

EDISON INTERNATIONAL
Form 10-Q
April 30, 2019

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 March 31, 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	2244 Walnut Grove Avenue (P.O. Box 976) Rosemead, California 91770 (Address of principal executive offices) (626) 302-2222 (Registrant's telephone number, including area code)	SOUTHERN CALIFORNIA EDISON COMPANY	2244 Walnut Grove Avenue (P.O. Box 800) Rosemead, California 91770 (Address of principal executive offices) (626) 302-1212 (Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-12 of the Exchange Act. (Check One):

Edison International	Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-accelerated Filer <input type="checkbox"/>	Smaller Reporting Company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
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Southern California Edison Company	Large Accelerated Filer "	Accelerated Filer "	Non-accelerated Filer p	Smaller Reporting Company "	Emerging growth company "
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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Edison International o Southern California Edison Company "

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

Edison International Yes " No p Southern California Edison Company Yes " No p

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 April 26, 2019:

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

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

GLOSSARY

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

2017/2018 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
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
Fitch	Fitch Ratings, Inc.
GAAP	generally accepted accounting principles
GHG	greenhouse gas
GRC	general rate case

GS&RP
GWh
HLBV
IRS

Grid Safety and Resiliency Program
gigawatt-hours
hypothetical liquidation at book value
Internal Revenue Service

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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
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
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

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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 annually under California Senate Bill 901 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
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 capital spending incurred prior to formal regulatory approval;
- 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;
- actions, or inaction, of the state of California with respect to achieving a timely and comprehensive solution 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;
- decisions and other actions by the CPUC, the FERC, the NRC and other regulatory authorities, including determinations of authorized rates of return or return on equity, the 2018 GRC, the GS&RP application, the 2019 WMP, the recoverability of wildfire-related and mudslide-related costs, and delays in regulatory actions;
- ability of Edison International or SCE to borrow funds and access the bank and capital markets on reasonable terms;
- actions by credit rating agencies to downgrade 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;

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- 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 three months ended March 31, 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 three months ended March 31, 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 March 31,		
(in millions)	2019	2018	Change
Net income (loss) attributable to Edison International			
Continuing operations			
SCE	\$293	\$286	\$ 7
Edison International Parent and Other	(15)	(68)	53
Edison International	278	218	60
Less: Non-core items			
SCE	72	—	72
Edison International Parent and Other	—	(44)	44
Total non-core items	72	(44)	116
Core earnings (losses)			
SCE	221	286	(65)
Edison International Parent and Other	(15)	(24)	9
Edison International	\$206	\$262	\$ (56)

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 gains and losses related to certain tax, regulatory or legal settlements or proceedings, and exit activities, including sale of certain assets and other activities that are no longer continuing.

Edison International's first quarter 2019 earnings increased \$60 million from the first quarter of 2018, resulting from an increase in Edison International Parent and Other's earnings of \$53 million and an increase in SCE's earnings of \$7 million. SCE's earnings consisted of \$72 million of higher non-core income and \$65 million of lower core earnings. The decrease in core earnings was primarily due to wildfire mitigation expenses and higher net financing costs, partially offset by a 2018 refund to customers for prior overcollections.

Edison International Parent and Other's increase in earnings for the three months ended March 31, 2019 was primarily due to lower core losses of \$9 million and lower non-core losses of \$44 million. The lower core losses were mainly due to lower corporate expenses and decreased losses at the competitive businesses under Edison Energy Group.

Consolidated non-core items for the first quarter of 2019 and 2018 primarily included:

- 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.

- An impairment charge of \$66 million (\$48 million after-tax) recorded in 2018 for Edison International Parent and Other resulting from an agreement to sell SoCore Energy.

2018 General Rate Case

In February 2018, SCE updated its 2018 GRC application for the impact of Tax Reform resulting in a requested 2018 base rate revenue requirement of \$5.534 billion, a decrease of \$106 million over the 2017 GRC authorized revenue requirement.

