tax Reform. See Note 1 for further information.

The following table provides SCE's changes in equity for the three and nine months ended September 30, 2018:

(in millions, except per-share amounts)	Preferred and Preference Stock	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Equity
Balance at December 31, 2017	$ 2,245	$ 2,168	$ 671	$ (19)	$ 9,607	$ 14,672
Net income	—	—	—	—	316	316
Other comprehensive income	—	—	—	2	—	2
Cumulative effect of accounting change[1]				(5)	5	—
Dividends declared on common stock ($0.4875 per share)	—	—	—	—	(212)	(212)
Dividends declared on preferred and preference stock ($0.255 - $0.299 per share for preferred stock; $15.625 - $35.936 per share for preference stock)	—	—	—	—	(30)	(30)
Stock-based compensation	—	—	—	—	(2)	(2)
Noncash stock-based compensation	—	—	2	—	—	2
Balance at March 31, 2018	$ 2,245	$ 2,168	$ 673	$ (22)	$ 9,684	$ 14,748
Net income	—	—	—	—	327	327
Other comprehensive income	—	—	—	1	—	1
Dividends declared on common stock ($0.2299 per share)	—	—	—	—	(100)	(100)
Dividends declared on preferred and preference stock ($0.255 - $0.299 per share for preferred stock; $15.625 - $35.936 per share for preference stock)	—	—	—	—	(30)	(30)
Stock-based compensation	—	—	—	—	(3)	(3)
Noncash stock-based compensation	—	—	3	—	—	3
Balance at June 30, 2018	$ 2,245	$ 2,168	$ 676	$ (21)	$ 9,878	$ 14,946
Net income	—	—	—	—	567	567
Other comprehensive income	—	—	—	1	—	1
Dividends declared on common stock ($0.6071 per share)	—	—	—	—	(264)	(264)
Dividends declared on preferred and preference stock ($0.255 - $0.299 per share for preferred stock; $15.625 - $35.936 per share for preference stock)	—	—	—	—	(31)	(31)
Stock-based compensation	—	—	—	—	(4)	(4)
Noncash stock-based compensation	—	—	2	—	—	2
Balance at September 30, 2018	$ 2,245	$ 2,168	$ 678	$ (20)	$ 10,146	$ 15,217

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

Note 3. Variable Interest Entities

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

Variable Interest in VIEs that are not Consolidated

Power Purchase Agreements

SCE has power purchase agreements ("PPAs") that are classified as variable interests in VIEs, including tolling agreements through which SCE provides the natural gas to fuel the plants, contracts with qualifying facilities ("QF") that contain variable pricing provisions based on the price of natural gas and renewable energy contracts through which SCE absorbs commodity price risk. 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 involvement with VIEs result from current amounts due under the PPAs. Under these contracts, SCE recovers the costs incurred through demonstration of compliance with its 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 12 of the 2018 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 4,894 MW and 3,602 MW at September 30, 2019 and 2018, respectively, and the amounts that SCE paid to these projects were $353 million and $328 million for the three months ended September 30, 2019 and 2018, respectively, and $628 million and $567 million for the nine months ended September 30, 2019 and 2018, respectively. These amounts are recoverable in customer rates, subject to reasonableness review.

Unconsolidated Trusts of SCE

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

The Series G, Series H, Series J, Series K, and Series L Preference Stock and the corresponding trust securities do not have a maturity date. Upon any redemption of any shares of the Series G, Series H, Series J, Series K, or Series L Preference Stock, a corresponding dollar amount of trust securities will be redeemed by the applicable trust. The applicable trust will make distributions at the same rate and on the same dates on the applicable series of trust securities if and when the SCE Board of Directors declares and makes dividend payments on the related Preference Stock. The applicable trust will use any dividends it receives on the related Preference Stock to make its corresponding distributions on the applicable series of trust securities. If SCE does not make a dividend payment to any of these trusts, SCE would be prohibited from paying dividends on its common stock. SCE has fully and unconditionally guaranteed the payment of the trust securities and trust distributions, if and when SCE pays dividends on the related Preference Stock.

The Trust II, Trust III, Trust IV, Trust V and Trust VI balance sheets as of September 30, 2019 and December 31, 2018, consisted of investments of $400 million, $275 million, $325 million, $300 million, and $475 million in the Series G, Series H, Series J, Series K and Series L Preference Stock, respectively, $400 million, $275 million, $325 million, $300 million, and $475 million of trust securities, respectively, and $10,000 each of common stock.

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

	Three months ended September 30,				
(in millions)	Trust II	Trust III	Trust IV	Trust V	Trust VI
2019					
Dividend income	$ 5	$ 4	$ 4	$ 4	$ 6
Dividend distributions	5	4	4	4	6
2018					
Dividend income	$ 5	$ 4	$ 4	$ 4	$ 6
Dividend distributions	5	4	4	4	6

	Nine months ended September 30,				
(in millions)	Trust II	Trust III	Trust IV	Trust V	Trust VI
2019					
Dividend income	$ 15	$ 12	$ 13	$ 12	$ 18
Dividend distributions	15	12	13	12	18
2018					
Dividend income	$ 15	$ 12	$ 13	$ 12	$ 18
Dividend distributions	15	12	13	12	18

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 September 30, 2019 and December 31, 2018, 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 an exchange (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 an income approach through various models and techniques that require significant unobservable inputs. This level includes derivative contracts that trade infrequently such as congestion revenue rights ("CRRs"). Edison International Parent and Other does not have any Level 3 assets and liabilities.

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

SCE

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

	September 30, 2019				
(in millions)	Level 1	Level 2	Level 3	Netting and Collateral[1]	Total
Assets at fair value					
Derivative contracts	$ —	$ 10	$ 70	$ (16)	$ 64
Money market fund and other	50	14	—	—	64
Nuclear decommissioning trusts:					
Stocks[2]	1,619	—	—	—	1,619
Fixed Income[3]	873	1,967	—	—	2,840
Short-term investments, primarily cash equivalents	107	50	—	—	157
Subtotal of nuclear decommissioning trusts[4]	2,599	2,017	—	—	4,616
Total assets	2,649	2,041	70	(16)	4,744
Liabilities at fair value					
Derivative contracts	—	17	7	(24)	—
Total liabilities	—	17	7	(24)	—
Net assets	$ 2,649	$ 2,024	$ 63	$ 8	$ 4,744

(in millions)	December 31, 2018 Level 1	Level 2	Level 3	Netting and Collateral[1]	Total
Assets at fair value					
Derivative contracts	$ —	$ 32	$ 141	$ —	$ 173
Other	9	21	—	—	30
Nuclear decommissioning trusts:					
Stocks[2]	1,382	—	—	—	1,382
Fixed Income[3]	1,001	1,665	—	—	2,666
Short-term investments, primarily cash equivalents	120	95	—	—	215
Subtotal of nuclear decommissioning trusts[4]	2,503	1,760	—	—	4,263
Total assets	2,512	1,813	141	—	4,466
Liabilities at fair value					
Derivative contracts	—	13	—	(7)	6
Total liabilities	—	13	—	(7)	6
Net assets	$ 2,512	$ 1,800	$ 141	$ 7	$ 4,460

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

2 Approximately 72% and 71% of SCE's equity investments were in companies located in the United States at September 30, 2019 and December 31, 2018, respectively.

3 Includes corporate bonds, which were diversified by the inclusion of collateralized mortgage obligations and other asset backed securities of $64 million and $67 million at September 30, 2019 and December 31, 2018, respectively.

4 Excludes net payables of $137 million and $143 million at September 30, 2019 and December 31, 2018, 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 $452 million and $115 million at September 30, 2019 and December 31, 2018, respectively, classified as Level 1.

SCE Fair Value of Level 3

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

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2019	2018	2019	2018
Fair value of net assets at beginning of period	$ 63	$ 52	$ 141	$ 101
Total realized/unrealized losses[1]	—	(21)	(78)	(70)
Fair value of net assets at end of period[2]	$ 63	$ 31	$ 63	$ 31
Change during the period in unrealized gains and losses related to assets and liabilities held at the end of the period	$ 30	$ 7	$ 27	$ 7

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

2 There were no material transfers into or out of Level 3 during 2019 and 2018.

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)			Significant	Range
	Assets	Liabilities	Valuation Technique(s)	Unobservable Input	(Weighted Average)
Congestion revenue rights					
September 30, 2019	$ 70	$ 7	Auction prices	CAISO CRR auction prices	$(3.33) - $11.58 ($0.96)
December 31, 2018	141	—	Auction prices	CAISO CRR auction prices	$(7.41) - $41.52 ($1.62)

Level 3 Fair Value Uncertainty

For CRRs, increases or decreases in CAISO auction prices would result in higher or lower fair value as of September 30, 2019, respectively.

Nuclear Decommissioning Trusts

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

Fair Value of Debt Recorded at Carrying Value

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

	September 30, 2019		December 31, 2018	
(in millions)	Carrying Value[1]	Fair Value[2]	Carrying Value[1]	Fair Value[2]
Edison International	$ 17,545	$ 19,514	$ 14,711	$ 14,844
SCE	15,208	17,081	12,971	13,180

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

[2] The fair value of Edison International's and SCE's short-term and long-term debt is classified as Level 2.

Note 5. Debt and Equity Financing

Long-Term Debt

During the first quarter of 2019, SCE issued $500 million of 4.20% first and refunding mortgage bonds due in 2029 and $600 million of 4.875% first and refunding mortgage bonds due in 2049. The proceeds were used to repay commercial paper borrowings and for general corporate purposes.

During the second quarter of 2019, Edison International Parent issued $600 million of 5.75% senior notes due June 15, 2027. Of the proceeds of the senior note offering, $450 million was contributed to SCE with the remainder used for general corporate and working capital purposes.

In August 2019, SCE issued $400 million of 2.85% first and refunding mortgage bonds due in 2029 and $800 million of 4.00% first and refunding mortgage bonds due in 2047. The proceeds, along with proceeds from the equity issuance described below, were used to make SCE's initial contribution to the Wildfire Insurance Fund of $2.4 billion in September 2019. For further information, see "— Equity".

Credit Agreements and Short-Term Debt

In February 2019, SCE borrowed $750 million under a Term Loan Agreement due in February 2020, with a variable interest rate based on the London Interbank Offered Rate plus 70 basis points. The proceeds were used to repay SCE's commercial paper borrowings and for general corporate purposes.

