EDISON INTERNATIONAL
Form 10-Q
October 27, 2015

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

FORM 10-Q
(Mark One)

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

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

EDISON INTERNATIONAL	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 þ No o Southern California Edison Company Yes þ No o

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

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

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

Edison International	Large Accelerated Filer þ	Accelerated Filer ¨	Non-accelerated Filer ¨	Smaller Reporting Company ¨

Southern California Edison Company	Large Accelerated Filer ¨	Accelerated Filer ¨	Non-accelerated Filer þ	Smaller Reporting Company ¨

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

Edison International Yes ¨ No þ Southern California Edison Company Yes ¨ No þ
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
Common Stock outstanding as of October 23, 2015:

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

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This is a combined Form 10-Q separately filed by Edison International and Southern California Edison Company. Information contained herein relating to an individual company is filed by such company on its own behalf. Each company makes representations only as to itself and makes no other representation whatsoever as to any other company.

FORWARD-LOOKING STATEMENTS

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

- ability of SCE to recover its costs in a timely manner from its customers through regulated rates, including regulatory assets related to San Onofre and undercollection of fuel and purchased power costs;
- 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, and delays in regulatory actions;
- ability of Edison International or its subsidiaries to borrow funds and access the capital markets on reasonable terms;
- possible customer bypass or departure due to technological advancements, federal and state subsidies, or cumulative rate impacts that make self-generation or use of alternative energy sources economically viable;
- risks inherent in the construction of transmission and distribution infrastructure replacement and expansion projects, including those related to project site identification, public opposition, environmental mitigation, construction, permitting, power curtailment costs (payments due under power contracts in the event there is insufficient transmission to enable the acceptance of power delivery), and governmental approvals;
- risks associated with the operation of transmission and distribution assets and power generating facilities including: public safety issues, failure, availability, efficiency, and output of equipment and availability and cost of spare parts;
- risks associated with the retirement and decommissioning of nuclear generating facilities;
- physical security of SCE's critical assets and personnel and the cyber security of SCE's critical information technology systems for grid control, and business and customer data;
- cost and availability of electricity, including the ability to procure sufficient resources to meet expected customer needs in the event of power plant outages or significant counterparty defaults under power-purchase agreements;
- environmental laws and regulations, at both the state and federal levels, or changes in the application of those laws, that could require additional expenditures or otherwise affect the cost and manner of doing business;
- changes in the fair value of investments and other assets;
- changes in interest rates and rates of inflation, including escalation rates, which may be adjusted by public utility regulators;
- governmental, statutory, regulatory or administrative changes or initiatives affecting the electricity industry, including market structure rules applicable to each market adopted by the CAISO, WECC, NERC, and adjoining regions;
- availability and creditworthiness of counterparties and the resulting effects on liquidity in the power and fuel markets and/or the ability of counterparties to pay amounts owed in excess of collateral provided in support of their obligations;
- cost and availability of labor, equipment and materials;
- ability to obtain sufficient insurance, including insurance relating to SCE's nuclear facilities and wildfire-related liability, and to recover the costs of such insurance or in the absence of insurance the ability to recover uninsured losses;
- effects of legal proceedings, changes in or interpretations of tax laws, rates or policies;
- potential for penalties or disallowances for non-compliance with applicable laws and regulations, including potential penalties for violation of the CPUC's ex parte communications rules;

- cost and availability of fuel for generating facilities and related transportation to the extent not recovered through regulated rate cost escalation provisions or balancing accounts;
- extent of technological change in the generation, storage, transmission, distribution and use of electricity;
- risk that competing transmission systems will be built by merchant transmission providers in SCE's service area; and
- weather conditions and natural disasters.

Additional information about risks and uncertainties, including more detail about the factors described above, is contained throughout this MD&A and in Edison International's and SCE's combined 2014 Form 10-K, including the "Risk Factors" section. Readers are urged to read this entire report, including the information incorporated by reference, as well as the 2014 Form 10-K, and carefully consider the risks, uncertainties and other factors that affect Edison International's and SCE's businesses. Forward-looking statements speak only as of the date they are made and neither Edison International nor SCE are obligated to publicly update or revise forward-looking statements. Readers should review future reports filed by Edison International and SCE with the SEC. Additionally, Edison International and SCE provide direct links to SCE's regulatory filings with the CPUC and the FERC at www.edisoninvestor.com so that such filings are available to all investors upon SCE filing with the relevant agency.

The MD&A for the nine months ended September 30, 2015 discusses material changes in the consolidated financial condition, results of operations and other developments of Edison International and SCE since December 31, 2014, and as compared to the nine months ended September 30, 2014. This discussion presumes that the reader has read or has access to Edison International's and SCE's MD&A for the calendar year 2014 (the "year-ended 2014 MD&A"), which was included in the 2014 Form 10-K.

Except when otherwise stated, references to each of Edison International, SCE, EMG, Edison Energy Group, EME or Edison Capital mean each such company with its subsidiaries on a consolidated basis. References to "Edison International Parent and Other" mean Edison International Parent and its consolidated non-utility subsidiaries.

GLOSSARY

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

Amended Plan of Reorganization	EME Chapter 11 Bankruptcy Plan of Reorganization as amended to incorporate the terms of the Settlement Agreement, dated February 19, 2014
AFUDC	allowance for funds used during construction
2014 Form 10-K	Edison International's and SCE's combined Annual Report on Form 10-K for the year-ended December 31, 2014
ALJ	administrative law judge
APS	Arizona Public Service Company
ARO(s)	asset retirement obligation(s)
Bcf	billion cubic feet
CAA	Clean Air Act
CAISO	California Independent System Operator
CARB	California Air Resources Board
CPUC	California Public Utilities Commission
CRRs	congestion revenue rights
DOE	U.S. Department of Energy
Edison Energy Group	Edison International's subsidiary that holds interests in competitive businesses related to the generation, delivery, or use of electricity, formerly named Edison Energy, Inc.
EME	Edison Mission Energy
EME Settlement Agreement	Settlement Agreement entered into by Edison International, EME, and the Consenting Noteholders in February 2014
EMG	Edison Mission Group Inc.
EPS	earnings per share
ERRA	energy resource recovery account
FERC	Federal Energy Regulatory Commission
Four Corners	coal fueled electric generating facility located in Farmington, New Mexico in which SCE held a 48% ownership interest
GAAP	generally accepted accounting principles
GHG	greenhouse gas
GRC	general rate case
GWh	gigawatt-hours
HLBV	hypothetical liquidation at book value
IRS	Internal Revenue Service
ISO	Independent System Operator
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations in this report
MHI	Mitsubishi Heavy Industries, Ltd. and a related company
Moody's	Moody's Investors Service
MW	megawatts
MWh	megawatt-hours
NAAQS	national ambient air quality standards
NDTCP	Nuclear Decommissioning Trust Costs Proceeding
NERC	North American Electric Reliability Corporation
Ninth Circuit	Ninth Circuit Court of Appeals
NRC	Nuclear Regulatory Commission
ORA	CPUC's Office of Ratepayers Advocates
OII	Order Instituting Investigation
Palo Verde	large pressurized water nuclear electric generating facility located near

Phoenix, Arizona in which SCE holds a 15.8% ownership interest

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PBOP(s)	postretirement benefits other than pension(s)
PG&E	Pacific Gas & Electric Company
QF(s)	qualifying facility(ies)
ROE	return on common equity
S&P	Standard & Poor's Ratings Services
San Onofre	retired nuclear generating facility located in south San Clemente, California in which SCE holds a 78.21% ownership interest
San Onofre OII Settlement Agreement	Settlement Agreement by and among SCE, The Utility Reform Network, the CPUC's Office of Ratepayer Advocates and SDG&E, which was later joined by the Coalition of California Utility Employees and Friends of the Earth, (together, the "Settling Parties"), dated November 20, 2014
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric
SEC	U.S. Securities and Exchange Commission
SED	Safety and Enforcement Division of the CPUC, formerly known as the Consumer Protection and Safety Division or CPSD
TURN	The Utility Reform Network
US EPA	U.S. Environmental Protection Agency
VIE(s)	variable interest entity(ies)
WECC	Western Electric Coordinating Council

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

MANAGEMENT OVERVIEW

Highlights of Operating Results

Edison International is the parent holding company of SCE. SCE is a public utility primarily engaged in the business of supplying and delivering electricity to an approximately 50,000 square mile area of southern California. Edison International is also the parent company of Edison Energy Group, a subsidiary that holds interests in competitive businesses that are related to the generation, delivery, or use of electricity. Such competitive 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, Edison Energy Group, and other subsidiaries. Unless otherwise described, all of the information contained in this report relates to both filers.