In April 2019, the CPUC issued a 2018 GRC proposed decision, which if adopted, would result in a base rate revenue requirement of \$5.102 billion in 2018, a decrease of \$432 million from SCE's requested revenue requirement, primarily related to a reduction in authorized rate base, depreciation and operation and maintenance expenses. The proposed decision also identifies 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 proposed decision would also disallow certain historical spending, largely related to certain infrastructure replacement programs and corporate real estate.

The CPUC did not issue a decision on the 2018 GRC application during 2018 or during the first quarter of 2019, therefore SCE recognized revenue based on the 2017 authorized revenue requirement, adjusted for items SCE has determined to be probable of occurring, primarily the July 2017 cost of capital decision and Tax Reform. The CPUC has approved the establishment of a GRC memorandum account and the 2018 and 2019 revenue requirements ultimately adopted by the CPUC will be effective as of January 1, 2018 and January 1, 2019, respectively. The proposed decision, if adopted as drafted, would have a significant impact on SCE and Edison International's reported results, including a non-core impairment of utility property, plant and equipment of up to \$257 million (\$185 million after-tax) related to disallowed historical capital expenditures and an increase to core earnings of approximately \$130 million from application of the decision to revenue, depreciation and income tax expense retroactively for 2018 and the first quarter of 2019.

The proposed decision would allow a post-test year rate making mechanism that escalates capital additions by 2.49% for both 2019 and 2020. It would also allow 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 proposed decision would, if adopted by the CPUC, result in a revenue requirement of \$5.422 billion in 2019 and \$5.823 billion in 2020.

SCE will file comments on the proposed decision in May 2019 and SCE cannot predict when a final decision will be issued. A final decision could result in material changes to the proposed decision.

Capital Program

Total capital expenditures (including accruals) were \$856 million and \$853 million for the first three months of 2019 and 2018, respectively.

SCE's capital expenditure forecast for 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 proposed decision and spending associated with SCE's wildfire mitigation-related capital expenditures under the GS&RP and WMP. The table below includes \$346 million and a range of \$500 million to \$700 million of capital expenditures related to wildfire mitigation for 2019 and 2020, respectively. The CPUC has authorized tracking of costs related to the GS&RP and WMP through memorandum accounts. SCE has also proposed a balancing account for its GS&RP spending. If SCE's proposed balancing account in its GS&RP application is approved, forecasted costs for the GS&RP will be included in rates with a subsequent reasonableness review through the annual ERRR proceeding. On April 29, 2018, the CPUC issued a proposed

decision that, if adopted, would approve SCE's 2019 WMP and, among other things, would require SCE to meet certain reporting requirements. SCE continues to evaluate wildfire mitigation spending and anticipates that in 2019 the CPUC will issue decisions on the GS&RP and 2019 WMP. SCE expects to file its 2020 WMP by early 2020. SCE anticipates that wildfire mitigation spending not addressed in balancing accounts will be addressed in future GRC applications or through other regulatory proceedings.

SCE forecasts capital expenditures for 2019 – 2020 to be approximately \$8,896 million to \$9,096 million. SCE's 2019 – 2020 forecast for major capital expenditures are set forth in the table below:

(in millions)	2019	2020	Total 2019 – 2020
Distribution	\$3,219	\$2,898	\$6,117
Transmission	701	786	1,487
Generation	211	235	446
Subtotal	4,131	3,919	8,050
Estimated wildfire mitigation-related capital expenditures	346	500 – 700	846 – 1,046
Total estimated capital expenditures	\$4,477	\$4,419	\$8,896 – \$9,096

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 – 2020 assuming the CPUC capital expenditures authorized in the 2018 GRC proposed decision are adopted as drafted and the expected FERC capital expenditures. The table below does not reflect rate base associated with spending for the GS&RP or other programs which have not yet been approved by the CPUC.