In April 2019, Edison International Parent borrowed $1.0 billion under a Term Loan Agreement due in April 2020, with a variable interest rate based on the London Interbank Offered Rate plus 90 basis points. Of the proceeds of the term loan, $750 million was contributed to SCE with the remainder used for general corporate and working capital purposes. SCE used the $750 million contribution to repay its February 2019 Term Loan discussed above.

In June 2019, SCE and Edison International Parent amended the maturity date of their multi-year revolving credit facilities of $3.0 billion and $1.5 billion, respectively. The facilities now mature in May 2024, with an option to extend for an additional year, which may be exercised upon agreement between SCE or Edison International Parent and their respective lenders. 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 September 30, 2019, SCE had no outstanding commercial paper. At September 30, 2019, letters of credit issued under SCE's credit facility aggregated $222 million, substantially all of which are scheduled to expire in twelve months or less. At December 31, 2018, the outstanding commercial paper, net of discount, was $720 million at a weighted-average interest rate of 3.23%.

Edison International Parent had no outstanding commercial paper at both September 30, 2019 and December 31, 2018.

Equity

In May 2019, Edison International filed a prospectus supplement and executed several distribution agreements with certain sales agents to establish an "at-the-market" ("ATM") program under which it may sell shares of its common stock having an aggregate sales price of up to $1.5 billion. As of September 30, 2019, no sales had occurred and Edison International has no obligation to sell the shares available under the ATM program.

In June 2019, SCE received a $450 million capital contribution from Edison International Parent to repay commercial paper borrowings and for general corporate purposes.

In July 2019, Edison International issued approximately $2.2 billion of common stock in an underwritten offering. Of the proceeds, $1.2 billion was contributed to SCE, which SCE used, along with the long-term debt issuance described above, to make its $2.4 billion initial contribution to the Wildfire Insurance Fund in September 2019. In August 2019 and September 2019, SCE received capital contributions of $200 million and $450 million, respectively, for general corporate purposes. The remaining $350 million will be used for general corporate purposes. For further information, see "— Long-Term Debt".

Note 6. Derivative Instruments

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

Commodity Price Risk

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

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

Certain power and gas 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. As of September 30, 2019, SCE did not have a net fair value liability of derivatives with credit-risk-related contingent features, as such, SCE had no collateral posted to its counterparties. As of December 31, 2018, the net fair value of all derivative liabilities with these credit-risk-related contingent features was $4 million, for which SCE posted $17 million collateral to its counterparties for its derivative liabilities and related outstanding payables. If the credit-risk-related contingent features underlying these agreements were triggered on September 30, 2019, SCE would be required to post $1 million of collateral.

Fair Value of Derivative Instruments

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

	September 30, 2019						
	Derivative Assets			Derivative Liabilities			Net
(in millions)	Short-Term	Long-Term[1]	Subtotal	Short-Term[2]	Long-Term	Subtotal	Assets
Commodity derivative contracts							
Gross amounts recognized	$ 63	$ 17	$ 80	$ 22	$ 2	$ 24	$ 56
Gross amounts offset in the consolidated balance sheets	(14)	(2)	(16)	(14)	(2)	(16)	—
Cash collateral posted[3]	—	—	—	(8)	—	(8)	8
Net amounts presented in the consolidated balance sheets	$ 49	$ 15	$ 64	$ —	$ —	$ —	$ 64

	December 31, 2018						
	Derivative Assets			Derivative Liabilities			Net Assets
(in millions)	Short-Term	Long-Term[1]	Subtotal	Short-Term[2]	Long-Term	Subtotal	
Commodity derivative contracts							
Gross amounts recognized	$ 171	$ 2	$ 173	$ 13	$ —	$ 13	$ 160
Gross amounts offset in the consolidated balance sheets	—	—	—	—	—	—	—
Cash collateral posted[3]	—	—	—	(7)	—	(7)	7
Net amounts presented in the consolidated balance sheets	$ 171	$ 2	$ 173	$ 6	$ —	$ 6	$ 167

[1] Included in "Other long-term assets" on Edison International's and SCE's consolidated balance sheets.

[2] Included in "Other current liabilities" on Edison International's and SCE's consolidated balance sheets.

[3] At September 30, 2019, SCE posted $36 million of cash, of which $8 million was offset against net derivative liabilities and $28 million was reflected in "Other current assets" on the consolidated balance sheets. As December 31, 3018, SCE posted $7 million of cash, of which was offset against net derivative 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 reported in cash flows from operating activities in the consolidated statements of cash flows.

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

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2019	2018	2019	2018
Realized (losses) gains	$ (47)	$ 23	$ (17)	$ 3
Unrealized gains (losses)	24	(9)	(104)	(35)

Notional Volumes of Derivative Instruments

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

		Economic Hedges	
Commodity	Unit of Measure	September 30, 2019	December 31, 2018
Electricity options, swaps and forwards	GWh	5,015	2,786
Natural gas options, swaps and forwards	Bcf	21	20
Congestion revenue rights	GWh	54,365	54,453

Note 7. Revenue

SCE's revenue is disaggregated by two revenue sources:

- Earning activities – representing revenue authorized by the CPUC and FERC, which is intended to provide SCE a reasonable opportunity to recover its costs and earn a return on its net investment in generation, transmission, and distribution assets. The annual revenue requirements are comprised of authorized operation and maintenance costs, depreciation, taxes, and a return consistent with the capital structure. Also, included in earnings activities are revenue 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 revenue:

	Three months ended September 30, 2019			Three months ended September 30, 2018		
(in millions)	Earning Activities	Cost-Recovery Activities	Total Consolidated	Earning Activities	Cost-Recovery Activities	Total Consolidated
Revenues from contracts with customers[1,2,3]	$ 1,862	$ 2,022	$ 3,884	$ 1,851	$ 2,255	$ 4,106
Alternative revenue programs and other operating revenue[4]	$ (30)	$ (122)	$ (152)	$ (74)	$ 228	$ 154
Total operating revenue	$ 1,832	$ 1,900	$ 3,732	$ 1,777	$ 2,483	$ 4,260

	Nine months ended September 30, 2019			Nine months ended September 30, 2018		
(in millions)	Earning Activities	Cost-Recovery Activities	Total Consolidated	Earning Activities	Cost-Recovery Activities	Total Consolidated
Revenues from contracts with customers[1,2,3]	$ 4,896	$ 3,746	$ 8,642	$ 4,921	$ 4,593	$ 9,514
Alternative revenue programs and other operating revenue[4]	$ 23	$ 683	$ 706	$ (96)	$ 199	$ 103
Total operating revenue	$ 4,919	$ 4,429	$ 9,348	$ 4,825	$ 4,792	$ 9,617

1 In the absence of a 2018 GRC decision, SCE recognized CPUC revenue in 2018 and the three months ended March 31, 2019 based on the 2017 authorized revenue requirement adjusted mainly for the July 2017 cost of capital decision and Tax Reform. SCE recorded the impact of the 2018 GRC final decision in the second quarter of 2019, including a $265 million reduction in revenue. The 2018 GRC final decision results in 2018 and 2019 base rate revenue requirements of $5.116 billion and $5.451 billion, respectively. For further information, see Note 1.

2 At September 30, 2019 and December 31, 2018, SCE's receivables related to contracts from customers were $1.5 billion and $1.1 billion, respectively, which include accrued unbilled revenue of $638 million and $482 million, respectively.

3 Includes SCE's franchise fees billed to customers of $42 million and $48 million for the three months ended September 30, 2019 and 2018, respectively, and $95 million and $104 million for the nine months ended September 30, 2019 and 2018, respectively.

4 Includes differences between amounts billed and authorized levels for both CPUC and FERC.

Note 8. Income Taxes

Effective Tax Rate

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

(in millions)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Edison International:				
Income from operations before income taxes	$ 480	$ 627	$ 1,020	$ 1,127
Provision for income tax at federal statutory rate of 21%	101	132	214	237
Increase in income tax from:				
State tax, net of federal benefit	5	26	—	21
Property-related	(124)	(76)	(267)	(214)
Change related to uncertain tax positions	—	1	—	1
Share-based compensation	(1)	(1)	(3)	(1)
2018 GRC Final Decision	—	—	(80)	—
Deferred tax re-measurement[1]	—	—	(69)	—
Other	(3)	1	(7)	(1)
Total income tax benefit	$ (22)	$ 83	$ (212)	$ 43
Effective tax rate	(4.6)%	13.2%	(20.8)%	3.8%
SCE:				
Income from operations before income taxes	$ 524	$ 653	$ 1,123	$ 1,288
Provision for income tax at federal statutory rate of 21%	110	137	236	270
Increase in income tax from:				
State tax, net of federal benefit	8	29	6	33
Property-related[2]	(124)	(76)	(267)	(214)
Change related to uncertain tax positions	—	(1)	—	(2)
Share-based compensation	—	(1)	(2)	(1)
2018 GRC Final Decision	—	—	(80)	—
Deferred tax re-measurement[1]	—	—	(69)	—
Other	(4)	(2)	(7)	(8)
Total income tax benefit	$ (10)	$ 86	$ (183)	$ 78
Effective tax rate	(1.9)%	13.2%	(16.3)%	6.1%

[1] Relates to changes in the allocation of deferred tax re-measurement between customers and shareholders as a result of a CPUC resolution issued in February 2019. The resolution determined that customers are only entitled to excess deferred taxes which were included when setting rates, while other deferred tax re-measurement belongs to the shareholders.

[2] In the third quarter of 2019, SCE recorded incremental tax benefits, primarily related to FERC settlement and prior year tax return true up.

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. For further information, see Note 11.

2018 GRC Final Decision

During the second quarter of 2019, SCE recorded a tax benefit of $80 million related to the adoption of the 2018 GRC final decision mainly related to tax benefits on property-related items. This change results primarily from an updated estimate in the amount of excess deferred taxes returned to ratepayers for the year 2018.

Tax Disputes

Tax years that remain open for examination by the Internal Revenue Service ("IRS") and the California Franchise Tax Board are 2016 – 2018 and 2010 – 2017, respectively. Edison International has settled all open tax positions with the IRS for taxable years prior to 2013.

In the fourth quarter of 2018, Edison International recorded the impacts of a settlement reached with the California Franchise Tax Board for tax years 1994 – 2006 that resulted in a $65 million refund of tax and interest. This refund was received in the second quarter of 2019. Tax years 2007 – 2009 are currently under protest with the California Franchise Tax Board.