	Three months ended September 30,			Nine months ended September 30,		
(in millions)	2015	2014	Change	2015	2014	Change
Net income (loss) attributable to Edison International						
Continuing operations						
SCE	$389	$503	$(114)	$1,079	$1,072	$7
Edison International Parent and Other	(11)	(7)	(4)	(23)	(26)	3
Discontinued operations	43	(16)	59	43	146	(103)
Edison International	421	480	(59)	1,099	1,192	(93)
Less: Non-core items						
SCE	—	—	—	—	(96)	96
Edison International Parent and Other	1	—	1	7	—	7
Discontinued operations	43	(16)	59	43	146	(103)
Total non-core items	44	(16)	60	50	50	—
Core earnings (losses)						
SCE	389	503	(114)	1,079	1,168	(89)
Edison International Parent and Other	(12)	(7)	(5)	(30)	(26)	(4)
Edison International	$377	$496	$(119)	$1,049	$1,142	$(93)

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

SCE's core earnings for the three months ended September 30, 2015 were lower by $114 million compared to the same period in 2014 primarily due to lower CPUC-related revenue and income tax benefits, partially offset by an increase in FERC-related revenue from rate base growth. SCE recognized revenue from CPUC activities largely based on the 2015 GRC proposed decision resulting in an estimated revenue refund to customers of $233 million. See "—2015 General Rate Case" and "Results of Operations—Southern California Edison Company" for further information. The revenue requirement ultimately adopted by the CPUC in a final GRC decision will be retroactive to January 1, 2015.

SCE's core earnings for the nine months ended September 30, 2015 were lower by $89 million primarily due to lower CPUC-related revenue and lower other income, partially offset by an increase in FERC-related revenue from rate base growth and earnings on funds used during construction.

In addition, income tax benefits were lower in 2015. During the nine months ended September 30, 2015, SCE recorded $100 million of income tax benefits from revisions to liabilities for uncertain tax positions for tax years 2010 through 2012. These benefits were partially offset by changes in estimated taxes related to net operating loss carrybacks, interest and state income taxes. During the nine months ended September 30, 2014, SCE recorded $85 million of income tax benefits from incremental repair deductions and $29 million of income tax benefits from revisions to liabilities for uncertain tax positions.

Consolidated non-core items included:

- Impairment and other charges of $231 million ($96 million after-tax) in the first quarter of 2014 related to the San Onofre OII Settlement Agreement (as discussed below). For further information, see "—San Onofre Proceedings, Recoveries, and Decommissioning."
- Income (loss) from discontinued operations, net of tax, included:
- Loss of $16 million during the third quarter of 2014 and income of $168 million during the nine months ended September 30, 2014 related to the impact of completing the EME Settlement Agreement. In August 2014, Edison International entered into an amendment of the Settlement Agreement to finalize the remaining matters related to the EME Settlement.
- Income tax benefit of $27 million during the third quarter of 2015 from revised estimates of tax benefits based on filing of the tax returns and an income tax loss of $22 million for the nine months ended September 30, 2014 from revised estimates of the tax impact of a tax deconsolidation of EME from Edison International as originally contemplated prior to the EME Settlement. See 2014 Form 10-K, "Management Overview—Resolution of Uncertainty Related to EME in Bankruptcy."
- Income of $16 million ($28 million pre-tax) during the third quarter of 2015 related to insurance recoveries related to the EME bankruptcy.
- Income of $1 million and $7 million for the three and nine months ended September 30, 2015, respectively, related to losses allocated to tax equity investors under the HLBV accounting method. Edison International reflected in core earnings the operating results of the solar rooftop projects, related financings and the priority return to the tax equity investor. The losses allocated to the tax equity investor under HLBV accounting method results in income allocated to subsidiaries of Edison International, neither of which is due to the operating performance of the projects but rather due to the allocation of income tax attributes under the tax equity financing. Accordingly, Edison International has included the non-operating allocation of income as a non-core item. For further information on HLBV, see the 2014 Form 10-K, "Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies."

2015 General Rate Case

SCE's 2015 GRC application, as amended, requested a base rate revenue requirement of $5.512 billion, which would be a $121 million decrease from currently authorized base rate revenue. On September 18, 2015, the CPUC issued a proposed decision, which, if adopted, would result in a 2015 base rate revenue requirement of $5.159 billion, a decrease of $353 million from SCE's requested revenue requirement, primarily related to operation and maintenance expenses, capital expenditures, and other rate base adjustments. The proposed decision includes a reduction of 2015 capital expenditures of approximately $300 million, primarily in the areas of infrastructure replacement, inspection and maintenance and non-electric facility capital projects. The proposed decision, if adopted, would result in a decrease of approximately $474 million from currently authorized revenue. The proposed decision also continues SCE's flow-through rate-making treatment of tax repair deductions. See "Notes to Consolidated Financial Statements—Note 7. Income Taxes" for further discussion.

The proposed decision would allow a post-test year ratemaking methodology that escalates capital additions by 2% for 2016 and 2% for 2017. It would also allow operation and maintenance expense to be escalated for 2016 and 2017 through the use of various escalation factors for labor, non-labor and medical expenses. The methodology adopted in the proposed decision would result in a revenue requirement of $5.429 billion for 2016 and $5.704 billion for 2017.

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As indicated in the table below, revenue in the 2015 GRC proposed decision is lower than the amount authorized in 2014 due to lower operation and maintenance costs and income taxes. SCE has recognized revenue largely based on the revenue requirement set forth in the proposed decision. The reduction in revenue from estimated refunds to customers was $233 million during the third quarter of 2015 and the total reduction in revenue for the nine months was $318 million. See "Results of Operations—SCE" for further information. The CPUC has authorized the establishment of a GRC memorandum account, which will make the 2015 revenue requirement ultimately adopted by the CPUC effective as of January 1, 2015. A final CPUC decision may be received by year-end and could result in material changes to the proposed decision.

The 2015 GRC proposed decision also includes a reduction in 2015 base rate revenue requirement of approximately $40 million through a rate base adjustment of $344 million as determined by the CPUC to achieve a benefit to customers equal to the increased future customer costs attributable to SCE's election related to 2012 – 2014 tax repairs. In SCE's filed comments, it requested a modification to eliminate the rate base adjustment on the basis of a number of legal errors including, among other items, that the rate base adjustment affecting the revenue requirements is prohibited as retroactive rate making. As of September 30, 2015, SCE had recorded a net regulatory asset of approximately $380 million related to future cash taxes associated with incremental 2012 – 2014 repair deductions. SCE has not recorded the potential impact from the rate base adjustment or 2015 incremental repair deductions pending a final decision that would provide clarity on the tax accounting treatment. SCE cannot predict the outcome of this matter. If the final decision mandates future reductions in revenue requirements, SCE would reduce 2015 revenue by the amount determined in the final decision and may record a charge against income to write down some or all of the above regulatory asset.

Capital Program

Total capital expenditures (including accruals) were $2.6 billion for the first nine months of both 2015 and 2014. SCE’s capital expenditures forecast for the 2015 – 2017 period has been revised since the filing of the 2014 Form 10-K and is now estimated to be in the range of $11.6 billion to $11.8 billion, including $3.9 billion for 2015. The update reflects a reduction in capital expenditures due to the 2015 GRC proposed decision, the Coolwater-Lugo Transmission Project (for more information, see "Liquidity and Capital Resources—SCE—Capital Investment Plan") and revisions to the timing of capital spending for transmission projects. Actual capital spending will be affected by: changes in regulatory, environmental and engineering design requirements; permitting and project delays; cost and availability of labor, equipment and materials; and other factors.

Distribution Resources Plan

As discussed in the 2014 Form 10-K, to support California's greenhouse gas reduction targets, modernize the electric distribution system to accommodate two-way flows of energy associated with distributed energy resources such as rooftop solar, and facilitate customer choice of new technologies and services that reduce emissions and improve resilience, the CPUC initiated a rulemaking to establish policies, procedures and rules to guide investor owned utilities in developing a Distribution Resources Plan ("DRP") proposal. On July 1, 2015, SCE filed its DRP with the CPUC, which included an indicative forecast of capital investment in distribution automation, substation automation, communications systems, technology platforms and applications, and grid reinforcement. Subject to future CPUC guidance, SCE anticipates integrating authorization for revenue to support DRP operation and maintenance and capital spending into future general rate cases, beginning with its 2018 – 2020 GRC, which is expected to be filed on or about September 1, 2016. Capital investments for 2015 – 2017 discussed above may be updated or revised based on developments and guidance received from the CPUC as a part of the DRP rule making, technology availability, pace of distributed energy resource adoption, and other factors.

SCE expects overall capital spending to continue at least in the range of current capital spending forecasts, although the CPUC's approval in future general rate cases of all or part of the capital investment plan supporting SCE's DRP filing could result in higher spending. The timing and amount of capital investments may vary depending upon implementation decisions, including scope and pace of adoption and GRC ratemaking decisions and other CPUC actions.

San Onofre Proceedings, Recoveries, and Decommissioning

As discussed in the 2014 Form 10-K, in November 2014, the CPUC approved the San Onofre OII Settlement Agreement that SCE had entered into with TURN, ORA, SDG&E, the Coalition of California Utility Employees, and Friends of the Earth. The San Onofre OII Settlement Agreement resolved the CPUC's investigation regarding the Steam Generator Replacement Project at San Onofre and the related outages and subsequent shutdown of San Onofre. The San Onofre OII Settlement Agreement does not affect proceedings related to recoveries from third parties, but does describe how shareholders and customers will share any potential recoveries. For further discussion of third party recoveries, including claims against MHI and under the NEIL outage insurance, see "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies—San Onofre Related Matters."