(in millions)	2018	2019	2020
Rate base for expected capital expenditures	\$28,382	\$30,682	\$33,120

A final CPUC decision could result in material changes to the proposed decision, including the weighted average annual rate base for 2018 – 2020 set forth in the table above.

Southern California Wildfires and Mudslides

Approximately 35% of SCE's service territory is in areas identified as high fire risk by SCE. Multiple factors have contributed to increased wildfires, faster progression of wildfires and the 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.

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.

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 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 (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 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 prudence standard to an investor-owned utility in future wildfire cost-recovery proceedings. Accordingly, while the CPUC has not made a determination regarding SCE's prudence 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. In April 2019, a strike force formed by California Governor Gavin Newsom released a report entitled Wildfires and Climate Change: California's Energy Future, which sets forth, among other things, guiding principles for potential reform to California policies regarding wildfire liability. While this report recommended that the Commission on Catastrophic Wildfire Cost and Recovery, the California legislature and the strike force continue working to develop a solution for consideration by the Governor and the legislature, Edison International and SCE cannot predict whether or when there will be a comprehensive solution mitigating the significant risk faced by California investor-owned utilities related to wildfires.

In April 2019, in addition to other requested increases in CPUC and FERC ROE, SCE requested from both the CPUC and FERC an additional 6% ROE to compensate investors for current wildfire risk. SCE would seek to reduce or remove this additional ROE if there is a material reduction in its wildfire cost recovery risk due to regulatory or legislative reform. For further details, see "Liquidity and Capital Resources—SCE—Regulatory Proceedings—2020 Cost of Capital Application" and "Liquidity and Capital Resources—SCE—Regulatory Proceedings—FERC Formula Rate—2019 FERC Formula Rate."

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

RESULTS OF OPERATIONS

Southern California Edison Company

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

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

Three months ended March 31, 2019 versus March 31, 2018

(in millions)	Three months ended March 31, 2019			Three months ended March 31, 2018		
	Earning Activities	Cost-Recovery Activities	Total Consolidated	Earning Activities	Cost-Recovery Activities	Total Consolidated
Operating revenue	\$1,550	\$1,266	\$ 2,816	\$1,513	\$ 1,041	\$ 2,554
Purchased power and fuel	—	1,005	1,005	—	926	926
Operation and maintenance	589	280	869	509	142	651
Depreciation and amortization	480	—	480	459	—	459
Property and other taxes	109	—	109	105	—	105
Impairment and other	(4)	—	(4)	—	—	—
Other operating income	(1)	—	(1)	(1)	—	(1)
Total operating expenses	1,173	1,285	2,458	1,072	1,068	2,140
Operating income	377	(19)	358	441	(27)	414
Interest expense	(178)	—	(178)	(155)	—	(155)
Other income and expense	19	19	38	24	27	51
Income before income taxes	218	—	218	310	—	310
Income tax benefit	(105)	—	(105)	(6)	—	(6)
Net income	323	—	323	316	—	316
Preferred and preference stock dividend requirements	30	—	30	30	—	30
Net income available for common stock	\$293	\$ —	\$ 293	\$286	\$ —	\$ 286
Net income available for common stock			\$ 293			\$ 286
Less: Non-core earnings			72			—
Core earnings ¹			\$ 221			\$ 286

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 \$37 million primarily due to the following:

An increase of \$26 million in CPUC revenue primarily related to a \$16 million refund to customers in 2018 for prior overcollections and \$6 million related to the incremental return on rate base recorded through the pole loading balancing account.

An increase of \$11 million in FERC revenue primarily due to higher operating costs subject to balancing account treatment (offset in operation and maintenance expenses and interest expense below).

Higher operation and maintenance costs of \$80 million primarily due to wildfire mitigation costs, including enhanced overhead inspections, and other preventative maintenance costs.

Higher depreciation and amortization expense of \$21 million primarily related to transmission and distribution investments.