Note 9. Compensation and Benefit Plans

Pension Plans

Net periodic pension expense components are:

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2019	2018	2019	2018
Edison International:				
Service cost	$ 31	$ 32	$ 95	$ 96
Non-service cost (benefit)				
Interest cost	38	35	116	105
Expected return on plan assets	(52)	(56)	(156)	(169)
Amortization of prior service cost	—	1	1	2
Amortization of net loss[1]	2	2	6	6
Regulatory adjustment	(4)	2	(12)	7
Total non-service benefit[2]	$ (16)	$ (16)	$ (45)	$ (49)
Total expense recognized	$ 15	$ 16	$ 50	$ 47
SCE:				
Service cost	$ 31	$ 31	$ 93	$ 93
Non-service cost (benefit)				
Interest cost	35	32	106	96
Expected return on plan assets	(48)	(52)	(146)	(159)
Amortization of prior service cost	—	1	1	2
Amortization of net loss[1]	1	1	4	4
Regulatory adjustment	(4)	2	(12)	7
Total non-service benefit[2]	$ (16)	$ (16)	$ (47)	$ (50)
Total expense recognized	$ 15	$ 15	$ 46	$ 43

[1] Includes the amount of net loss reclassified from other comprehensive loss. The amount reclassified for Edison International and SCE was $2 million and $2 million, respectively, for the three months ended September 30, 2019, and $6 million and $5 million, respectively, for the nine months ended September 30, 2019. The amount reclassified for Edison International and SCE was $2 million and $1 million, respectively, for the three months ended September 30, 2018, and $6 million and $4 million, respectively, for the nine months ended September 30, 2018.

[2] Included in "Other income and (expense)" on Edison International's and SCE's consolidated statement of income.

Postretirement Benefits Other Than Pensions ("PBOP")

Net periodic PBOP expense components for Edison International and SCE are:

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2019	2018	2019	2018
Service cost	$ 8	$ 10	$ 24	$ 29
Non-service cost (benefit)				
Interest cost	21	21	63	63
Expected return on plan assets	(28)	(31)	(84)	(91)
Amortization of prior service cost	(1)	—	(1)	(1)
Amortization of net gain	—	—	(2)	—
Regulatory adjustment	5	—	17	—
Total non-service benefit[1]	$ (3)	$ (10)	$ (7)	$ (29)
Total expense	$ 5	$ —	$ 17	$ —

[1] Included in "Other income and (expense)" on Edison International's and SCE's consolidated statement of income.

Note 10. Investments

Nuclear Decommissioning Trusts

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

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

		Amortized Cost		Fair Value	
(in millions)	Longest Maturity Dates	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Stocks	—	*	*	$ 1,619	$ 1,381
Municipal bonds	2057	$ 692	$ 665	847	767
U.S. government and agency securities	2067	1,113	1,193	1,272	1,288
Corporate bonds	2068	640	573	721	611
Short-term investments and receivables/payables[1]	One-year	19	70	20	73
Total		$ 2,464	$ 2,501	$ 4,479	$ 4,120

* Equity investments are measured at fair value.

[1] Short-term investments include $36 million and $71 million of repurchase agreements payable by financial institutions which earn interest, are fully secured by U.S. Treasury securities and mature by October 1, 2019 and January 2, 2019 as of September 30, 2019 and December 31, 2018, 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 $1.7 billion and $1.4 billion at September 30, 2019 and December 31, 2018, respectively, and other-than-temporary impairments of $159 million and $170 million at the respective periods.

Trust assets are used to pay income taxes arising from trust investing activity. Deferred tax liabilities related to net unrealized gains were $432 million and $323 million at September 30, 2019 and December 31, 2018, respectively. Accordingly, the fair value of trust assets available to pay future decommissioning costs, net of deferred income taxes, totaled $4.0 billion and $3.8 billion at September 30, 2019 and December 31, 2018, respectively.

The following table summarizes the gains and (losses) for the trust investments:

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2019	2018	2019	2018
Gross realized gains	$ 19	$ 28	$ 64	$ 115
Gross realized loss	(1)	(7)	(1)	(17)
Net unrealized gains for equity securities	3	72	209	4

Due to regulatory mechanisms, changes in assets of the trusts from income or loss items have no impact on operating revenue or earnings.

Note 11. Regulatory Assets and Liabilities

Regulatory Assets

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

(in millions)	September 30, 2019	December 31, 2018
Current:		
Regulatory balancing accounts	$ 823	$ 814
Power contracts	275	305
Other	22	14
Total current	1,120	1,133
Long-term:		
Deferred income taxes, net of liabilities	3,950	3,589
Pensions and other postretirement benefits	281	271
Power contracts	465	700
Unamortized investments, net of accumulated amortization	117	118
Unamortized loss on reacquired debt	145	153
Regulatory balancing accounts	550	360
Environmental remediation	132	134
Other	91	55
Total long-term	5,731	5,380
Total regulatory assets	$ 6,851	$ 6,513

Regulatory Liabilities

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

(in millions)		September 30, 2019		December 31, 2018
Current:				
Regulatory balancing accounts	$	957	$	1,080
Energy derivatives		41		158
2018 GRC[1]		—		274
Other		12		20
Total current		1,010		1,532
Long-term:				
Cost of removal		2,721		2,769
Re-measurement of deferred taxes[2]		2,474		2,776
Recoveries in excess of ARO liabilities[3]		1,494		1,130
Regulatory balancing accounts		1,490		1,344
Other postretirement benefits		198		185
Other		167		125
Total long-term		8,544		8,329
Total regulatory liabilities	$	9,554	$	9,861

1 During 2018, SCE recorded CPUC revenue based on the 2017 authorized revenue requirement adjusted for the July 2017 cost of capital decision and Tax Reform pending the outcome of the 2018 GRC. SCE recorded regulatory liabilities associated with these adjustments. In May 2019, these regulatory liabilities were reversed due to the adoption of 2018 GRC final decision. For further information, see Note 1.

2 SCE decreased its regulatory liability and recorded an income tax benefit of $69 million during the first nine months of 2019 related to changes in the allocation of deferred tax re-measurement between customers and shareholders. For further information, see Note 8.

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

Net Regulatory Balancing and Memorandum Accounts

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

(in millions)	September 30, 2019	December 31, 2018
Asset (liability)		
Energy resource recovery account	$ 205	$ 815
Portfolio allocation balancing account[1]	341	—
New system generation balancing account	102	(74)
Public purpose programs and energy efficiency programs	(1,260)	(1,200)
Tax accounting memorandum account and pole loading balancing account[2]	(18)	28
Base revenue requirement balancing account[3]	(595)	(628)
DOE litigation memorandum account	(70)	(69)
Greenhouse gas auction revenue and low carbon fuel standard revenue	(222)	(81)
FERC balancing accounts	(96)	(180)
Wildfire-related memorandum accounts[4]	506	272
Other	33	(133)
Liability	$ (1,074)	$ (1,250)

1 In May 2019, the CPUC approved a portfolio allocation balancing account to determine and pro-ratably recover from responsible bundled service and departing load customers the "above-market" costs of all generation resources that are eligible for cost recovery.

2 The 2018 GRC final decision approved changes to expand the use of the two-way TAMA. The expanded TAMA will track revenue differences resulting from changes in income tax expense caused by net revenue changes, mandatory or elective tax law changes, tax accounting changes, tax procedural changes, or tax policy changes during the 2018 GRC period.

3 The base revenue requirement balancing account at September 30, 2019 includes recovery of $107 million of premiums related to a 12-month, $300 million wildfire insurance policy purchased in December 2017.

4 The wildfire-related memorandum accounts represent wildfire-related costs that are probable of future recovery from customers, subject to a reasonableness review. The Catastrophic Event Memorandum Account ("CEMA") is used to track the costs related to restoring service and damage repair, upon declaration of disasters by state or federal authorities. In December 2018, the CPUC approved the establishment of the Wildfire Expense Memorandum Account ("WEMA") to track incremental wildfire insurance costs and uninsured wildfire-related claims costs. In March 2019, the CPUC approved a fire risk mitigation memorandum account to track costs related to the reduction of fire risk that are incremental to the amount in SCE's revenue requirement. In June 2019, the CPUC approved a wildfire mitigation plan memorandum account to track costs incurred to implement SCE's Wildfire Mitigation Plan that are not currently reflected in revenue requirements.

Note 12. Commitments and Contingencies

Indemnities

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

Edison International and SCE have agreed to provide 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 agreed to indemnify 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. As of September 30, 2019, there has been no groundwater contamination identified. Thus, SCE has not recorded a liability related to this indemnity.

Contingencies

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

Southern California Wildfires and Mudslides

Multiple factors have contributed to increased wildfire activity, faster progression of and increased damage from wildfires across SCE's service territory and throughout California. These include the buildup of dry vegetation in areas severely impacted by years of historic drought, lack of adequate clearing of hazardous fuels by responsible parties, higher temperatures, lower humidity, and strong Santa Ana winds. At the same time that wildfire risk has been increasing in Southern California, residential and commercial development has occurred and is occurring in some of the highest-risk areas. Such factors can increase the likelihood and extent of wildfires. SCE has determined that approximately 27% of its service territory is in areas identified as high fire risk.

In December 2017 and November 2018, wind-driven wildfires impacted portions of SCE's service territory, causing substantial damage to both residential and business properties and service outages for SCE customers. The investigating government agencies, the Ventura County Fire Department ("VCFD") and California Department of Forestry and Fire Protection ("CAL FIRE"), have determined that the largest of the 2017 fires originated on December 4, 2017, in the Anlauf Canyon area of Ventura County (the investigating agencies refer to this fire as the "Thomas Fire"), followed shortly thereafter by a second fire that originated near Koenigstein Road in the City of Santa Paula (the "Koenigstein Fire"). While the progression of these two fires remains under review, the December 4, 2017 fires eventually burned substantial acreage in both Ventura and Santa Barbara Counties. According to CAL FIRE, the Thomas and Koenigstein Fires, collectively, burned over 280,000 acres, destroyed or damaged an estimated 1,343 structures and resulted in two confirmed fatalities. The largest of the November 2018 fires, known as the "Woolsey Fire", originated in Ventura County and burned acreage in both Ventura and Los Angeles Counties. According to CAL FIRE, the Woolsey Fire burned almost 100,000 acres, destroyed an estimated 1,643 structures, damaged an estimated 364 structures and resulted in three confirmed fatalities. Two additional fatalities have been associated with the Woolsey Fire.