NEIL Insurance Settlement

The San Onofre owners have reached an agreement with NEIL to resolve all insurance claims arising out of the failures of the San Onofre replacement steam generators for a total payment by NEIL of $400 million (SCE's share of which is approximately $313 million). Under the terms of the San Onofre OII Settlement Agreement, after reimbursement of the costs incurred in pursuing these claims, the recovery will be allocated 95% to customers and 5% to SCE. For further discussion of recovery under the NEIL outage and property damage insurance, see "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies—San Onofre Related Matters."

Challenges related to San Onofre CPUC Proceedings

A federal lawsuit challenging the CPUC's authority to permit rate recovery of San Onofre costs and an application to the CPUC for rehearing of its decision approving the San Onofre OII Settlement Agreement were filed in November and December 2014, respectively. In April 2015, the federal lawsuit was dismissed with prejudice and the plaintiffs in that case appealed the dismissal to the Ninth Circuit in May 2015. Both the appeal and the application for rehearing remain pending.

In February 2015, SCE filed in the OII proceeding a Late-Filed Notice of Ex Parte Communication regarding a meeting in March 2013 between an SCE senior executive and the president of the CPUC, both of whom have since retired from their respective positions. Following this filing, the Alliance for Nuclear Responsibility ("A4NR"), one of the intervenors in the OII, filed a motion requesting that the CPUC institute an investigation into whether sanctions should be imposed on SCE for the late notice of the March 2013 meeting. The motion requests that the CPUC order SCE to produce all ex parte communications between SCE and the CPUC or its staff since January 31, 2012 and all internal SCE unprivileged communications that discuss such ex parte communications. On May 6, 2015, A4NR amended its motion to recommend that the CPUC impose a $38.2 million penalty on SCE and additional restrictions on ex parte communications.

On April 14, 2015, the OII ALJs ordered SCE, among other things, to produce unprivileged documents pertaining to oral and written communications regarding the possible settlement of the OII proceeding between any SCE employee and CPUC decision makers from March 2013 to November 2014. SCE produced responsive documents and information on April 29, 2015. On June 26, 2015, the ALJs requested additional information, which SCE provided on July 3, 2015. Subsequently, another intervenor, the Coalition to Decommission San Onofre, filed a motion to move the start date for the production of documents under the CPUC's order to January 31, 2012 and to authorize the intervenors to conduct discovery of SCE. On August 5, 2015, the OII ALJ issued a ruling that nine additional communications should have been reported in addition to the March 2013 communication that SCE had reported in February 2015. The ruling dismissed all other pending requests for disclosures by SCE, discovery, or sanctions. In addition, the August 2015 ruling ordered SCE to show cause why it should not be sanctioned for violations of the ex parte rules and two related violations of Rule 1.1. The amount of potential monetary sanctions may vary from $500 to $50,000 per offense and will also depend on whether each offense is considered to be a single or a continuing violation, rendering it subject to a separate fine for each day. SCE responded to the order on August 20, 2015, arguing that the additional communications were not reportable and that sanctions were not justified. On October 20, 2015, SCE submitted to the CPUC additional documents that were responsive to the ALJs' order discussed above. On October 26, 2015, the OII ALJ issued a proposed decision that would impose a penalty of $16.74 million in connection with eight communications that the proposed decision finds should have been reported. The proposed decision does not address the petitions for modification of the San Onofre OII Settlement Agreement discussed below.

On April 17, 2015, ORA and TURN issued press releases asking the CPUC to impose penalties on SCE as a sanction for allegedly improper ex parte communications pertaining to San Onofre or failures to report such communications. ORA recommended penalties in the amount of $648 million, representing ORA's calculation of the difference in ratepayer value between ORA's initial settlement negotiating position in the San Onofre OII and the approved settlement. TURN did not recommend a penalty amount.

On April 27, 2015, A4NR filed a petition to modify the CPUC's decision approving the San Onofre OII Settlement Agreement based on SCE's alleged failures to disclose communications between SCE and CPUC decision-makers pertaining to the issues in the San Onofre OII. The petition seeks the reversal of the decision approving the San Onofre OII Settlement Agreement and reopening of the OII proceeding. Subsequently, TURN and ORA filed responses supporting A4NR's petition to reopen the San Onofre OII proceeding. In August 2015, ORA filed its own petition to modify the CPUC's decision approving the San Onofre OII Settlement Agreement seeking to set aside the settlement and reopen the San Onofre OII proceeding. SCE and SDG&E responded to this petition in September 2015. Both petitions remain pending before the CPUC.

On July 6, 2015, a purported securities class action lawsuit was filed in federal court against Edison International, its CEO and CFO. The lawsuit alleges that the defendants violated the securities laws by failing to disclose that Edison International's ex parte contacts with CPUC decision-makers were more extensive than initially reported. The complaint purports to be filed on behalf of a class of persons who acquired Edison International common stock between July 31, 2014 and June 24, 2015.

Subsequently, in July 2015, a federal shareholder derivative lawsuit was filed against members of the Edison International Board of Directors for breach of fiduciary duty and other claims based on similar allegations to the federal securities lawsuit. The derivative lawsuit seeks monetary damages, including punitive damages, and various corporate governance reforms. Two additional federal shareholder derivative lawsuits making essentially the same allegations were filed in August and October 2015.

SCE has produced and is producing documents and is otherwise cooperating with criminal investigations being conducted by the California Attorney General and the U.S. Department of Justice. While the full scope of the investigations is not known to SCE, SCE's document production and cooperation have included information relating to the settlement of the San Onofre OII and interactions between SCE executives and CPUC decision-makers.

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

Rate Impacts

Due to the implementation of the San Onofre OII Settlement Agreement as of December 31, 2014, customers were refunded approximately $540 million through a reduction in SCE's ERRA undercollection. As a result of collections in 2015 and the reimbursement of 2013 and 2014 San Onofre decommissioning costs discussed below, the ERRA undercollection was fully recovered as of September 30, 2015.

For further information on 2015 ERRA forecast application, see "Liquidity and Capital Resources—SCE—Regulatory Proceedings—ERRA Forecast Filing – 2015" in the year-ended 2014 MD&A. For information on the San Onofre regulatory asset, see "Notes to Consolidated Financial Statements—Note 10. Regulatory Assets and Liabilities."

Decommissioning

As discussed in the 2014 Form 10-K, SCE decided to permanently retire and decommission San Onofre Units 2 and 3 on June 6, 2013. For further information about the decommissioning cost estimates, see the 2014 Form 10-K under the headings, "Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies—Nuclear Decommissioning and Asset Retirement Obligations" and "Management Overview—Permanent Retirement of San Onofre and San Onofre OII Settlement" in the year-ended 2014 MD&A.

SCE has nuclear decommissioning trust funds for San Onofre Units 2 and 3 of $3.0 billion as of September 30, 2015. If the decommissioning cost estimate and assumptions regarding trust performance do not change, SCE believes that future contributions to the trust funds will not be necessary. The CPUC must issue an order granting approval for withdrawal of decommissioning trust funds.

Decommissioning costs incurred in 2013 and 2014 were recorded as operation and maintenance expenses pending the CPUC decision on access to the trusts for reimbursement. Accordingly, such costs were recovered through GRC revenue. Costs incurred for 2013 have been found reasonable under the San Onofre OII Settlement Agreement. The CPUC will conduct a reasonableness review for 2014 costs and years going forward. On July 23, 2015, the CPUC approved SCE's request for access to the nuclear decommissioning trusts for reimbursement of 2013 and 2014 Units 2 and 3 decommissioning costs. Under the San Onofre OII Settlement Agreement, any recoveries from the nuclear decommissioning trusts of 2013 and 2014 decommissioning costs funded through GRC revenue must be refunded to customers. In August 2015, SCE received $319 million of decommissioning funds and refunded this amount back to customers primarily through ERRA.

Beginning in 2015, SCE must fund decommissioning costs (recorded as a reduction of SCE's asset retirement obligation) until the CPUC approves SCE's request to access the trust funds for that year's costs. SCE expects that the CPUC would approve access for 2015 costs prior to year-end 2015. SCE's share of the decommissioning costs recorded during the first nine months of 2015 were approximately $129 million and are estimated to be approximately $88 million for the remainder of 2015.

Depending on the ultimate interpretation of IRS regulations that address the taxation of a qualified nuclear decommissioning trust, SCE may also be restricted from withdrawing amounts from the qualified decommissioning trusts to pay for independent spent fuel storage installation ("ISFSI") where SCE is seeking, or plans to seek, recovery of the ISFSI costs in litigation against the DOE. SCE's share of ISFSI costs for 2015 (included in the above 2015 decommissioning costs estimate) are currently estimated to be approximately $28 million. SCE has filed for a private letter ruling with the IRS to address this matter based on facts and circumstances related to Units 2 and 3 at San Onofre.

Labor Contract Negotiation

Approximately 3,900 of SCE's full-time employees are covered by collective bargaining agreements with the International Brotherhood of Electrical Workers ("IBEW"). On September 1, 2015, the parties formally executed the 2015 – 2017 collective bargaining agreements with SCE that include, among other things, pay increases retroactive to January 1, 2015 and modified benefit plans, generally consistent with the 2015 GRC proposed decision. The IBEW collective bargaining agreements expire on December 31, 2017.