Higher interest expense of \$23 million primarily due to increased borrowings and higher interest on balancing account overcollections.

- Lower other income and expense of \$5 million primarily due to lower AFUDC equity income.

Higher income tax benefits of \$99 million primarily due to higher non-core income tax benefits of \$69 million related to changes in the allocation of deferred tax re-measurement between customers and shareholders and lower pre-tax income, excluding non-core items.

Cost-Recovery Activities

Cost-recovery activities were primarily affected by the following:

Higher purchased power and fuel costs of \$79 million primarily driven by higher power and gas prices, lower congestion revenue right credits and higher charges from contract amendments, partially offset by lower load related to cooler weather and higher realized gains on hedging activities.

Higher operation and maintenance costs of \$138 million primarily driven by the authorization to recover 2018 wildfire insurance costs that had been deferred as regulatory assets and higher spending on various public purpose programs and transmission access charges.

- Lower other income and expense of \$8 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 \$2.6 billion and \$2.4 billion for the three months ended March 31, 2019 and 2018, respectively.

The 2019 revenue increase is primarily related to higher cost-recovery activities related to 2018 wildfire insurance costs and higher purchased power and fuel costs driven by higher power and gas prices, lower congestion revenue right credits and higher charges from contract amendments, partially offset by lower load related to 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 \$99 million for the three months ended March 31, 2019 compared to the same period in 2018.

The effective tax rates were (48.2)% and (1.9)% for the three months ended March 31, 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 is primarily due to 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.

Income from Continuing Operations

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

	Three months ended March 31,	
(in millions)	2019	2018
Edison Energy Group and subsidiaries	\$(3)	\$(52)
Corporate expenses and other subsidiaries	(12)	(16)
Total Edison International Parent and Other	\$(15)	\$(68)

The loss from continuing operations of Edison International Parent and Other decreased \$53 million for the three months ended March 31, 2019 compared to the same period in 2018 primarily due to the absence of an after-tax impairment charge of \$48 million resulting from an agreement to sell SoCore Energy and lower corporate expenses.

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, as needed. SCE also has availability under its credit facility to fund cash requirements.

SCE's long-term issuer credit ratings remain at investment grade levels after downgrade actions taken by the major credit agencies in March 2019. 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	Negative	Watch	Negative	Watch	Negative

SCE's credit ratings may be further affected by the ultimate outcome of pending enforcement and litigation matters, including the outcome of the uncertainties and potential liabilities associated with the 2017/2018 Wildfire/Mudslide Events, and the reform of policies allocating liability to investor-owned utilities for damages caused by catastrophic wildfires substantially caused by utility equipment. 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 is \$14 million as of March 31, 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. For further details, see "—Margin and Collateral Deposits."

Available Liquidity

At March 31, 2019, SCE had approximately \$2.8 billion available under its \$3.0 billion credit facility. The credit facility is available for borrowing needs until May 2023 and contains two 1-year extension options. SCE borrowed \$750 million under a term loan in February 2019 and issued \$1.1 billion 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. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements."

In April 2019, Edison International contributed \$750 million to SCE, which SCE used to repay its February 2019 term loan discussed above.

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 (see "Management Overview—Southern California Wildfires and Mudslides" for further information).

Debt Covenant

A debt covenant in SCE's credit facility limits its debt to total capitalization ratio to less than or equal to 0.65 to 1. At March 31, 2019, SCE's debt to total capitalization ratio was 0.52 to 1.

At March 31, 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 to the previous estimate.

Regulatory Proceedings

2020 Cost of Capital Application

In April 2019, SCE filed its 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 seeks a return on common equity of 10.60% for 2020 ("CPUC Base ROE"), compared to its current CPUC ROE of 10.30%. In addition to this CPUC Base ROE, SCE seeks an additional ROE of 6% to compensate investors for current wildfire risk ("CPUC Wildfire Risk ROE"). SCE would seek to reduce or remove this CPUC Wildfire Risk ROE if there is a material reduction in its wildfire cost recovery risk due to regulatory or legislative reform.