As described below, multiple lawsuits related to the Thomas and Koenigstein Fires and the Woolsey Fire have been initiated against SCE and Edison International. Some of the Thomas and Koenigstein Fires lawsuits claim that SCE and Edison International have responsibility for the damages caused by mudslides and flooding in Montecito and surrounding areas in January 2018 (the "Montecito Mudslides") based on a theory alleging that SCE has responsibility for the Thomas and/or Koenigstein Fires and that the Thomas and/or Koenigstein Fires proximately caused the Montecito Mudslides. According to Santa Barbara County initial reports, the Montecito Mudslides destroyed an estimated 135 structures, damaged an estimated 324 structures, and resulted in 21 confirmed fatalities, with two additional fatalities presumed.

In October 2019, a wind-driven fire known as the "Saddle Ridge Fire" originated in Los Angeles California and caused significant damage in Los Angeles County. According to the Los Angeles Fire Department (“LAFD”), the Saddle Ridge Fire has burned approximately 9,000 acres, destroyed an estimated 19 structures, damaged an estimated 88 structures, and resulted in one fatality. An investigation into the cause of the Saddle Ridge Fire is being led by the LAFD, and LAFD investigators have identified the area of origin of the Saddle Ridge Fire as a 50 by 70 foot area beneath an SCE high voltage transmission tower. The SED is also conducting an investigation of the Saddle Ridge Fire. SCE reported to the CPUC that SCE facilities were impacted close-in-time to the reported time of the fire on October 10, 2019. Given the preliminary stage of SCE’s review into the Saddle Ridge Fire, SCE is unable at this time to determine if it will incur a material loss as a result of the fire.

Liability Overview

The extent of liability for wildfire-related damages in actions against utilities depends on a number of factors, including whether SCE substantially caused or contributed to the damages and whether parties seeking recovery of damages will be required to show negligence in addition to causation. California courts have previously found utilities to be strictly liable for property damage along with associated interest and attorneys' fees, regardless of fault, by applying the theory of inverse condemnation when a utility's facilities were determined to be a substantial cause of a wildfire that caused the property damage. If inverse condemnation is held to be inapplicable to SCE in connection with a wildfire, SCE still could be held liable for property damages and associated interest if the property damages were found to have been proximately caused by SCE's negligence. If SCE were to be found negligent, SCE could also be held liable for, among other things, fire suppression costs, business interruption losses, evacuation costs, clean-up costs, medical expenses, and personal injury/wrongful death claims. Additionally, SCE could potentially be subject to fines for alleged violations of CPUC rules and state laws in connection with the ignition of a wildfire.

Final determinations of liability for the Thomas Fire, the Koenigstein Fire, the Montecito Mudslides and the Woolsey Fire (each a "2017/2018 Wildfire/Mudslide Event," and, collectively, the "2017/2018 Wildfire/Mudslide Events"), including determinations of whether SCE was negligent, would only be made during lengthy and complex litigation processes. Even when investigations are still pending or liability is disputed, an assessment of likely outcomes, including through future settlement of disputed claims, may require a liability to be accrued under accounting standards. Based on information available to SCE and consideration of the risks associated with litigation, Edison International and SCE expect to incur a material loss in connection with the 2017/2018 Wildfire/Mudslide Events and have accrued a liability of $4.7 billion in the fourth quarter of 2018. In the fourth quarter of 2018, Edison International and SCE also recorded expected recoveries from insurance of $2.0 billion and expected recoveries through FERC electric rates of $135 million. The net charge to earnings recorded in the fourth quarter of 2018 was $1.8 billion after-tax. The liability that was accrued corresponds to the lower end of the reasonably estimated range of expected potential losses that may be incurred in connection with the 2017/2018 Wildfire/Mudslide Events and is subject to change as additional information becomes available. Edison International and SCE will seek to offset any actual losses realized with recoveries from insurance policies in place at the time of the events and, to the extent actual losses exceed insurance, through electric rates. The CPUC and FERC may not allow SCE to recover uninsured losses through electric rates if it is determined that such losses were not reasonably or prudently incurred. See "—Loss Estimates for Third Party Claims and Potential Recoveries from Insurance and through Electric Rates" for additional information.

External Investigations and Internal Review

The VCFD and CAL FIRE have issued reports concerning their findings regarding the causes of the Thomas Fire and the Koenigstein Fire. The reports did not address the causes of the Montecito Mudslides. SCE has also received a non-final redacted draft of a report from the VCFD regarding Woolsey Fire (the "Redacted Woolsey Report"). SCE received the Redacted Woolsey Report subject to a protective order in the litigation related to the Woolsey fire and, other than the information disclosed in this Form 10-Q, is not authorized to release the report or its contents to the public at this time. The VCFD and CAL FIRE findings do not determine legal causation of or assign legal liability for the Thomas, Koenigstein or Woolsey Fires; final determinations of legal causation and liability would only be made during lengthy and complex litigation.

The CPUC's Safety Enforcement Division ("SED") is also conducting investigations to assess SCE's compliance with applicable rules and regulations in areas impacted by the Thomas, Koenigstein and Woolsey Fires. SCE cannot predict when the SED's investigations will be completed.

Edison International and SCE are aware of separate ongoing investigations by the California Attorney General's Office of the Thomas Fire and the Woolsey Fire for the purpose of determining whether any criminal violations have occurred. SCE could be subject to material fines, penalties, or restitution if it is determined that it failed to comply with applicable laws and regulations. SCE is not aware of any basis for felony liability with regards to the Thomas Fire, the Koenigstein Fire or the Woolsey Fire.

SCE's internal review into the facts and circumstances of each of the 2017/2018 Wildfire/Mudslide Events is complex and time consuming. SCE expects to obtain and review additional information and materials in the possession of third parties during the course of its internal reviews and the litigation processes.

Thomas Fire

On March 13, 2019, the VCFD and CAL FIRE issued a report concluding, after ruling out other possible causes, that the Thomas Fire was started by SCE power lines coming into contact during high winds, resulting in molten metal falling to the ground. However, the report does not state that molten metal was found on the ground in that location during their investigation. At this time, based on available information, SCE has not determined whether its equipment caused the Thomas Fire. Based on publicly available radar data showing a smoke plume in the Anlauf Canyon area emerging in advance of the report's indicated start time, SCE believes that the Thomas Fire started at least 12 minutes prior to any issue involving SCE's system and at least 15 minutes prior to the start time indicated in the report. SCE is continuing to assess the progression of the Thomas Fire and the extent of damages that may be attributable to that fire.

Koenigstein Fire

On March 20, 2019, the VCFD and CAL FIRE issued a report finding that the Koenigstein Fire was caused when an energized SCE electrical wire separated and fell to the ground along with molten metal particles and ignited the dry vegetation below. As previously disclosed, SCE believes that its equipment was associated with the ignition of the Koenigstein Fire. SCE is continuing to assess the progression of the Koenigstein Fire and the extent of damages that may be attributable to that fire.

Montecito Mudslides

SCE's internal review includes inquiry into whether the Thomas and/or Koenigstein Fires proximately caused or contributed to the Montecito Mudslides, whether, and to what extent, the Thomas and/or Koenigstein Fires were responsible for the damages in the Montecito area and other factors that potentially contributed to the losses that resulted from the Montecito Mudslides. Many other factors, including, but not limited to, weather conditions and insufficiently or improperly designed and maintained debris basins, roads, bridges and other channel crossings, could have proximately caused, contributed to or exacerbated the losses that resulted from the Montecito Mudslides.

At this time, based on available information, SCE has not been able to determine whether the Thomas Fire or the Koenigstein Fire, or both, were responsible for the damages in the Montecito area. In the event that SCE is determined to have caused the fire that spread to the Montecito area, SCE cannot predict whether, if fully litigated, the courts would conclude that the Montecito Mudslides were caused or contributed to by the Thomas and/or Koenigstein Fires or that SCE would be liable for some or all of the damages caused by the Montecito Mudslides.

Woolsey Fire

SCE's internal review into the facts and circumstances of the Woolsey Fire is ongoing. SCE has reported to the CPUC that there was an outage on SCE's electric system in the vicinity of where the Woolsey Fire reportedly began on November 8, 2018. SCE is aware of witnesses who saw fire in the vicinity of SCE's equipment at the time the fire was first reported. While SCE did not find evidence of downed electrical wires on the ground in the suspected area of origin, it observed a pole support wire in proximity to an electrical wire that was energized prior to the outage.

The Redacted Woolsey Report states that the VCFD investigation team determined that electrical equipment owned and operated by SCE was the cause of the Woolsey Fire. Absent additional evidence, SCE believes that it is likely that its equipment was associated with the ignition of the Woolsey Fire. SCE expects to obtain and review additional information and materials in the possession of CAL FIRE and others during the course of its internal review and the Woolsey Fire litigation process, including SCE equipment that has been retained by CAL FIRE.

Wildfire-related Litigation

Multiple lawsuits related to the 2017/2018 Wildfire/Mudslide Events naming SCE as a defendant have been filed. A number of the lawsuits also name Edison International as a defendant and some of the lawsuits were filed as purported class actions. The lawsuits, which have been filed in the superior courts of Ventura, Santa Barbara and Los Angeles Counties in the case of the Thomas and Koenigstein Fires and the Montecito Mudslides, and in Ventura and Los Angeles Counties in the case of the Woolsey Fire, allege, among other things, negligence, inverse condemnation, trespass, private nuisance, personal injury, wrongful death, and violations of the California Public Utilities and Health and Safety Codes. SCE expects to be the subject of additional lawsuits related to the 2017/2018 Wildfire/Mudslide Events. The litigation could take a number of years to be resolved because of the complexity of the matters and number of plaintiffs.

The Thomas and Koenigstein Fires and Montecito Mudslides lawsuits are being coordinated in the Los Angeles Superior Court. The Woolsey Fire lawsuits have also been coordinated in the Los Angeles Superior Court. On October 4, 2018, the Superior Court denied Edison International's and SCE's challenge to the application of inverse condemnation to SCE with respect to the Thomas and Koenigstein Fires and, on February 26, 2019, the California Supreme Court denied SCE's petition to review the Superior Court's decision. In January 2019, SCE filed a cross-complaint against certain governmental entities alleging that failures by these entities, such as failure to adequately plan for flood hazards and build and maintain adequate debris basins, roads, bridges and other channel crossings, among other things, caused, contributed to or exacerbated the losses that resulted from the Montecito Mudslides.

Additionally, in July 2018 and September 2018, two separate derivative lawsuits for breach of fiduciary duties and unjust enrichment were filed in the Los Angeles Superior Court against certain current and former members of the Boards of Directors of Edison International and SCE. Edison International and SCE are identified as nominal defendants in those actions. The derivative lawsuits generally allege that the individual defendants violated their fiduciary duties by causing or allowing SCE to operate in an unsafe manner in violation of relevant regulations, resulting in substantial liability and damage from the Thomas and Koenigstein Fires and the Montecito Mudslides. The July 2018 lawsuit has been dismissed at plaintiff's request and the September 2018 lawsuit is currently stayed.