RESULTS OF OPERATIONS

Southern California Edison Company

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

- Utility 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 utility earnings activities are revenue or penalties related to incentive mechanisms, other operating revenue, and regulatory charges or disallowances.
- Utility 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. Utility 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.

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Revenue Impact of 2015 GRC Proposed Decision

SCE has recognized revenue largely based on the revenue requirement set forth in the proposed GRC decision. The CPUC has authorized the establishment of a GRC memorandum account, which will make the 2015 revenue requirement ultimately adopted by the CPUC effective as of January 1, 2015. A final CPUC decision may be received by year-end and could result in material changes to the proposed decision.

As indicated in the table below, revenue in the 2015 GRC proposed decision is lower than the amount authorized in 2014 due to lower operation and maintenance costs and income taxes. Accordingly, if a final decision adopts the lower 2015 revenue, SCE would refund the excess amount to customers. The total estimated refunds to customers for the nine month period ended September 30, 2015 was $318 million. The reduction in revenue and operating costs reflected in the 2015 GRC proposed decision did not affect the authorized return.

The following table summarizes the proposed decision compared to the amounts of revenue currently authorized:

(in millions)	2014 Authorized Revenue	Exclude San Onofre Authorized Revenue	2014 Authorized Revenue less San Onofre	2015 GRC Proposed Decision Authorized Revenue	(Decrease) Increase
Authorized revenue	$6,149	$(516)	$5,633	$5,159	$(474)
Cost of service:					
Operation and maintenance	2,354	(352)	2,002	1,826	(176) [1]
Depreciation	1,587	(91)	1,496	1,536	40
Property and payroll taxes	273	(13)	260	245	(15)
Income taxes	494	(13)	481	174	(307) [2]
Authorized return	1,441	(47)	1,394	1,378	(16)
	$6,149	$(516)	$5,633	$5,159	$(474)

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

- $78 million reduction in cost-recovery activities primarily for pension, postretirement benefits other than pensions (PBOP), medical and results sharing costs. These cost-recovery activities are recorded through balancing accounts and, accordingly, did not impact revenue recognition based on the proposed decision in the 2015 GRC.
- $98 million reduction for utility earning activities primarily from SCE's initiatives to improve operational efficiency which has resulted in lower forecasted operation and maintenance costs than included in the 2014 authorized amounts.

[2] Authorized revenue for income taxes decreased due to flow-through items for income tax benefits – primarily tax repairs and cost of removal deductions. Forecasted flow-through items increased in the 2015 GRC from the amounts reflected in 2014 authorized revenue which is reflected as lower revenue requirement.

SCE recorded an estimated revenue refund to customers of $233 million during the third quarter of 2015. Revenue recognition for the first and second quarters of 2015 were based largely on 2014 authorized revenue currently in rates. Had revenue during the first and second quarter of 2015 been determined on the same basis as the 2015 GRC proposed decision used during the third quarter, revenue and net income in each quarter would have been approximately $37 million and $22 million lower with an offsetting reduction in the third quarter (no impact on the nine months results of operations). These amounts represent the impact of a change in estimate regarding refunds to customers during the third quarter when it was determined that it was probable that SCE would make additional refunds to customers.

The following table is a summary of SCE's results of operations for the periods indicated.
Three months ended September 30, 2015 versus September 30, 2014

	Three months ended September 30, 2015			Three months ended September 30, 2014		
(in millions)	Utility Earning Activities	Utility Cost-Recovery Activities	Total Consolidated	Utility Earning Activities	Utility Cost-Recovery Activities	Total Consolidated
Operating revenue	$1,711	$2,046	$ 3,757	$1,884	$2,454	$ 4,338
Purchased power and fuel	—	1,785	1,785	—	2,182	2,182
Operation and maintenance	498	258	756	506	270	776
Depreciation, decommissioning and amortization	504	2	506	423	—	423
Property and other taxes	84	—	84	76	—	76
Total operating expenses	1,086	2,045	3,131	1,005	2,452	3,457
Operating income	625	1	626	879	2	881
Interest expense	(130)	(1)	(131)	(132)	(1)	(133)
Other income and expenses	14	—	14	8	(1)	7
Income before income taxes	509	—	509	755	—	755
Income tax expense	92	—	92	224	—	224
Net income	417	—	417	531	—	531
Preferred and preference stock dividend requirements	28	—	28	28	—	28
Net income available for common stock	$389	$—	$ 389	$503	$—	$ 503
Core earnings[1]			$ 389			$ 503
Non-core earnings			—			—
Total SCE GAAP earnings			$ 389			$ 503

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

Utility Earning Activities

Utility earning activities were primarily affected by the following:

- Lower operating revenue of $173 million primarily due to the following:
  - A decrease in CPUC-related revenue of $190 million primarily due to an estimated revenue refund to customers of $233 million, as discussed above, partially offset by a net increase in San Onofre-related revenue of $48 million due to the implementation of the San Onofre OII Settlement Agreement. Revenue for San Onofre during the third quarter of 2015 primarily related to recovery of amortization of the regulatory asset and authorized return as provided by the San Onofre Settlement Agreement compared to revenue during the third quarter of 2014 related to recovery of San Onofre's cost of service. See "Management Overview—San Onofre Proceedings, Recoveries, and Decommissioning" above for more information.
  - An increase in FERC-related revenue of $15 million primarily related to rate base growth and higher operating costs.
- Lower operation and maintenance expense of $8 million primarily due to San Onofre-related expense of $23 million in the third quarter of 2014 partially offset by severance costs of $7 million and higher outside service costs in the third quarter of 2015. Beginning January 1, 2015, expense related to San Onofre has been classified as decommissioning costs and recorded as a reduction to SCE's asset retirement obligation.
- Higher depreciation, decommissioning and amortization expense of $81 million primarily due to San Onofre-related expense of $69 million in 2015 related to the amortization of the regulatory asset and a $12 million increase in depreciation primarily related to transmission and distribution investments. In accordance with the San Onofre OII Settlement Agreement, SCE is authorized to recover in rates its San Onofre regulatory asset over a ten-year period. For further information on the San Onofre regulatory asset, see the 2014 Form 10-K, "Management Overview—Permanent Retirement of San Onofre and San Onofre OII Settlement" and "Notes to Consolidated Financial

Statements—Note 10. Regulatory Assets and Liabilities."

- Higher property and other taxes of $8 million primarily due to higher property assessed values in 2015.

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- Higher other income and expenses of $6 million primarily due to a $15 million penalty recorded in 2014 resulting from the San Bernardino and San Gabriel settlements and higher AFUDC equity income related to a higher rate, partially offset by a $7 million sales tax refund related to San Onofre received in 2014 and lower insurance benefits in 2015. See "Notes to Consolidated Financial Statements—Note 14. Interest and Other Income and Other Expenses" for more information.
- Lower income taxes of $132 million primarily due to lower pre-tax income in 2015, as discussed above, and higher income tax benefits in 2015 primarily related to repair deductions. See "—Income Taxes" below for more information.

Utility Cost-Recovery Activities

Utility cost-recovery activities were primarily affected by the following:

- Lower purchased power and fuel of $397 million primarily driven by lower power and gas prices in 2015 relative to 2014. Fuel costs were $57 million and $77 million for the three months ended September 30, 2015 and 2014, respectively.
- Lower operation and maintenance expense of $12 million primarily due to lower benefit costs partially offset by higher transmission access charges.

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

Nine months ended September 30, 2015 versus September 30, 2014

	Nine months ended September 30, 2015			Nine months ended September 30, 2014		
(in millions)	Utility Earning Activities	Utility Cost-Recovery Activities	Total Consolidated	Utility Earning Activities	Utility Cost-Recovery Activities	Total Consolidated
Operating revenue	$4,870	$4,296	$ 9,166	$5,023	$5,253	$ 10,276
Purchased power and fuel	—	3,648	3,648	—	4,563	4,563
Operation and maintenance	1,455	646	2,101	1,501	686	2,187
Depreciation, decommissioning and amortization	1,448	1	1,449	1,248	—	1,248
Property and other taxes	254	—	254	232	—	232
Impairment and other charges	—	—	—	231	—	231
Total operating expenses	3,157	4,295	7,452	3,212	5,249	8,461
Operating income	1,713	1	1,714	1,811	4	1,815
Interest expense	(397)	(1)	(398)	(398)	(4)	(402)
Other income and expenses	54	—	54	53	—	53
Income before income taxes	1,370	—	1,370	1,466	—	1,466
Income tax expense	207	—	207	310	—	310
Net income	1,163	—	1,163	1,156	—	1,156
Preferred and preference stock dividend requirements	84	—	84	84	—	84
Net income available for common stock	$1,079	$—	$ 1,079	$1,072	$—	$ 1,072
Core earnings[1]			$ 1,079			$ 1,168
Non-core earnings			—			(96)
Total SCE GAAP earnings			$ 1,079			$ 1,072

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

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Utility Earning Activities

Utility earning activities were primarily affected by the following:

- Lower operating revenue of $153 million primarily due to the following:
- A decrease in CPUC-related revenue of $230 million primarily due to an estimated revenue refund to customers of $318 million, as discussed above, partially offset by a net increase in San Onofre-related revenue of $82 million due to the implementation of the San Onofre OII Settlement Agreement. Revenue for San Onofre during the nine months ended September 30, 2015 primarily related to recovery of amortization of the regulatory asset and authorized return as provided by the San Onofre Settlement Agreement compared to revenue during the nine months ended September 30, 2014 related to recovery of San Onofre's cost of service. See "Management Overview—San Onofre Proceedings, Recoveries, and Decommissioning" above for more information.
- An increase in FERC-related revenue of $75 million primarily related to rate base growth and higher operating costs. During the first nine months of 2015 and 2014, SCE recorded $15 million and $19 million, respectively, of additional revenue from a change in estimate under the FERC formula rate mechanism.
- Lower operation and maintenance expense of $46 million primarily due to San Onofre-related expense of $64 million for the nine months ended September 30, 2014. Beginning January 1, 2015, expense related to San Onofre has been classified as decommissioning costs and recorded as a reduction to SCE's asset retirement obligation. This decrease was partially offset by higher severance costs related to workforce reduction efforts ($17 million in 2015 and $9 million in 2014) and higher outside service costs in 2015.
- Higher depreciation, decommissioning and amortization expense of $200 million primarily due to San Onofre-related expense of $139 million in 2015 related to the amortization of the regulatory asset and a $61 million increase in depreciation primarily related to transmission and distribution investments.
- Higher property and other taxes of $22 million primarily due to higher property assessed values in 2015.
- Impairment and other charges of $231 million in the first quarter of 2014 related to the San Onofre OII Settlement Agreement. For further information, see "Management Overview—San Onofre Proceedings, Recoveries, and Decommissioning."
- Higher other income and expenses of $1 million primarily due to a $15 million penalty recorded in 2014 resulting from the San Bernardino and San Gabriel settlements and higher AFUDC equity income related to a higher rate and higher construction work in progress balances in 2015. These increases were offset by $15 million in generator settlements received in 2014, a $7 million sales tax refund related to San Onofre received in 2014 and lower insurance benefits in 2015. See "Notes to Consolidated Financial Statements—Note 14. Interest and Other Income and Other Expenses" for more information.
- Lower income taxes of $103 million primarily due to the following:
- An increase in income tax benefits in 2015 primarily related to repair deductions.
- A change in liabilities related to uncertain tax positions related to repair deductions, which resulted in income tax benefits of $100 million and $29 million during the second quarters of 2015 and 2014, respectively. See "—Income Taxes" below for more information.
- A lower pre-tax income in 2015, as discussed above, partially offset by the impact of the San Onofre OII Settlement Agreement.

Utility Cost-Recovery Activities

Utility cost-recovery activities were primarily affected by the following:

- Lower purchased power and fuel of $915 million primarily driven by lower power and gas prices in 2015 relative to 2014 and the CAISO generation surcharge of $83 million in 2014 (as discussed below). These decreases were partially offset by higher realized losses on economic hedging activities ($103 million in 2015 compared to $59 million in 2014) and the generator settlements received in 2014 (see "Notes to Consolidated Financial Statements—Note 14. Interest and Other Income and Other Expenses" for more information). Fuel costs were $132 million and $219 million for the nine months ended September 30, 2015 and 2014, respectively.

As discussed above, during the second quarter of 2014, the CAISO issued invoices implementing a FERC order which revised FERC tariffs for costs associated with scheduling coordinator activities. The impact of implementing the order and revised invoices resulted in a transmission refund of $106 million reflected in operation and maintenance expense and a generation surcharge of $83 million reflected in purchased power expense. These transactions did not impact earnings as the net refund was provided to customers through a FERC balancing account mechanism.

- Lower operation and maintenance expense of $40 million primarily due to lower spending on various public purpose programs, lower pension expenses and a decrease in transmission access charges, partially offset by the 2014 CAISO refund of $106 million mentioned above.

Supplemental Operating Revenue Information

SCE's retail billed and unbilled revenue (excluding wholesale sales and balancing account overcollections/undercollections) was $4.3 billion and $9.7 billion for the three and nine months ended September 30, 2015, respectively, compared to $4.5 billion and $9.7 billion for the respective periods in 2014.

- Retail billed and unbilled revenue for the three months ended September 30, 2015 were lower compared to the same period last year primarily due to a rate decrease of $120 million. The decrease was primarily due to the implementation of the San Onofre OII Settlement Agreement, which resulted in a rate adjustment beginning on January 1, 2015.
- Retail billed and unbilled revenue for the nine months ended September 30, 2015 reflects a rate increase of $115 million offset by a sales volume decrease of $117 million. The rate increase was primarily due to the implementations of the 2014 ERRA rate increase in June 2014 and the San Onofre-related rate adjustment in January 2015. The sales volume decrease was due to lower load requirements related to cooler weather experienced in 2015 compared to the same period last year.

As a result of the CPUC-authorized decoupling mechanism, SCE earnings are not affected by changes in retail electricity sales (see "Business—SCE—Overview of Ratemaking Process" in the 2014 Form 10-K).

Income Taxes

SCE's income tax provision decreased by $132 million and $103 million for the three and nine months ended September 30, 2015, respectively, compared to the same periods in 2014.

The effective tax rates were 18.1% and 29.7% for the three months ended September 30, 2015 and 2014, respectively. The effective tax rate decrease was primarily due to higher income tax benefits related to repair deductions, as discussed above.

The effective tax rates were 15.1% and 21.1% for the nine months ended September 30, 2015 and 2014, respectively. The effective tax rate decrease was primarily due to higher income tax benefits related to repair deductions (as discussed above) and the change in liabilities related to uncertain tax positions, partially offset by income tax benefits in 2014 related to the San Onofre OII Settlement Agreement. See "Management Overview—San Onofre Proceedings, Recoveries, and Decommissioning" above for more information.

See "Notes to Consolidated Financial Statements—Note 7. Income Taxes" for a reconciliation of the federal statutory rate of 35% to the effective income tax rates and "Management Overview—2015 General Rate Case" above for more information.

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:

(in millions)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Edison Energy Group and subsidiaries	$(3)	$(3)	$(3)	$(7)
Edison Mission Group and subsidiaries	1	13	13	21
Corporate expenses and Other	(9)	(17)	(33)	(40)
Total Edison International Parent and Other	$(11)	$(7)	$(23)	$(26)

The loss from continuing operations of Edison International Parent and Other increased $4 million and decreased $3 million for the three and nine months ended September 30, 2015, respectively, compared to the same periods in 2014 primarily due to:

- A decrease in the loss of Edison International Parent and Other primarily due to higher income tax benefits in the third quarter of 2015 and lower corporate expenses for the nine months ended September 30, 2015.
- An decrease in income from EMG and subsidiaries of $12 million and $8 million for the three and nine months ended September 30, 2015, respectively, primarily due to lower income from affordable housing projects, including asset sales, and income taxes. EMG's subsidiary, Edison Capital, continues to wind down its remaining affordable housing investments. For further information, see "Liquidity and Capital Resources—Edison International Parent and Other." Earnings from Edison Capital were $1 million and $10 million for three and nine months ended September 30, 2015, respectively, compared to $9 million and $13 million for the respective periods in 2014.
- An increase in income allocated to subsidiaries of Edison Energy Group under the HLBV accounting method that resulted in losses allocated to tax equity investors ($1 million and $7 million after-tax for the three and nine months ended September 30, 2015, respectively). This increase was partially offset by higher operating expenses for the nine months ended September 30, 2015. For further information, see the 2014 Form 10-K, "Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies" and "Management Overview—Highlights of Operating Results."

Income (Loss) from Discontinued Operations (Net of Tax)

Income from discontinued operations, net of tax, was $43 million for the three- and nine-month periods in 2015 compared to a loss of $16 million and income of $146 million for the respective periods in 2014. The 2015 income was due to $16 million in insurance recoveries ($28 million pre-tax) related to the EME bankruptcy and $27 million of income tax benefits from revised estimates of tax benefits based on filing of the 2014 tax returns in the third quarter of 2015. The 2014 loss and income were due to the completion of the Amended Plan of Reorganization, including transactions recorded in the first nine months of 2014 and other impacts of the EME Settlement. The nine months of 2014 also reflects a $22 million income tax loss from revised estimates of the tax impact of a tax deconsolidation of EME as originally contemplated prior to the EME Settlement. See 2014 Form 10-K, "Management Overview—Resolution of Uncertainty Related to EME in Bankruptcy."

LIQUIDITY AND CAPITAL RESOURCES

Southern California Edison Company

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

SCE expects to fund its 2015 obligations, capital expenditures and dividends through operating cash flows, and capital market financings of debt and preferred equity, as needed. SCE also has availability under its credit facilities to fund liquidity requirements.

Available Liquidity

At September 30, 2015, SCE had approximately $2.2 billion available under its $2.75 billion multi-year revolving credit facility. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements."

Debt Covenant

The debt covenant in SCE's credit facility limits its debt to total capitalization ratio to less than or equal to 0.65 to 1. At September 30, 2015, SCE's debt to total capitalization ratio was 0.44 to 1.