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 a higher CPUC Base ROE of 10.9% 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 10.96% for 2020.

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SCE proposes to maintain the current Cost of Capital Mechanism ("CCM"), which provides for an automatic modification of ROE, long-term debt and preferred equity costs in intervening years based on fluctuations in interest rates. In its application, SCE proposes to change the CCM so that it only applies to CPUC Base ROE, not to the CPUC Wildfire Risk ROE.

Assuming that the revenue requirement in SCE's pending 2018 GRC request, including the proposed post-test year ratemaking mechanism, is adopted, SCE's proposed cost of capital and capital structure will result in a projected revenue requirement increase in 2020 of approximately \$1.2 billion from revenue currently included in electric rates of \$11.1 billion.

FERC Formula Rate

2018 Formula Rate

The formula rate that SCE filed in 2017, with a January 1, 2018 effective date, is still pending resolution and is currently in settlement discussions. As a result, SCE's 2018 FERC rates remain subject to refund.

2019 Formula Rate

In April 2019, SCE filed an application with FERC to amend the formula rate associated with its transmission facilities in 2019. In the revised formula rate, SCE seeks a base return on equity of 17.12% ("FERC Base ROE"), compared to its proposed base ROE of 10.30% for its 2018 formula rate. The requested FERC Base ROE reflects a conventional ROE of 11.12% and an additional ROE of 6% to compensate investors for current wildfire risk. SCE would seek to reduce or remove the additional wildfire risk ROE if there is a material reduction in its wildfire cost recovery risk due to regulatory or legislative reform. SCE's total ROE request, inclusive of project incentives and a 0.5% incentive for CAISO participation, is approximately 18.4%.

If the new formula rate is accepted by FERC, it will supersede the existing formula rate, including the 2019 annual update, and could become effective as early as 60 days from the filing date. FERC has the authority to, and may, suspend new rates for up to five months. If the new formula rate is suspended by FERC, the 2019 transmission revenue requirement rate established in the 2019 annual update will continue to be effective, subject to refund, from January 1, 2019 until the end of the suspension of the new formula rate. The new formula rate would likely be subject to refund from the end of the suspension until it is ultimately approved by FERC.

If the revised formula rate becomes effective on June 12, 2019 (the effective date requested by SCE), SCE's proposed revisions to its formula rate will result in a projected increase in its retail base transmission revenue requirement in 2019 of approximately \$290 million from the currently effective retail base transmission revenue requirement of approximately \$1 billion.

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 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 March 31, 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 49.3% and the maximum additional dividend that SCE could pay to Edison International under this limitation was \$356 million, resulting in a restriction on net assets of approximately \$13.5 billion. If the waiver had been approved by CPUC at March 31,

2019, SCE's 37-month average common equity component of total capitalization would have been 49.7%. In its 2020 cost of capital application filed in April 2019, SCE 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. For further details, see "—Regulatory Proceedings—2020 Cost of Capital Application" above.

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 March 31, 2019 due to the addition of incremental power and energy procurement contracts with collateral requirements, if any, and the impact of changes in wholesale power and natural gas prices on SCE's contractual obligations, 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 March 31, 2019.

(in millions)

Collateral posted ¹	\$ 222
Incremental collateral requirements for power procurement contracts resulting from a potential downgrade of SCE's credit rating to below investment grade ²	14
Incremental collateral requirements for power procurement contracts resulting from adverse market price movement ³	10
Posted and potential collateral requirements	\$ 246

¹ Net collateral provided to counterparties and other brokers consisted of \$211 million in letters of credit and surety bonds and \$11 million of cash reflected in "Other current assets" on the consolidated balance sheets.

² If SCE's credit rating falls below investment grade, it 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.