In November 2018, a purported class action lawsuit alleging securities fraud and related claims was filed in federal court against Edison International, SCE and certain current and former officers of Edison International and SCE. The plaintiff alleges that Edison International and SCE made false and/or misleading statements in filings with the Securities and Exchange Commission by failing to disclose that SCE had allegedly failed to maintain its electric transmission and distribution networks in compliance with safety regulations, and that those alleged safety violations led to fires that occurred in 2018, including the Woolsey Fire.

In January 2019, two separate derivative lawsuits alleging breach of fiduciary duties, securities fraud, misleading proxy statements, unjust enrichment, and related claims were filed in federal court against all current and certain former members of the Boards of Directors and certain current and former officers of Edison International and SCE. Edison International and SCE are named as nominal defendants in those actions. The derivative lawsuits generally allege that the individual defendants breached their fiduciary duties and made misleading statements or allowed misleading statements to be made (i) between March 21, 2014 and August 10, 2015, with respect to certain ex parte communications between SCE and CPUC decision-makers concerning the settlement of the San Onofre Order Instituting Investigation proceeding (the "San Onofre OII") and (ii) from February 23, 2016 to the present, concerning compliance with applicable laws and regulations concerning electric system maintenance and operations related to wildfire risks. The lawsuits generally allege that these breaches of duty and misstatements led to substantial liability and damage resulting from the disclosure of SCE's ex parte communications in connection with the San Onofre OII settlement, and from the 2017/2018 Wildfire/Mudslide Events. For more information regarding the San Onofre OII, see Note 12 in the 2018 Form 10-K.

Loss Estimates for Third Party Claims and Potential Recoveries from Insurance and through Electric Rates

At September 30, 2019 and December 31, 2018, Edison International's and SCE's balance sheets include estimated losses (established at the lower end of the reasonably estimated range of expected losses) of $4.7 billion for the 2017/2018 Wildfire/Mudslide Events.

The process for estimating losses associated with wildfire litigation claims requires management to exercise significant judgment based on a number of assumptions and subjective factors, including but not limited to estimates based on currently available information and assessments, opinions regarding litigation risk, and prior experience with litigating and settling other wildfire cases. As additional information becomes available, management estimates and assumptions regarding the causes and financial impact of the 2017/2018 Wildfire/Mudslide Events may change. Such additional information is expected to become available from multiple external sources, during the course of litigation, and from SCE's ongoing internal review, including, among other things, information regarding the extent of damages that may be attributable to any fire determined to have been substantially caused by SCE's equipment, information that may be obtained from the equipment in CAL FIRE's possession, and information pertaining to fire progression, suppression activities, alleged damages and insurance claims.

As described above, the liability corresponds to the lower end of the reasonably estimated range of expected losses that may be incurred in connection with the 2017/2018 Wildfire/Mudslide Events and is subject to change as additional information becomes available. Edison International and SCE currently believe that it is reasonably possible that the amount of the actual loss will be greater than the amount accrued. However, Edison International and SCE are currently unable to reasonably estimate an upper end of the range of expected losses given the uncertainty as to the legal and factual determinations to be made during litigation, including uncertainty as to the contributing causes of the 2017/2018 Wildfire/Mudslide Events, the complexities associated with fires that merge, whether inverse condemnation will be held applicable to SCE with respect to damages caused by the Montecito Mudslides, and the preliminary nature of the litigation processes.

For events that occurred in 2017 and early 2018, principally the Thomas and Koenigstein Fires and Montecito Mudslides, SCE has $1 billion of wildfire-specific insurance coverage, subject to a self-insured retention of $10 million per occurrence. SCE also had other general liability insurance coverage of approximately $450 million, but it is uncertain whether these other policies would apply to liabilities alleged to be related to the Montecito Mudslides. For the Woolsey Fire, SCE has an additional $1 billion of wildfire-specific insurance coverage, subject to a self-insured retention of $10 million per occurrence. Edison International and SCE record a receivable for insurance recoveries when recovery of a recorded loss is determined to be probable. At September 30, 2019, Edison International and SCE had recorded $2.0 billion for expected insurance recoveries associated with the recorded loss for the 2017/2018 Wildfire/Mudslide Events. SCE will seek to recover uninsured costs resulting from the 2017/2018 Wildfire/Mudslide Events through electric rates. The amount of the receivable is subject to change based on additional information. Recovery of these costs is subject to approval by regulators. Under accounting standards for rate-regulated enterprises, SCE defers costs as regulatory assets when it concludes that such costs are probable of future recovery in electric rates. SCE utilizes objectively determinable evidence to form its view on probability of future recovery. The only directly comparable precedent in which a California investor-owned utility has sought recovery for uninsured wildfire-related costs is SDG&E's requests for cost recovery related to 2007 wildfire activity, where FERC allowed recovery of all FERC-jurisdictional wildfire-related costs while the CPUC rejected recovery of all CPUC-jurisdictional wildfire-related costs based on a determination that SDG&E did not meet the CPUC's prudency standard. As a result, while SCE does not agree with the CPUC's decision, it believes that the CPUC's interpretation and application of the prudency standard to SDG&E creates substantial uncertainty regarding how that standard will be applied to an investor-owned utility in future wildfire cost-recovery proceedings for fires ignited prior to July 12, 2019. SCE will continue to evaluate the probability of recovery based on available evidence, including judicial, legislative and regulatory decisions, including any CPUC decisions illustrating the interpretation and/or application of the prudency standard when making determinations regarding recovery of uninsured wildfire-related costs. While the CPUC has not made a determination regarding SCE's prudency relative to any of the 2017/2018 Wildfire/Mudslide Events, SCE is unable to conclude, at this time, that uninsured CPUC-jurisdictional wildfire-related costs are probable of recovery through electric rates. SCE would record a regulatory asset at the time it obtains sufficient information to support a conclusion that recovery is probable. SCE will seek recovery of the CPUC portion of any uninsured wildfire-related costs through its WEMA or its CEMA. In July 2019, SCE filed a CEMA application with the CPUC to seek recovery of, among other things, approximately $5.9 million in costs incurred to restore service to customers and to repair, replace and restore buildings and SCE's facilities damaged or destroyed as a result of the Thomas and Koenigstein Fires. SCE continues to incur costs for reconstructing its system and restoring service to structures that were damaged or destroyed by these two fires and plans to file additional applications with the CPUC to recover such costs. See "Recovery of Wildfire-Related Costs" below.

Through the operation of its FERC Formula Rate, and based upon the precedent established in SDG&E's recovery of FERC-jurisdictional wildfire-related costs, SCE believes it is probable it will recover its FERC-jurisdictional wildfire and mudslide related costs and has recorded a regulatory asset of $135 million, the FERC portion of the $4.7 billion liability accrued.

Current Wildfire Insurance Coverage

SCE has approximately $1.2 billion of wildfire-specific insurance coverage for events that may occur during the period June 1, 2019 through June 30, 2020, subject to up to $115 million of co-insurance and $50 million of self-insured retention, which results in net coverage of approximately $1 billion. Various coverage limitations within the policies that make up SCE's wildfire insurance coverage could result in additional material self-insured costs in the event of multiple wildfire occurrences during a policy period or with a single wildfire with damages in excess of the policy limits.

SCE's cost of obtaining wildfire insurance coverage has increased significantly as a result of, among other things, the number of recent and significant wildfire events throughout California and the application of inverse condemnation to investor-owned utilities. As such, SCE may not be able to obtain sufficient wildfire insurance, at a reasonable cost, in the future.

Based on policies currently in effect, SCE anticipates that its wildfire insurance expense in 2019, prior to any regulatory deferrals, will total approximately $400 million. In February 2019, the CPUC approved recovery of $107 million of the costs incurred by SCE to obtain a 12-month, $300 million wildfire insurance policy in December 2017. As a result of this decision, SCE will recover these insurance premiums during 2019. As of September 30, 2019, SCE had regulatory assets of approximately $265 million related to wildfire insurance costs and believes that such amounts are probable of recovery. While SCE believes that amounts deferred are probable of recovery, there is no assurance that SCE will be allowed to recover costs that have been incurred, or costs incurred in the future for additional wildfire insurance, in electric rates.

SCE tracks insurance premium costs related to wildfire liability insurance policies as well as other wildfire-related costs in its WEMA. In July 2019, SCE filed a WEMA application with the CPUC to seek recovery of $478 million in wildfire insurance premium costs incurred in excess of premiums approved in the 2018 GRC.

Recovery of Wildfire-Related Costs

Pre-AB 1054 Cost Recovery

California courts have previously found investor-owned utilities to be strictly liable for property damage, regardless of fault, by applying the theory of inverse condemnation when a utility's facilities were determined to be a substantial cause of a wildfire that caused the property damage. The rationale stated by these courts for applying this theory to investor-owned utilities is that property damages resulting from a public improvement, such as the distribution of electricity, can be spread across the larger community that benefited from such improvement through recovery of uninsured wildfire-related costs in electric rates. However, in November 2017, the CPUC issued a decision denying SDG&E's request to include in its rates uninsured wildfire-related costs arising from several 2007 wildfires, finding that SDG&E did not meet the prudency standard because it did not prudently manage and operate its facilities prior to or at the outset of the 2007 wildfires. In July 2018, the

CPUC denied both SDG&E's application for rehearing on its cost recovery request and a joint application for rehearing filed by SCE and PG&E limited to the applicability of inverse condemnation principles in the same proceeding. The California Court of Appeal, the California Supreme Court and the United States Supreme Court have denied SDG&E's petitions for review of the CPUC's denial of SDG&E's application.

Edison International and SCE continue to pursue legislative, regulatory and legal strategies to address the application of a strict liability standard to wildfire-related damages without the ability to recover resulting costs in electric rates.

2019 Wildfire Legislation

On July 12, 2019, AB 1054 was signed by the Governor of California and became effective immediately. The summary of the wildfire legislation below is based on SCE's interpretation of AB 1054. A lawsuit challenging the validity of AB 1054 was filed in federal court on July 19, 2019. Edison International and SCE are unable to predict the outcome of this lawsuit.