Regulatory Proceedings

Energy Efficiency Incentive Mechanism

In June 2015, SCE filed a request for energy efficiency incentives of approximately $12 million related to Part 1 of its 2014 program year. In September 2015, SCE filed a request for energy efficiency incentives of $10.5 million related to Part 2 of its 2013 program year. There is no assurance that the CPUC will make an award for any given year.

As discussed in the 2014 10-K, TURN and ORA filed separate petitions in November 2014 with the CPUC asking for the rehearing of the December 2010 decision that trued up the California investor-owned utilities energy efficiency incentive awards for the 2006 – 2008 program period. TURN and ORA alleged that ex parte communications between PG&E and the former president of the CPUC, which were disclosed in an October 2014 report filed by PG&E, demonstrated a quid pro quo that tainted the 2010 energy efficiency decision and that the decision should be vacated. In September 2015, the CPUC granted these separate petitions as well as other TURN and ORA requests for rehearing of other decisions related to the 2006 – 2008 incentive awards. SCE continues to dispute that SCE should be at risk to repay previously awarded incentives but cannot predict the outcome of this proceeding.

FERC Formula Rates

In June 2015, SCE provided its preliminary 2016 annual transmission revenue requirement update to interested parties. The update provided support for an increase in SCE's transmission revenue requirement of $188 million or 21% over amounts currently authorized in rates. The increase is mainly due to the completion of several major transmission projects in 2014 and the completion in 2014 of refunds from an over-recovery in 2013. SCE expects to file its 2016 annual update with the FERC by December 1, 2015 and the proposed rates would be effective from January 1, 2016.

ERRA Forecast Filing – 2015

As discussed in the 2014 10-K, in December 2014, the CPUC issued a proposed decision on SCE's 2015 ERRA forecast application. Due to substantially lower natural gas and power prices as compared to the forecast levels incorporated in the revenue requirement in the proposed decision, in July 2015 SCE and the intervening parties entered into an all-party settlement agreement that would keep 2015 ERRA rates substantially at their current levels. The CPUC approved the settlement in October 2015.

Capital Investment Plan

SCE forecasts capital expenditures for 2015 – 2017 in the range of $11.6 billion to $11.8 billion. The forecast includes the level of spending in the 2015 GRC proposed decision. The low end of the range reflects a 12% reduction from requested levels primarily for FERC projects using management judgment based on historical experience. The completion of projects, the timing of expenditures, and the associated cost recovery may be affected by permitting requirements and delays, construction schedules, availability of labor, equipment and materials, financing, legal and regulatory approvals and developments, community requests or protests, weather and other unforeseen conditions.

SCE's 2015 – 2017 forecast for major capital expenditures are set forth in the table below:

(in millions)	2015	2016	2017	2015 – 2017 Total
Transmission	$710	$710	$1,081	$2,501
Distribution	2,988	2,844	2,836	8,668
Generation	225	247	169	641
Total estimated capital expenditures	$3,923	$3,801	$4,086	$11,810
Total estimated capital expenditures for 2015 – 2017 (using the range discussed above)	$3,923	$3,715	$3,958	$11,596

Capital expenditures for projects under CPUC jurisdiction are recovered through the authorized revenue requirement in SCE's GRCs or through other CPUC-authorized mechanisms. Recovery of planned capital expenditures for projects under CPUC jurisdiction for 2015 – 2017 are subject to the outcome of the 2015 GRC or other CPUC approvals. Recovery for 2015 – 2017 planned expenditures for projects under FERC jurisdiction will be pursued through FERC-authorized mechanisms.

Transmission Projects

Coolwater-Lugo Transmission Project

The Coolwater-Lugo Project would provide additional 220 kV transmission capacity in the Kramer Junction and Lucerne Valley areas of San Bernardino County. In March 2015, the CAISO filed comments with the CPUC stating that the Coolwater-Lugo project is not necessary to provide full capacity deliverability and requested that the CPUC suspend its approval proceeding for the project. In May 2015, the CPUC issued a final decision that dismissed the approval proceeding but would allow SCE to apply for new approval if future studies determine that there is residual need for any elements of the project. SCE's capital expenditures for the Coolwater-Lugo project were projected to be $740 million, of which $584 million was for the 2015 – 2017 period, and have been removed from the capital expenditure forecast. SCE previously obtained authorization from the FERC, which allows SCE to seek recovery of 100% of reasonable abandoned plant costs if the project is abandoned for reasons beyond SCE's control.

Dividend Restrictions

The CPUC regulates SCE's capital structure which limits the dividends it may pay Edison International. SCE may make distributions to Edison International as long as the common equity component of SCE's capital structure remains at or above 48% on a 13-month weighted average basis. At September 30, 2015, SCE's 13-month weighted-average common equity component of total capitalization was 49.5% and the maximum additional dividend, taking into account declared but unpaid dividends, that SCE could pay to Edison International under this limitation was approximately $345 million, resulting in a restriction on net assets of approximately $13.6 billion.

SCE paid the $147 million dividend declared in June 2015 to Edison International during the third quarter of 2015. In August 2015, SCE declared another $147 million dividend to Edison International which will be paid in the fourth quarter of 2015. Future dividend amounts and timing of distributions are dependent on a number of factors including the level of capital expenditures, operating cash flows and earnings.

Margin and Collateral Deposits

Certain derivative instruments, power procurement contracts and other contractual arrangements contain collateral requirements. Future collateral requirements may differ from the requirements at September 30, 2015, due to the addition of incremental power and energy procurement contracts with collateral requirements, if any, and the impact of changes in wholesale power and natural gas prices on SCE's contractual obligations.

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

The table below provides the amount of collateral posted by SCE to its counterparties as well as the potential collateral that would have been required as of September 30, 2015.

(in millions)	
Collateral posted as of September 30, 2015[1]	$204
Incremental collateral requirements for power procurement contracts resulting from a potential downgrade of SCE's credit rating to below investment grade	97
Incremental collateral requirements for power procurement contracts resulting from adverse market price movement[2]	60
Posted and potential collateral requirements	$361

1 Net collateral provided to counterparties and other brokers consisted of $35 million of cash which was offset against net derivative liabilities on the consolidated balance sheets, $32 million of cash reflected in "Other current assets" on the consolidated balance sheets and $137 million in letters of credit and surety bonds.

2 Incremental collateral requirements were based on potential changes in SCE's forward positions as of September 30, 2015 due to adverse market price movements over the remaining lives of the existing power procurement contracts using a 95% confidence level.

Edison International Parent and Other

Edison International Parent and Other's liquidity and its ability to pay operating expenses and dividends to common shareholders are dependent on dividends from SCE, realization of tax benefits and access to bank and capital markets. At September 30, 2015, Edison International Parent had $512 million available under its $1.25 billion multi-year revolving credit facility. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements."

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

The debt covenant in Edison International Parent's credit facility requires a consolidated debt to total capitalization ratio as defined in the credit agreement of less than or equal to 0.65 to 1. At September 30, 2015, Edison International Parent's consolidated debt to total capitalization ratio was 0.48 to 1.

In August 2014, Edison International entered into an amendment of the EME Settlement Agreement that finalized the remaining matters related to the EME Settlement. Edison International made a payment of $204 million on September 30, 2015 and is obligated to make another payment of $214 million on September 30, 2016. Edison International has net operating loss and tax credit carryforwards retained by EME which are available to offset future consolidated taxable income or tax liabilities. As a result of the extension of 50% bonus depreciation for qualifying property under the Tax Increase Prevention Act of 2014, realization of these tax benefits has been deferred (currently forecasted through 2018). The timing of realization of these tax benefits may be further delayed in the event of future extensions of bonus depreciation and the value of the net operating loss carryforwards could be permanently reduced in the event that tax reform decreases the current corporate tax rate.

Historical Cash Flows

Southern California Edison Company

(in millions)	Nine months ended September 30, 2015	2014
Net cash provided by operating activities	$2,951	$2,513
Net cash (used in) provided by financing activities	(96)	390
Net cash used in investing activities	(2,855)	(2,908)
Net decrease in cash and cash equivalents	$—	$(5)

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 nine months ended September 30, 2015 and 2014.

(in millions)	Nine months ended September 30, 2015	2014	Change in cash flows 2015/2014
Net income	$1,163	$1,156	
Non cash items[1]	1,307	1,827	
Subtotal	$2,470	$2,983	$(513)
Changes in cash flow resulting from working capital[2]	(682)	(729)	47
Derivative assets and liabilities, net	25	(68)	93
Regulatory assets and liabilities, net	1,318	41	1,277
Other noncurrent assets and liabilities, net[3]	(180)	286	(466)
Net cash provided by operating activities	$2,951	$2,513	$438

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

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

3 Includes the nuclear decommissioning trusts.

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

- Net cash used from working capital was $682 million and $729 million during the nine months ended September 30, 2015 and 2014, respectively. The cash outflow for each period was primarily related to the timing of receipts from customers (increase in billed and unbilled receivables due to seasonal usage) and timing of disbursements (including purchase power payments due to seasonal usage and annual compensation payments).
- Net cash provided by regulatory assets and liabilities, including changes in over (under) collections of balancing accounts. SCE has a number of balancing accounts under CPUC decisions, which impact cash flows based on differences between timing of collection of amounts through rates and accrual expenditures. During the first nine months of 2015 and 2014, cash flows were impacted by the two principal balancing accounts:
- ERRA collections for fuel and purchased power increased $1.1 billion during the first nine months of 2015 primarily due to lower than forecasted power and gas prices experienced in 2015 and the refund to ratepayers related to the 2013 and 2014 nuclear decommissioning costs, see "Management Overview—San Onofre Proceedings, Recoveries, Decommissioning" for further discussion. ERRA undercollections for fuel and purchased power increased $565 million in the first nine months of 2014 primarily due to higher purchased power than the forecast purchases included in customer rates in addition to higher gas prices. In January 2015, SCE reclassified the regulatory liability for generator settlements to ERRA to refund customers.