Incremental collateral requirements were based on potential changes in SCE's forward positions as of March 31,

³ 2019 due to adverse market price movements over the remaining lives of existing power contracts using a 95% confidence level.

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.

In April 2019, Edison International registered additional shares of its common stock with the SEC. Edison International anticipates issuing up to \$1.5 billion of registered shares of common stock, including through designated broker-dealers at prevailing market prices (an at-the-market offering), and anticipates using the proceeds for equity contributions to SCE and for general corporate and working capital purposes. Also, in April 2019, Edison International 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 will be used for general corporate and working capital purposes. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements." Edison International believes that these contributions 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 also has availability under its credit facility. At March 31, 2019, Edison International Parent had approximately \$1.3 billion available under its \$1.5 billion credit facility. The credit facility is available for borrowing needs until May 2023 and contains two 1-year extension options. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements."

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 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 March 31, 2019, Edison International Parent's consolidated debt to total capitalization ratio was 0.57 to 1.

At March 31, 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 March 2019. 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	Negative	Watch	Negative

Edison International Parent's credit ratings may be further affected by the ultimate outcome of pending enforcement and litigation matters, including the outcome of the uncertainties and potential liabilities associated with the 2017/2018 Wildfire/Mudslide Events, and the reform of policies allocating liability to investor-owned utilities for damages caused by catastrophic wildfires substantially caused by utility equipment. 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.

Historical Cash Flows

SCE

	Three months ended March 31,	
(in millions)	2019	2018
Net cash provided by operating activities	\$247	\$801
Net cash provided by (used in) financing activities	1,063	(216)
Net cash used in investing activities	(986)	(1,085)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$324	\$(500)

Net Cash Provided by Operating Activities

The following table summarizes major categories of net cash provided by operating activities as provided in more detail in SCE's consolidated statements of cash flows for the three months ended March 31, 2019 and 2018.

(in millions)	Three months ended March 31,		Change in cash flows
	2019	2018	2019/2018
Net income	\$323	\$316	
Non-cash items ¹	370	465	
Subtotal	\$693	\$781	\$ (88)
Changes in cash flow resulting from working capital ²	(271)	(354)	83
Regulatory assets and liabilities	(96)	405	(501)
Other noncurrent assets and liabilities ³	(79)	(31)	(48)
Net cash provided by operating activities	\$247	\$801	\$ (554)

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, prepaid expenses, 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 provided by operating activities was impacted by the following:

Net income and non-cash items decreased in 2019 by \$88 million primarily due to wildfire mitigation expenses and higher net financing costs, partially offset by a 2018 refund to customers for prior overcollections.

Net cash for working capital was \$(271) million and \$(354) million during the three months ended March 31, 2019 and 2018, respectively. Net cash for working capital in 2019 was primarily impacted by insurance premium payments of \$413 million for wildfire-related coverage. The net cash for each period was also impacted by changes in receivables from customers of \$32 million and \$(222) million in 2019 and 2018, respectively.

Net cash provided by regulatory assets and liabilities, including changes in overcollections of balancing accounts was \$(96) million and \$405 million during the three months ended March 31, 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 \$346 million primarily due to a \$163 million reclassification from the pole loading balancing account to BRRBA to recover 2017 undercollections, authorization to recover \$107 million of premiums related to a wildfire insurance policy purchased in 2017, lower sales than forecasted in rates and a refund of prior TAMA overcollections.

Net undercollections for ERRA and the new system generation program were \$831 million and \$741 million at March 31, 2019 and December 31, 2018, respectively. Net undercollections increased \$90 million primarily due to higher than forecasted power and gas prices experienced in 2019, partially offset by an increase in cash due to recovery of prior ERRA undercollections.

Net overcollections for TAMA and pole loading balancing account were \$128 million at March 31, 2019 compared to net undercollections of \$28 million at December 31, 2018. Net overcollections increased by \$156 million primarily due to a \$163 million reclassification from the pole loading balancing account to BRRBA as discussed above.