Wildfire Insurance Fund

AB 1054 provided for a wildfire insurance fund("Wildfire Insurance Fund") to reimburse utilities for payment of third-party damage claims arising from certain wildfires that exceed, in aggregate in a calendar year, the greater of $1 billion or the utility's insurance coverage. The Wildfire Insurance Fund was established in September 2019 when both SCE and SDG&E made their initial contributions to the fund. The Wildfire Insurance Fund is available for claims related to wildfires ignited after July 12, 2019 that are determined to have been caused by a utility by the responsible government investigatory agency.

SCE and SDG&E have collectively made initial contributions of approximately $2.7 billion to the Wildfire Insurance Fund. While PG&E has agreed to make an initial contribution of approximately $4.8 billion to the Wildfire Insurance Fund, its participation in, and contributions to, the fund are subject to it emerging from bankruptcy and meeting certain other conditions prior to June 30, 2020. SCE, SDG&E and PG&E are also expected to make aggregate annual contributions of $3 billion to the Wildfire Insurance Fund over a 10-year period. If PG&E is unable to participate in the Wildfire Insurance Fund, the investor-owned utility aggregate annual contributions to the fund are expected to be approximately $1 billion. In addition to PG&E's, SCE's and SDG&E's contributions to the Wildfire Insurance Fund, $13.5 billion is expected to be collected from their ratepayers through a dedicated rate component to support a $10.5 billion contribution to the fund. Based on a decision adopted by the CPUC in October 2019 in the Order Instituting Rulemaking to Consider Authorization of a Non-Bypassable Charge to Support the Wildfire Insurance Fund, PG&E's ratepayers will not be required to contribute to the fund if PG&E does not participate in the Wildfire Insurance Fund. In that case, $7.5 billion will be collected from SCE's and SDG&E's ratepayers through the dedicated rate component to support a contribution to the Wildfire Insurance Fund. In addition to funding contributions to the Wildfire Insurance Fund, the amount collected from utility ratepayers will pay for, among other things, any interest and financing costs related to any bonds that are issued to support the contributions to the Wildfire Insurance Fund.

SCE made an initial contribution of approximately $2.4 billion to the Wildfire Insurance Fund in September, 2019 and has committed to make ten annual contributions of approximately $95 million per year to the fund, starting on January 1, 2020. Edison International supported SCE's initial contribution to the Wildfire Insurance Fund by raising $1.2 billion from the issuance of Edison International equity. SCE raised the remaining $1.2 billion from the issuance of long-term debt. SCE's contributions to the Wildfire Insurance Fund will not be recoverable through electric rates and will be excluded from the measurement of SCE's CPUC-jurisdictional authorized capital structure. SCE will also not be entitled to cost recovery for any borrowing costs incurred in connection with its contributions to the Wildfire Insurance Fund. See Note 1 for information on the accounting impact of SCE's contributions to the Wildfire Insurance Fund.

Participating investor-owned utilities will be reimbursed from the Wildfire Insurance Fund for eligible claims, subject to the fund administrator's review, and will be required to reimburse the fund for withdrawn amounts that the CPUC disallows, subject, in some instances, to the Liability Cap (as defined below). If the utility has maintained a valid safety certification and its actions or inactions that resulted in the wildfire are not found to constitute conscious or willful disregard of the rights and safety of others, the aggregate requirement to reimburse the fund over a trailing three calendar year period is capped at 20% of the equity portion of the utility's transmission and distribution rate base in the year of the prudency determination ("Liability Cap"). The initial Liability Cap for SCE will be approximately $2.5 billion based on its 2019 rate base, and will be adjusted annually. SCE will not be allowed to recover borrowing costs incurred to reimburse the fund for amounts that the CPUC disallows. The Wildfire Insurance Fund, and consequently the Liability Cap, will terminate when the administrator determines that the fund has been exhausted.

AB 1054 Prudency Standard

As a result of the establishment of the Wildfire Insurance Fund, AB 1054 created a new standard that the CPUC must apply when assessing the prudency of a utility in connection with a request for recovery of wildfire costs for wildfires ignited after July 12, 2019. Under AB 1054, the CPUC is required to find a utility to be prudent if the utility's conduct related to the ignition was consistent with actions that a reasonable utility would have undertaken under similar circumstances, at the relevant point in time, and based on the information available at that time. Prudent conduct under the AB 1054 standard is not limited to the optimum practice, method, or act to the exclusion of others, but rather encompasses a spectrum of possible practices, methods, or acts consistent with utility system needs, the interest of the ratepayers, and the requirements of governmental agencies. AB 1054 also provides that the CPUC may determine that wildfire costs may be recoverable, in whole or in part, by taking into account factors within and outside the utility's control, including humidity, temperature, and winds. Further, utilities with a valid safety certification will be presumed to have acted prudently related to a wildfire ignition unless a party in the cost recovery proceeding creates serious doubt as to the reasonableness of the utility's conduct, at which time, the burden shifts back to the utility to prove its conduct was reasonable. If a utility does not have a valid safety certification, it will have the burden to prove, based on a preponderance of evidence, that its conduct was prudent. The new prudency standard will survive the termination of the Wildfire Insurance Fund.

Utilities participating in the Wildfire Insurance Fund that are found to be prudent are not required to reimburse the fund for amounts withdrawn from the fund and can recover wildfire costs through electric rates if the fund has been exhausted.

Capital Expenditure Requirement

Under AB 1054, approximately $1.6 billion spent by SCE on wildfire risk mitigation capital expenditures cannot be included in the equity portion of SCE's rate base. SCE can apply for an irrevocable order from the CPUC to finance these capital expenditures, including through the issuance of securitized bonds, and can recover any prudently incurred financing costs. SCE expects to finance this capital requirement by issuing securitized bonds.

Wildfire Mitigation Plan and Safety Certification

Under AB 1054, SCE is required to file a wildfire mitigation plan every three years beginning in 2020, and can obtain an annual safety certification upon the submission of certain required safety information, including an approved wildfire mitigation plan. On July 25, 2019, SCE obtained its initial safety certification that will be valid for twelve months.

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 September 30, 2019, SCE's recorded estimated minimum liability to remediate its 21 identified material sites (sites with a liability balance at September 30, 2019, in which the upper end of the range of the costs is at least $1 million) was $133 million, including $88 million related to San Onofre. In addition to these sites, SCE also has 15 immaterial sites with a liability balance as of September 30, 2019, for which the total minimum recorded liability was $4 million. Of the $137 million total environmental remediation liability for SCE, $132 million has been recorded as a regulatory asset. SCE expects to recover $41 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 $91 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 $141 million and $7 million, respectively. The upper limit of this range of costs was estimated using assumptions least favorable to SCE among a range of reasonably possible outcomes.

SCE expects to clean up and mitigate its identified sites over a period of up to 30 years. Remediation costs for each of the next five years are expected to range from $7 million to $17 million. Costs incurred for the nine months ended September 30, 2019 and 2018 were $4 million and $7 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 Nuclear Electric Insurance Limited ("NEIL"), a mutual insurance company owned by entities with nuclear facilities. NEIL provides insurance for nuclear property damage, including damages caused by acts of terrorism up to specified limits, and for accidental outages for active facilities. The amount of nuclear property damage insurance purchased for San Onofre and Palo Verde exceeds the minimum federal requirement of $50 million and $1.06 billion, respectively. If NEIL losses at any nuclear facility covered by the arrangement were to exceed the accumulated funds for these insurance programs, SCE could be assessed retrospective premium adjustments of up to approximately $52 million per year.

Federal law limits public offsite liability claims for bodily injury and property damage from a nuclear incident to the amount of available financial protection, which is currently approximately $13.9 billion for Palo Verde and $560 million for San Onofre. SCE and other owners of San Onofre and Palo Verde have purchased the maximum private primary insurance available through a Facility Form issued by American Nuclear Insurers. SCE withdrew from participation in the secondary insurance pool for San Onofre for offsite liability insurance effective January 5, 2018. Based on its ownership interests in Palo Verde, SCE could be required to pay a maximum of approximately $65 million per nuclear incident for future incidents. However, it would have to pay no more than approximately $10 million per future incident in any one year. SCE could be required to pay a maximum of approximately $255 million per nuclear incident and a maximum of $38 million per year per incident for liabilities arising from events prior to January 5, 2018, although SCE is not aware of any such events.

Spent Nuclear Fuel

Under federal law, the 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's 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 (SCE's share $124 million, which included reimbursement for approximately $2 million in legal and other costs), 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. In August 2018, the CPUC approved SCE's proposal to return the SCE share of the award to customers based on the amount that customers actually contributed for fuel storage costs; resulting in approximately $105.6 million of the SCE share being returned to customers and the remaining $16.6 million being returned to shareholders. Of the $105.6 million, $71.6 million was applied against the remaining San Onofre Regulatory Asset in accordance with the Revised San Onofre Settlement Agreement.

The April 2016 settlement also provided for a claim submission/audit process for expenses incurred from 2014 – 2016, where SCE may submit a claim for damages caused by the DOE failure to accept spent nuclear fuel each year, followed by a government audit and payment of the claim. This process made 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's share was approximately $34 million). SCE accepted the DOE's determination, and the government paid the 2014 – 2015 claim under the terms of the settlement. In October 2017, SCE filed a claim covering damages for 2016 for approximately $58 million. In May 2018, the DOE approved reimbursement of approximately $45 million (SCE's share was approximately $35 million) of SCE's 2016 damages, disallowing recovery of approximately $13 million. SCE accepted the DOE's determination, and the government paid the 2016 claim under the terms of the settlement. The damages awards are subject to CPUC review as to how the amounts will be refunded among customers, shareholders, or to offset other costs.

Note 13. Leases

Leases as Lessee

SCE enters into various agreements to purchase power, electric capacity and other energy products that may be accounted for as leases as SCE has dispatch rights that determine when and how a plant runs. Prior to January 1, 2019, a power purchase agreement contained a lease when SCE purchased substantially all of the output from a specific plant and did not otherwise meet a fixed price unit of output exception. SCE also leases property and equipment primarily related to vehicles, office space and other equipment. The terms of the contracts included in the table below are primarily 10 and 20 years for PPA leases, 5 to 72 years for office leases, and 5 to 12 years for the remaining other operating leases.

The following table summarizes SCE's lease payments for operating and finance leases as of September 30, 2019.