- The base rate revenue balancing account ("BRRBA") tracks differences between amounts authorized by the CPUC in the GRC proceedings and amounts billed to customers. BRRBA overcollections increased $74 million in the first nine months of 2015 primarily due to higher summer usage partially offset by lower rates (see "Results of Operations—Supplemental Operating Revenue Information" for further discussion of rate changes). BRRBA overcollections decreased $4 million in the first nine months of 2014 primarily due to a refund to customers of approximately $150 million related to the sale of Four Corners in December 2013 offset by higher rates and higher than forecasted sales.
- The public purpose and energy efficiency programs track differences between amounts authorized by the CPUC and amounts incurred to fund programs established by the CPUC. Overcollections decreased for these programs by $120 million and $205 million in the first nine months of 2015 and 2014, respectively, primarily due to higher spending for these programs.
- Net cash provided by regulatory assets and liabilities also consisted of a cash inflow of $318 million in 2015 due to revenue collected from customers that is estimated to be refunded as part of the 2015 GRC proposed decision and $380 million in 2014 due to cash collected in excess of cost of service for San Onofre. See "Results of Operations" for further discussion.
- Cash flows (used in) provided by other noncurrent assets and liabilities were $(180) million and $286 million in the first nine months of 2015 and 2014, respectively. During 2015, decommissioning costs of San Onofre were approximately $129 million (such costs were recorded as a reduction of SCE's asset retirement obligation). The change in operating activities of the nuclear decommissioning trusts, as described below, is also included as part of cash flow (used in) or provided by other noncurrent assets and liabilities.

Net Cash (Used in) Provided by Financing Activities

The following table summarizes cash (used in) provided by financing activities for the nine months ended September 30, 2015 and 2014. Issuances of debt are discussed in "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements—Long-Term Debt."

	Nine months ended September 30,	
(in millions)	2015	2014
Issuances of first and refunding mortgage bonds, net	$ 1,287	$ 398
Issuances of pollution control bonds, net	128	—
Long-term debt matured or repurchased	(761)	(405)
Issuances of preference stock, net	319	269
Redemptions of preference stock	(325)	—
Short-term debt financing, net	(251)	502
Payments of common stock dividends to Edison International	(441)	(252)
Payments of preferred and preference stock dividends	(91)	(88)
Other	39	(34)
Net cash (used in) provided by financing activities	$ (96)	$ 390

Net Cash Used in Investing Activities

Cash flows used in investing activities are primarily due to capital expenditures and funding of nuclear decommissioning trusts. Capital expenditures were $3.1 billion and $2.8 billion for the nine months ended September 30, 2015 and 2014, respectively, primarily related to transmission, distribution and generation investments. Net proceeds (purchases) of nuclear decommissioning trust investments were $242 million and $(105) million for the nine months ended September 30, 2015 and 2014, respectively. The 2015 net proceeds from sale of nuclear decommissioning trust investments was used to pay 2013 and 2014 decommissioning costs less net earnings during the period. The 2014 net purchase of nuclear decommissioning trust investments was due to net earnings during the period.

Nuclear Decommissioning Trusts

SCE's statement of cash flows includes activities of the Nuclear Decommissioning Trusts which are reflected in the following line items:

	Nine months ended September 30,	
(in millions)	2015	2014
Net cash (used in) provided by operating activities:		
Nuclear decommissioning trusts	$(249)	$100
Net cash flow from investing activities:		
Proceeds from sale of investments	12,915	5,846
Purchases of investments	(12,673)	(5,951)
Net cash impact	$(7)	$(5)

Net cash (used in) provided by operating activities of the nuclear decommissioning trusts relate to interest and dividends less administrative expenses, taxes and decommissioning costs. Such activities represent the source (use) of the funds for investing activities. The net cash impact represents the contributions made by SCE to the nuclear decommissioning trusts. During the nine months ended September 30, 2015, SCE made a contribution of $7 million to the non-qualified decommissioning trust pursuant to a CPUC decision related to decommissioning costs for San Onofre Unit 1.

In future periods, SCE expects decommissioning costs of San Onofre to increase significantly. Such amounts will continue to be reflected as a decrease in SCE net cash provided by operating activities and will be funded from sales of investments of the nuclear decommissioning trusts once approved by the CPUC. Decommissioning costs incurred prior to CPUC approval will be funded by SCE and are reflected as cash flow used by operating activities. See "Notes to Consolidated Financial Statements—Note 9. Investments" for further information.

Edison International Parent and Other

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

	Nine months ended September 30,	
(in millions)	2015	2014
Net cash used in operating activities	$(118)	$(486)
Net cash provided by financing activities	122	515
Net cash used in investing activities	(2)	(28)
Net increase in cash and cash equivalents	$2	$1

Net Cash Used in Operating Activities

Net cash provided by operating activities increased $368 million for the first nine months of 2015 compared to 2014 due to:

- $204 million and $225 million of cash payments made to the Reorganization Trust in September 2015 and April 2014 related to the EME Settlement Agreement, respectively, see "Notes to Consolidated Financial Statements—Note 15. Discontinued Operations—EME Chapter 11 Bankruptcy" for further information.
- $189 million deposit made with the IRS in 2014 related to open tax years 2003 through 2006 and a $122 million receipt of intercompany tax-allocation payments in 2015.
- approximately $36 million cash outflow from operating activities in 2015 compared to $72 million cash outflow in 2014 due to the timing of payments and receipts relating to interest and operating costs.

Net Cash Provided by Financing Activities

Net cash provided by financing activities were as follows:

	Nine months ended September 30,	
(in millions)	2015	2014
Dividends paid to Edison International common shareholders	$(408)	$(347)
Dividends received from SCE	441	252
Payment for stock-based compensation	(116)	(87)
Receipt from stock option exercises	65	55
Debt financing, net[1]	139	636
Other	1	6
Net cash provided by financing activities	$122	$515

1 Includes $20 million debt financing for Edison Energy Group, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements—Project Financing."

Contingencies

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

Environmental Remediation

As of September 30, 2015, SCE had identified 19 material sites for remediation and recorded an estimated minimum liability of $137 million. SCE expects to recover 90% of its remediation costs at certain sites. See "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies" for further discussion.

MARKET RISK EXPOSURES

Edison International's and SCE's primary market risks include fluctuations in interest rates, commodity prices and volumes, and counterparty credit. Fluctuations in interest rates can affect earnings and cash flows. Fluctuations in commodity prices and volumes and counterparty credit losses may temporarily affect cash flows, but are not expected to affect earnings due to expected recovery through regulatory mechanisms. Derivative instruments are used, as appropriate, to manage market risks including market risks of SCE's customers. 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 6. Derivative Instruments" and "—Note 4. Fair Value Measurements."

Commodity Price Risk

The fair value of outstanding derivative instruments used to mitigate exposure to commodity price risk was a net liability of $1.1 billion and $927 million at September 30, 2015 and December 31, 2014 respectively. For further discussion of fair value measurements and the fair value hierarchy, see "Notes to Consolidated Financial Statements—Note 4. Fair Value Measurements."

Credit Risk

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

As of September 30, 2015, the amount of balance sheet exposure as described above broken down by the credit ratings of SCE's counterparties, was as follows:

	September 30, 2015		
(in millions)	Exposure[2]	Collateral	Net Exposure
S&P Credit Rating[1]			
A or higher	$258	$—	$258
Not rated[3]	13	(5)	8
Total	$271	$(5)	$266

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

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

3 The exposure in this category relates to long-term power purchase agreements. SCE's exposure is mitigated by regulatory treatment.