- Higher cash due to \$104 million of overcollections for the public purpose and energy efficiency programs resulting from lower program spending.

Higher cash from increased regulatory liabilities of approximately \$90 million primarily due to the delay in the 2018 GRC decision. Amounts billed to customers during first three months of 2019 were based on the 2017 authorized GRC revenue requirement, however, the amount of revenue recognized has been 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 has been established to record any associated adjustments.

2018

- Higher cash due to \$143 million of overcollections for the public purpose and energy efficiency programs resulting from lower program spending.

• BRRBA overcollections increased by \$122 million during the first three months of 2018 primarily due to the timing of revenue, partially offset by a refund of 2016 incremental tax benefits.

• Higher cash of \$42 million due to cash collected for San Onofre under the Prior San Onofre Settlement Agreement.

• Higher cash reflected in regulatory liabilities of approximately \$90 million primarily due to the delay in the 2018 GRC decision.

Cash flows used in other noncurrent assets and liabilities were primarily related to net earnings from nuclear decommissioning trust investments (\$27 million and \$30 million in 2019 and 2018, respectively) and SCE's payments of decommissioning costs (\$73 million and \$41 million in 2019 and 2018, respectively). See "Nuclear Decommissioning Activities" below for further discussion.

Net Cash Provided by (Used in) Financing Activities

The following table summarizes cash provided by (used in) financing activities for the three months ended March 31, 2019 and 2018. Issuances of debt are discussed in "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements."

(in millions)	Three months ended March 31,	
	2019	2018
Issuances of first and refunding mortgage bonds, net of discount and issuance costs	\$1,087	\$1,239
Issuance of term loan	750	—
Long-term debt matured	(40)	(40)
Short-term debt repayments, net of borrowings and discount	(691)	(1,168)
Payments of common stock dividends to Edison International	—	(212)
Payments of preferred and preference stock dividends	(36)	(36)
Other	(7)	1
Net cash provided by (used in) financing activities	\$1,063	\$(216)

Net Cash Used in Investing Activities

Cash flows used in investing activities are primarily due to capital expenditures related to transmission and distribution investments (\$1.1 billion for each of the three month periods ended March 31, 2019 and 2018). In addition, SCE had a net redemption of nuclear decommissioning trust investments of \$73 million and \$24 million during the first three months ended March 31, 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:

(in millions)	Three months ended March 31,	
	2019	2018
Net cash used in operating activities:	\$27	\$30
Net earnings from nuclear decommissioning trust investments	(73)	(41)
SCE's decommissioning costs		
Net cash provided by investing activities:	1,208	931
Proceeds from sale of investments		

Purchases of investments	(1,135,907)
Net cash impact	\$27 \$13

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

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reinvestment of earnings from nuclear decommissioning trust investments. The net cash impact reflects timing of decommissioning payments (\$73 million and \$41 million in 2019 and 2018, respectively) and reimbursements to SCE from the nuclear decommissioning trust (\$100 million and \$54 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.

	Three months ended March 31,	
(in millions)	2019	2018
Net cash (used in) provided by operating activities	\$(37)	\$58
Net cash used in financing activities	(54)	(529)
Net cash used in investing activities	—	(12)
Net decrease in cash and cash equivalents	\$(91)	\$(483)

Net Cash (Used in) Provided by Operating Activities

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

\$75 million cash inflow from income tax refunds in 2018.

\$37 million and \$17 million cash outflow from operating activities in 2019 and 2018, respectively, primarily due to payments relating to interest and operating costs.