(in millions)	PPA Operating Leases[1,2]	Other Operating Leases[3]	PPA Finance Leases[1]
2019	$ 20	$ 11	$ —
2020	70	35	1
2021	48	28	1
2022	48	23	2
2023	47	17	2
Thereafter	536	104	9
Total lease payments	$ 769	$ 218	$ 15
Amount representing interest[4]	226	60	6
Lease liabilities	$ 543	$ 158	$ 9

At December 31, 2018, SCE's future expected minimum lease commitments under non-cancellable leases were as follows:

(in millions)	PPA Operating Leases[1]	Other Operating Leases[3]	PPA Capital Leases[1]
2019	$ 148	$ 42	$ 5
2020	124	31	6
2021	103	27	6
2022	79	22	6
2023	47	17	5
Thereafter	536	101	66
Total lease payments	$ 1,037	$ 240	$ 94
Amount representing executory costs			25
Amount representing interest			33
Net commitments			$ 36

1 Excludes expected purchases from most renewable energy contracts, which do not meet the definition of a lease payment since renewable power generation is contingent on external factors.

2 During the second quarter of 2019, SCE amended three power contracts that resulted in a $161 million reduction in ROU assets and lease liabilities as these contracts no longer qualify as leases.

3 Excludes escalation clauses based on consumer price or other indices and residual value guarantees that are not considered probable at the commencement date of the lease.

4 Lease payments are discounted to their present value using SCE's incremental borrowing rates.

Supplemental balance sheet information related to SCE's leases was as follows:

(in millions)		September 30, 2019
Operating leases:		
Operating lease ROU assets	$	701
Current portion of operating lease liabilities		90
Operating lease liabilities		611
Total operating lease liabilities	$	701
Finance leases included in:		
Utility property, plant and equipment, gross	$	14
Accumulated depreciation		(5)
Utility property, plant and equipment, net		9
Other current liabilities		—
Other long-term liabilities		9
Total finance lease liabilities	$	9

The timing of SCE's recognition of the lease expense conforms to ratemaking treatment for SCE's recovery of the cost of electricity and is included in purchased power for operating leases and interest and amortization expense for finance leases. The following table summarizes the components of SCE's lease expense:

(in millions)		Three months ended September 30, 2019		Nine months ended September 30, 2019
PPA leases:				
Operating lease cost	$	38	$	98
Finance lease cost		1		1
Variable lease cost		751		1,742
Total PPA lease cost		790		1,841
Other operating leases cost		12		35
Total lease cost	$	802	$	1,876

Other information related to leases was as follows:

(in millions, except lease term and discount rate)	Nine months ended September 30, 2019	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases		
PPA leases	$	98
Other leases		34
ROU assets obtained in exchange for lease obligations:		
Other operating leases		23
Weighted average remaining lease term (in years):		
Operating leases		
PPA leases		16.03
Other leases		12.75
PPA Finance leases		11.71
Weighted average discount rate:		
Operating leases		
PPA leases		4.44%
Other leases		3.89%
PPA Finance leases		8.74%

Leases as Lessor

SCE also enters into operating leases to rent certain land and facilities as a lessor. These leases primarily have terms that range from 15 to 65 years. During the three and nine months ended September 30, 2019, SCE recognized $4 million and $14 million, respectively, in lease income, which is included in operating revenue on the consolidated statements of income. At September 30, 2019, the undiscounted cash flow expected to be received from lease payments for the remaining years is as follows:

(in millions)			
	2019	$	4
	2020		14
	2021		10
	2022		10
	2023		9
Thereafter			155
Total		$	202

Note 14. Accumulated Other Comprehensive Loss

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

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2019	2018	2019	2018
Beginning balance	$ (57)	$ (44)	$ (50)	$ (43)
Pension and PBOP – net loss:				
Reclassified from accumulated other comprehensive loss[1]	2	1	5	5
Other[2]	—	1	(10)	(4)
Change	2	2	(5)	1
Ending Balance	$ (55)	$ (42)	$ (55)	$ (42)

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

2 Edison International recognized cumulative effect adjustments to the opening balance of retained earnings and accumulated other comprehensive loss on January 1, 2019 and 2018 related to the adoption of the accounting standards update on the reclassification of stranded tax effects resulting from Tax Reform in 2019 and the measurement of financial instruments in 2018. See Note 1 for further information on the reclassification of stranded tax effects.

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

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2019	2018	2019	2018
Beginning balance	$ (26)	$ (21)	$ (23)	$ (19)
Pension and PBOP – net loss:				
Reclassified from accumulated other comprehensive loss[1]	1	1	3	4
Other[2]	—	—	(5)	(5)
Change	1	1	(2)	(1)
Ending Balance	$ (25)	$ (20)	$ (25)	$ (20)

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

2 SCE recognized cumulative effect adjustments to the opening balance of retained earnings and accumulated other comprehensive loss on January 1, 2019 and 2018 related to the adoption of the accounting standards update on the reclassification of stranded tax effects resulting from Tax Reform in 2019 and the measurement of financial instruments in 2018. See Note 1 for further information on the reclassification of stranded tax effects.

Note 15. Other Income and (Expense)

Other income and (expense) are as follows:

(in millions)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
SCE other income and (expense):				
Equity allowance for funds used during construction	$ 26	$ 32	$ 75	$ 76
Increase in cash surrender value of life insurance policies and life insurance benefits	9	16	27	30
Interest income	13	6	29	15
Net periodic benefit income – non-service components	19	26	54	79
Civic, political and related activities and donations	(5)	(9)	(26)	(25)
Other	(4)	1	(7)	(2)
Total SCE other income and (expense)	58	72	152	173
Other income and (expense) of Edison International Parent and Other:				
Net periodic benefit costs – non-service components	—	—	(2)	(1)
Other	—	4	1	4
Total Edison International other income and (expense)	$ 58	$ 76	$ 151	$ 176

Note 16. Supplemental Cash Flows Information

Supplemental cash flows information is:

	Edison International		SCE	
	Nine months ended September 30,			
(in millions)	2019	2018	2019	2018
Cash payments for interest and taxes:				
Interest, net of amounts capitalized	$ 582	$ 509	$ 518	$ 466
Tax refunds, net	(65)	(92)	(166)	(17)
Non-cash financing and investing activities:				
Dividends declared but not paid:				
Common stock	$ 220	$ 197	$ —	$ 314

SCE's accrued capital expenditures at September 30, 2019 and 2018 were $486 million and $421 million, respectively. Accrued capital expenditures will be included as an investing activity in the consolidated statements of cash flow in the period paid.

Note 17. Related-Party Transactions

For the three months ended September 30, 2019, SCE did not purchase wildfire liability insurance from Edison Insurance Services, Inc. ("EIS"), a wholly-owned subsidiary of Edison International. For the nine months ended September 30, 2019, SCE purchased wildfire liability insurance with premiums of $260 million. The related-party transactions included in SCE's consolidated balance sheets for wildfire-related insurance purchased from EIS were as follows:

(in millions)	September 30, 2019	December 31, 2018
Long-term insurance receivable due from affiliate	$ 1,000	$ 1,000
Prepaid insurance[1]	42	13
Current payables due to affiliate[2]	—	4

[1] Reflected in "Prepaid expenses" on SCE's consolidated balance sheets.

[2] Reflected in "Accounts payable" on SCE's consolidated balance sheets.

The amortization expense for wildfire-related insurance was $51 million and $35 million for the three months ended September 30, 2019 and 2018 respectively, and $123 million and $106 million for the nine months ended September 30, 2019 and 2018, respectively.

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 third quarter of 2019. 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 third quarter of 2019 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 Notes to Consolidated Financial Statements—Note 2. Property, Plant and Equipment in the 2018 Form 10-K.

LEGAL PROCEEDINGS

Thomas Fire and Koenigstein Fire Litigation

In December 2017, wind-driven wildfires impacted portions of SCE's service territory, causing substantial damage to both residential and business properties and service outages for SCE customers. The VCFD and CAL FIRE have determined that the largest of the 2017 fires originated on December 4, 2017, in the Anlauf Canyon area of Ventura County (the investigating agencies refer to this fire as the "Thomas Fire"), followed shortly thereafter by the Koenigstein Fire. According to CAL FIRE, the Thomas and Koenigstein Fires burned over 280,000 acres, destroyed or damages an estimated 1,343 structures and resulted in two fatalities.

As of October 24, 2019, SCE was aware of at least 198 lawsuits, representing approximately 3,000 plaintiffs, related to the Thomas and Koenigstein Fires naming SCE as a defendant. Ninety-eight of these lawsuits also name Edison International as a defendant based on its ownership and alleged control of SCE. At least four of the lawsuits were filed as purported class actions. The lawsuits, which have been filed in the superior courts of Ventura, Santa Barbara and Los Angeles Counties allege, among other things, negligence, inverse condemnation, trespass, private nuisance, and violations of the public utilities and health and safety codes. The lawsuits have been coordinated in the Los Angeles Superior Court. Three categories of plaintiffs have filed lawsuits against SCE and Edison International relating to the Thomas Fire, Koenigstein Fire and Montecito Mudslides: individual plaintiffs, subrogation plaintiffs and public entity plaintiffs. An initial jury trial for a limited number of plaintiffs, sometimes referred to as a bellwether jury trial, on certain fire only matters is scheduled for April 20, 2020.

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

Montecito Mudslides Litigation

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

Seventy-nine of the 198 lawsuits mentioned under "Thomas Fire and Koenigstein Fire Litigation" above allege that SCE has responsibility for the Thomas and/or Koenigstein Fires and that the Thomas and/or Koenigstein Fires proximately caused the Montecito Mudslides, resulting in the plaintiffs' claimed damages. Thirty-four of the 79 Montecito Mudslides lawsuits also name Edison International as a defendant based on its ownership and alleged control of SCE. In addition to other causes of action, some of the Montecito Mudslides lawsuits also allege personal injury and wrongful death. The Thomas and Koenigstein Fires lawsuits and the Montecito Mudslides lawsuits have been coordinated in the Los Angeles Superior Court.

Three categories of plaintiffs have filed lawsuits against SCE and Edison International relating to the Thomas Fire, Koenigstein Fire and Montecito Mudslides: individual plaintiffs, subrogation plaintiffs and public entity plaintiffs.

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

Woolsey Fire Litigation

In November 2018, wind-driven wildfires impacted portions of SCE's service territory and caused substantial damage to both residential and business properties and service outages for SCE customers. The largest of these fires, known as the Woolsey Fire, originated in Ventura County and burned acreage located in both Ventura and Los Angeles Counties. According to CAL FIRE, the Woolsey Fire burned almost 100,000 acres, destroyed an estimated 1,643 structures, damaged an estimated 364 structures and resulted in three fatalities. Two additional fatalities have also been associated with the Woolsey Fire.