Net Cash Used in Financing Activities

Net cash used in financing activities was as follows:

	Three months ended March 31,	
(in millions)	2019	2018
Dividends paid to Edison International common shareholders	\$ (200)	\$ (197)
Dividends received from SCE	—	212
Payment for stock-based compensation, net of receipt from stock option exercises	(7)	(6)
Issuance of long-term debt, net of discount and issuance costs	—	544
Short-term debt borrowings, net of (repayments) and discount	153	(1,093)
Other	—	11
Net cash used in financing activities	\$ (54)	\$ (529)

Contingencies

SCE has contingencies related to the 2017/2018 Wildfire/Mudslide Events, wildfire insurance, Montecito Mudslides, 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 \$110 million and \$167 million on SCE's consolidated balance sheets at March 31, 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 for both rated and non-rated counterparties based on credit ratings using published ratings of counterparties and other publicly disclosed information, such as financial statements, regulatory filings, and press releases, to guide it in the process of setting credit levels, risk limits, and contractual arrangements, including master netting agreements.

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

	March 31, 2019		
(in millions)	Exposure	Offset	Net Exposure
S&P Credit Rating ¹			
A or higher	\$98	\$	—\$ 98
A-, BBB + and BBB	12	—	12
	\$110	\$	—\$ 110

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

For a complete discussion on Edison International's and SCE's critical accounting policies, see "Critical Accounting Estimates and Policies" in the year-ended 2018 MD&A.

NEW ACCOUNTING GUIDANCE

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

FINANCIAL STATEMENTS

Consolidated Statements of Income

Edison
International

	Three months ended March 31,	
(in millions, except per-share amounts, unaudited)	2019	2018
Total operating revenue	\$2,824	\$2,564
Purchased power and fuel	1,005	926
Operation and maintenance	882	675
Depreciation and amortization	480	462
Property and other taxes	110	107
Impairment and other	(4)) 66
Other operating income	(1)) (2)
Total operating expenses	2,472	2,234
Operating income	352	330
Interest expense	(194)) (170)
Other income and expense	38	51
Income from continuing operations before income taxes	196	211
Income tax benefit	(112)) (31)
Income from continuing operations	308	242
Net income	308	242
Preferred and preference stock dividend requirements of SCE	30	30
Other noncontrolling interests	—	(6)
Net income attributable to Edison International common shareholders	\$278	\$218
Amounts attributable to Edison International common shareholders:		
Income from continuing operations, net of tax	\$278	\$218
Net income attributable to Edison International common shareholders	\$278	\$218
Basic earnings per share:		
Weighted-average shares of common stock outstanding	326	326
Continuing operations	\$0.85	\$0.67
Basic earnings per common share attributable to Edison International common shareholders	\$0.85	\$0.67
Diluted earnings per share:		
Weighted-average shares of common stock outstanding, including effect of dilutive securities	327	327
Continuing operations	\$0.85	\$0.67
Diluted earnings per common share attributable to Edison International common shareholders	\$0.85	\$0.67

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

Consolidated Statements of Comprehensive Income	Edison International	
	Three months ended March	
	31,	
(in millions, unaudited)	2019	2018
Net income	\$308	\$242
Other comprehensive income (loss), net of tax:		
Pension and postretirement benefits other than pensions:		
Amortization of net loss included in net income	2	2
Other	—	(5)
Other comprehensive income (loss), net of tax	2	(3)
Comprehensive income	310	239
Less: Comprehensive income attributable to noncontrolling interests	30	24
Comprehensive income attributable to Edison International	\$280	\$215

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

Consolidated Balance Sheets	Edison International	
(in millions, unaudited)	March 31, 2019 December 31, 2018	
ASSETS		
Cash and cash equivalents	\$ 328	\$ 144
Receivables, less allowances of \$49 and \$52 for uncollectible accounts at respective dates	716	730
Accrued unbilled revenue	459	482
Inventory	312	282
Income tax receivables	192	191
Prepaid expenses	465	148
Derivative assets	101	171
Regulatory assets	1,286	1,133
Other current assets	140	78
Total current assets	3,999	3,359
Nuclear decommissioning trusts	4,291	4,120
Other investments	76	63
Total investments	4,367	