As of October 24, 2019, SCE was aware of at least 102 lawsuits, representing approximately 3,000 plaintiffs, related to the Woolsey Fire naming SCE as a defendant. Eighty-six of these lawsuits also name Edison International as a defendant based on its ownership and alleged control of SCE. At least two of the lawsuits were filed as purported class actions. The lawsuits, which have been filed in the superior courts of Ventura and Los Angeles Counties allege, among other things, negligence, inverse condemnation, personal injury, wrongful death, trespass, private nuisance, and violations of the public utilities and health and safety codes. The Woolsey Fire lawsuits have been coordinated in the Los Angeles Superior Court. Three categories of plaintiffs have filed lawsuits against SCE and Edison International relating to the Woolsey Fire: individual plaintiffs, subrogation plaintiffs and public entity plaintiffs. An initial jury trial for a limited number of plaintiffs on certain matters, sometimes referred to as a bellwether jury trial, is scheduled in July 2020.

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

RISK FACTORS

SCE's anticipated new customer service system is subject to implementation and cost-recovery risks that could materially affect SCE's business and financial condition.

SCE is currently testing a new customer service system that it anticipates implementing in 2021. If the customer service system does not function as intended upon implementation, SCE could experience, among other things, delayed or inaccurate customer bills that lead to over- or under- collections and other customer service concerns or degradation. Further, the process of implementing new technologies like the new customer service system represents opportunity for cybersecurity attacks on our information systems, which could lead to sensitive confidential personal and other data being compromised. Customer service degradation or the compromise of sensitive confidential personal and other data, could result in violations of applicable privacy and other laws, material financial loss to SCE or to its customers, customer dissatisfaction, loss of confidence in SCE's security measures, and significant litigation and/or regulatory exposure, all of which could materially affect SCE's financial condition and results of operations and materially damage the business reputation of Edison International and SCE.

The expected cost of the new customer service system is significantly higher than SCE had originally projected. If the CPUC determines that any costs incurred by SCE to build, test and implement the customer service system were not reasonably or prudently incurred, SCE will not be able to recover such costs through electric rates.

SCE will not benefit from all of the features of AB 1054 if the Wildfire Insurance Fund is exhausted.

Catastrophic wildfires could rapidly exhaust the Wildfire Insurance Fund and SCE will not be reimbursed by the Wildfire Insurance Fund or benefit from the Liability Cap if the fund has been exhausted as a result of damage claims previously incurred by SCE or the other participating utilities. Also, SCE will not benefit from a presumption of prudency or the Liability Cap established under AB 1054 if SCE is unable to maintain a valid safety certification from the CPUC.

In addition, because PG&E's participation in, and contributions to, the Wildfire Insurance Fund are subject to it emerging from bankruptcy and meeting certain other conditions prior to June 30, 2020, the Wildfire Insurance Fund may be smaller than is currently anticipated.

For more information on AB 1054, see "Notes to Consolidated Financial Statements—Note 12. Commitments and Contingencies—Contingencies—Southern California Wildfires and Mudslides—Recovery of Wildfire-Related Costs—2019 Wildfire Legislation."

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 third quarter of 2019.

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
July 1, 2019 to July 31, 2019	255,127	$ 69.40	—	—
August 1, 2019 to August 31, 2019	—	—	—	—
September 1, 2019 to September 30, 2019	—	—	—	—
Total	255,127	$ 69.40	—	—

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

EXHIBITS

Exhibit Number	Description
10.1	Edison International Director Matching Gifts Program, as revised effective January 1, 2019 *
31.1	Certifications of the Chief Executive Officer and Chief Financial Officer of Edison International pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certifications of the Chief Executive Officer and Chief Financial Officer of Southern California Edison Company pursuant to Section 302 of the Sarbanes-Oxley Act
32.1	Certifications of the Chief Executive Officer and the Chief Financial Officer of Edison International required by Section 906 of the Sarbanes-Oxley Act
32.2	Certifications of the Chief Executive Officer and the Chief Financial Officer of Southern California Edison Company required by Section 906 of the Sarbanes-Oxley Act
101.1	Financial statements from the quarterly report on Form 10-Q of Edison International for the quarter ended September 30, 2019, filed on October 29, 2019, 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 September 30, 2019, filed on October 29, 2019, 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
104	The cover page of this report formatted in Inline XBRL (included as Exhibit 101)

* Indicates a management contract or compensatory plan or arrangement, as required by Item 15(a)(3).

Edison International and SCE will furnish a copy of any exhibit listed in the accompanying Exhibit Index upon written request and upon payment to Edison International or SCE of their reasonable expenses of furnishing such exhibit, which shall be limited to photocopying charges and, if mailed to the requesting party, the cost of first-class postage.

SIGNATURES

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

EDISON INTERNATIONAL		SOUTHERN CALIFORNIA EDISON COMPANY	
By:	/s/ Aaron D. Moss	By:	/s/ Aaron D. Moss
	Aaron D. Moss **Vice President and Controller** **(Duly Authorized Officer and** **Principal Accounting Officer)**		**Aaron D. Moss** **Vice President and Controller** **(Duly Authorized Officer and** **Principal Accounting Officer)**
Date:	October 29, 2019	Date:	October 29, 2019

Energy for What's Ahead℠

DIRECTOR MATCHING GIFTS PROGRAM
(as revised effective for gifts made on or after January 1, 2019)

Eligibility
Each Director of Edison International and Southern California Edison Company ("SCE") is eligible to have his or her eligible gifts matched by Edison International under the Matching Gifts Program (the "Program").

Match
Edison International will match dollar for dollar each Director's eligible gift to an eligible organization of at least $25; provided, however, that in no event will the aggregate match for all eligible gifts by any one Director in any one calendar year exceed $10,000 (regardless of whether the Director is a director of Edison International, SCE, or both).

The amount of the match shall be determined based on the value of the gift on the date the gift is given by the Director. For purposes of determining the date on which a stock gift is given by the Director, such date will be determined based on the date stock ownership transfers to the eligible organization. For purposes of determining the date on which a cash gift is given by the Director, such date will be determined based on the date of the negotiable instrument or electronic funds transfer, subject to verification of receipt by the eligible organization. Directors may make more than one contribution annually.

Eligible Gifts
Gifts must be personal charitable contributions, from the Director's personal funds, actually given to the eligible organization in the relevant year, not merely pledged, and while the individual is a Director. Gifts must be in the form of cash, check, credit card or Publicly Traded Stock. The following do not qualify for matching gifts:

- Alumni(ae) dues or dues for designated individuals
- Subscription, registration or membership fees
- Tuition, books or other individual student expenses
- Contributions with a personal benefit or privilege for the Director, the Director's family or anyone designated by the Director
- Contributions made in lieu of tuition or fees, tickets, dues, meals, parking or other benefits
- Payment for fundraising tickets, meals, concerts or events
- Pooled donations (contributions made by a group of individuals and claimed as one gift from a single eligible donor)
- Donations directed and in support of specific legislation, candidates or political positions
- In-kind gifts, except for gifts of Publicly Traded Stock

"Publicly Traded Stock" means stock of a corporation or other entity that is (1) listed or admitted to trade on the New York Stock Exchange or other national securities exchange, or (2) quoted by the NASDAQ Global Market Reporting System (or a successor market). Director gifts given in the form of Publicly Traded Stock, including but not limited to Edison International stock (which gifts of Edison International stock are subject to preclearance by the Edison International Preclearance Officer), shall be valued for purposes of the match in accordance with the official receipt provided by the eligible organization that received the gift of Publicly Traded Stock from the Director.

Eligible Organizations
Edison International will match eligible gifts made by Directors to organizations that meet the following requirements and are not ineligible organizations:

- Recognized by the Internal Revenue Service (IRS) as tax-exempt and designated as a public charity under Internal Revenue Code Section 501(c)(3); or
- A U.S. governmental subdivision as provided by Section 170(c)(1) of the Internal Revenue Code (e.g., city park, public library or volunteer fire department).

Ineligible Organizations
Edison International will not match gifts by Directors to any following types of organizations:

- Organizations that discriminate based on race, color, religion, national origin, disability, sexual orientation, sex or age
- Political organizations, political parties, advocacy and lobbying groups
- Churches and religious organizations that serve only their membership
- Fraternities, sororities, honor societies, and campus organizations that serve only their membership

The Edison International Managing Committee and the Edison International Corporate Philanthropy Committee will have the authority to determine if an organization is ineligible for any of the reasons listed above.

Program Administration
The Corporate Secretary's office administers the Program for gifts made by Directors and will provide a Matching Gift Form (the "Form") to Directors. In order for a gift to be matched under this Program, a Director must submit the Form and proof of the gift at such time and in such manner as prescribed by the Corporate Secretary's office.

The Edison International Board of Directors may change, suspend, or discontinue the Program at any time.

Exhibit 31.1

CERTIFICATION

I, PEDRO J. PIZARRO, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of Edison International;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2019

/s/ PEDRO J. PIZARRO

PEDRO J. PIZARRO

Chief Executive Officer

CERTIFICATION

I, MARIA RIGATTI, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of Edison International;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2019

/s/ MARIA RIGATTI

MARIA RIGATTI
Chief Financial Officer

Exhibit 31.2

CERTIFICATION

I, KEVIN M. PAYNE, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of Southern California Edison Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2019

/s/ KEVIN M. PAYNE

KEVIN M. PAYNE
Chief Executive Officer

CERTIFICATION

I, WILLIAM M. PETMECKY III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 of Southern California Edison Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2019

/s/ WILLIAM M PETMECKY III

WILLIAM M. PETMECKY III
Chief Financial Officer

Exhibit 32.1

STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350, AS
ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (the “Quarterly Report”), of Edison International (the “Company”), and pursuant to 18 U.S.C. Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies, to the best of his or her knowledge, that:

1. The Quarterly Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 29, 2019

/s/ PEDRO J. PIZARRO

PEDRO J. PIZARRO
Chief Executive Officer
Edison International

/s/ MARIA RIGATTI

MARIA RIGATTI
Chief Financial Officer
Edison International

This statement accompanies the Quarterly Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350, AS
ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 (the “Quarterly Report”), of Southern California Edison Company (the “Company”), and pursuant to 18 U.S.C. Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies, to the best of his knowledge, that:

1. The Quarterly Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 29, 2019

/s/ KEVIN M. PAYNE

KEVIN M. PAYNE
Chief Executive Officer
Southern California Edison Company

/s/ WILLIAM M. PETMECKY III

WILLIAM M. PETMECKY III
Chief Financial Officer
Southern California Edison Company

This statement accompanies the Quarterly Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.