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 2014 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 September 30,		Nine months ended September 30,	
(in millions, except per-share amounts, unaudited)	2015	2014	2015	2014
Total operating revenue	$3,763	$4,356	$9,183	$10,298
Purchased power and fuel	1,785	2,182	3,648	4,563
Operation and maintenance	780	802	2,159	2,245
Depreciation, decommissioning and amortization	506	424	1,451	1,248
Property and other taxes	84	77	255	235
Impairment and other charges	—	(3)	—	228
Total operating expenses	3,155	3,482	7,513	8,519
Operating income	608	874	1,670	1,779
Interest and other income	32	40	114	109
Interest expense	(138)	(141)	(420)	(422)
Other expenses	(15)	(29)	(40)	(52)
Income from continuing operations before income taxes	487	744	1,324	1,414
Income tax expense	82	220	195	284
Income from continuing operations	405	524	1,129	1,130
Income (loss) from discontinued operations, net of tax	43	(16)	43	146
Net income	448	508	1,172	1,276
Preferred and preference stock dividend requirements of utility	28	28	84	84
Other noncontrolling interests	(1)	—	(11)	—
Net income attributable to Edison International common shareholders	$421	$480	$1,099	$1,192
Amounts attributable to Edison International common shareholders:				
Income from continuing operations, net of tax	$378	$496	$1,056	$1,046
Income (loss) from discontinued operations, net of tax	43	(16)	43	146
Net income attributable to Edison International common shareholders	$421	$480	$1,099	$1,192
Basic earnings per common share attributable to Edison International common shareholders:				
Weighted-average shares of common stock outstanding	326	326	326	326
Continuing operations	$1.16	$1.52	$3.24	$3.21
Discontinued operations	0.13	(0.05)	0.13	0.45
Total	$1.29	$1.47	$3.37	$3.66
Diluted earnings per common share attributable to Edison International common shareholders:				
Weighted-average shares of common stock outstanding, including effect of dilutive securities	328	329	329	329
Continuing operations	$1.15	$1.51	$3.21	$3.18
Discontinued operations	0.13	(0.05)	0.13	0.44
Total	$1.28	$1.46	$3.34	$3.62
Dividends declared per common share	$0.4175	$0.3550	$1.2525	$1.0650

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

Consolidated Statements of Comprehensive Income | Edison International

(in millions, unaudited)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Net income	$448	$508	$1,172	$1,276
Other comprehensive income (loss), net of tax:				
Pension and postretirement benefits other than pensions:				
Net gain (loss) arising during the period plus amortization included in net income	2	(9)	4	(11)
Other	(1)	(1)	(1)	1
Other comprehensive income (loss), net of tax	1	(10)	3	(10)
Comprehensive income	449	498	1,175	1,266
Less: Comprehensive income attributable to noncontrolling interests	27	28	73	84
Comprehensive income attributable to Edison International	$422	$470	$1,102	$1,182

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

Consolidated Balance Sheets	Edison International	
(in millions, unaudited)	September 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	$134	$132
Receivables, less allowances of $66 and $68 for uncollectible accounts at respective dates	1,211	790
Accrued unbilled revenue	1,025	632
Inventory	270	281
Derivative assets	81	102
Regulatory assets	473	1,254
Deferred income taxes	152	452
Other current assets	446	376
Total current assets	3,792	4,019
Nuclear decommissioning trusts	4,388	4,799
Other investments	208	207
Total investments	4,596	5,006
Utility property, plant and equipment, less accumulated depreciation and amortization of $8,407 and $8,132 at respective dates	34,062	32,859
Nonutility property, plant and equipment, less accumulated depreciation of $81 and $76 at respective dates	140	122
Total property, plant and equipment	34,202	32,981
Derivative assets	188	219
Regulatory assets	8,121	7,612
Other long-term assets	371	349
Total long-term assets	8,680	8,180
Total assets	$51,270	$50,186

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

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Consolidated Balance Sheets	Edison International	
(in millions, except share amounts, unaudited)	September 30, 2015	December 31, 2014
LIABILITIES AND EQUITY		
Short-term debt	$1,154	$1,291
Current portion of long-term debt	295	504
Accounts payable	1,330	1,580
Accrued taxes	80	81
Customer deposits	235	221
Derivative liabilities	207	196
Regulatory liabilities	888	401
Other current liabilities	1,050	1,205
Total current liabilities	5,239	5,479
Long-term debt	10,957	10,234
Deferred income taxes and credits	7,698	7,313
Derivative liabilities	1,167	1,052
Pensions and benefits	2,175	2,155
Asset retirement obligations	2,822	2,821
Regulatory liabilities	5,265	5,889
Other deferred credits and other long-term liabilities	2,316	2,255
Total deferred credits and other liabilities	21,443	21,485
Total liabilities	37,639	37,198
Commitments and contingencies (Note 11)		
Redeemable noncontrolling interest	11	6
Common stock, no par value (800,000,000 shares authorized; 325,811,206 shares issued and outstanding at respective dates)	2,475	2,445
Accumulated other comprehensive loss	(55)	(58)
Retained earnings	9,180	8,573
Total Edison International's common shareholders' equity	11,600	10,960
Noncontrolling interests – preferred and preference stock of utility	2,020	2,022
Total equity	13,620	12,982
Total liabilities and equity	$51,270	$50,186

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

Consolidated Statements of Cash Flows	Edison International	
	Nine months ended September 30,	
(in millions, unaudited)	2015	2014
Cash flows from operating activities:		
Net income	$1,172	$1,276
Less: Income from discontinued operations	43	146
Income from continuing operations	1,129	1,130
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation, decommissioning and amortization	1,515	1,312
Allowance for equity during construction	(63)	(45)
Impairment and other charges	—	228
Deferred income taxes and investment tax credits	202	303
Other	(5)	14
EME insurance proceeds and settlement payments	(176)	(225)
Changes in operating assets and liabilities:		
Receivables	(412)	(369)
Inventory	10	(19)
Accounts payable	164	211
Prepaid and accrued taxes	(18)	106
Other current assets and liabilities	(572)	(603)
Derivative assets and liabilities, net	25	(68)
Regulatory assets and liabilities, net	1,318	41
Nuclear decommissioning trusts	(249)	100
Other noncurrent assets and liabilities	(35)	(89)
Net cash provided by operating activities	2,833	2,027
Cash flows from financing activities:		
Long-term debt issued or remarketed, net of discount and issuance costs of $16 and $5 at respective periods	1,415	395
Long-term debt matured or repurchased	(761)	(405)
Preference stock issued, net	319	269
Preference stock redeemed	(325)	—
Short-term debt financing, net	(112)	1,138
Cash contribution from redeemable noncontrolling interest	17	—
Dividends to noncontrolling interests	(91)	(88)
Dividends paid	(408)	(347)
Other	(28)	(57)
Net cash provided by financing activities	26	905
Cash flows from investing activities:		
Capital expenditures	(3,134)	(2,856)
Proceeds from sale of nuclear decommissioning trust investments	12,915	5,846
Purchases of nuclear decommissioning trust investments	(12,673)	(5,951)
Other	35	25
Net cash used in investing activities	(2,857)	(2,936)
Net increase (decrease) in cash and cash equivalents	2	(4)
Cash and cash equivalents at beginning of period	132	146
Cash and cash equivalents at end of period	$134	$142

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

Consolidated Statements of Income | Southern California Edison Company

	Three months ended September 30,		Nine months ended September 30,	
(in millions, unaudited)	2015	2014	2015	2014
Operating revenue	$3,757	$4,338	$9,166	$10,276
Purchased power and fuel	1,785	2,182	3,648	4,563
Operation and maintenance	756	776	2,101	2,187
Depreciation, decommissioning and amortization	506	423	1,449	1,248
Property and other taxes	84	76	254	232
Impairment and other charges	—	—	—	231
Total operating expenses	3,131	3,457	7,452	8,461
Operating income	626	881	1,714	1,815
Interest and other income	29	36	93	105
Interest expense	(131)	(133)	(398)	(402)
Other expenses	(15)	(29)	(39)	(52)
Income before income taxes	509	755	1,370	1,466
Income tax expense	92	224	207	310
Net income	417	531	1,163	1,156
Less: Preferred and preference stock dividend requirements	28	28	84	84
Net income available for common stock	$389	$503	$1,079	$1,072

Consolidated Statements of Comprehensive Income

	Three months ended September 30,		Nine months ended September 30,	
(in millions, unaudited)	2015	2014	2015	2014
Net income	$417	$531	$1,163	$1,156
Other comprehensive income (loss), net of tax:				
Pension and postretirement benefits other than pensions:				
Net gain arising during the period plus amortization included in net income	1	1	3	2
Other	—	(1)	—	1
Other comprehensive income, net of tax	1	—	3	3
Comprehensive income	$418	$531	$1,166	$1,159

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

Consolidated Balance Sheets	Southern California Edison Company	
(in millions, unaudited)	September 30, 2015	December 31, 2014
ASSETS		
Cash and cash equivalents	$38	$38
Receivables, less allowances of $66 and $68 for uncollectible accounts at respective dates	1,185	749
Accrued unbilled revenue	1,025	632
Inventory	254	275
Derivative assets	81	102
Regulatory assets	473	1,254
Other current assets	448	390
Total current assets	3,504	3,440
Nuclear decommissioning trusts	4,388	4,799
Other investments	165	158
Total investments	4,553	4,957
Utility property, plant and equipment, less accumulated depreciation and amortization of $8,407 and $8,132 at respective dates	34,062	32,859
Nonutility property, plant and equipment, less accumulated depreciation of $78 and $75 at respective dates	75	69
Total property, plant and equipment	34,137	32,928
Derivative assets	188	219
Regulatory assets	8,121	7,612
Other long-term assets	319	300
Total long-term assets	8,628	8,131
Total assets	$50,822	$49,456

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, 2015	December 31, 2014
LIABILITIES AND EQUITY		
Short-term debt	$417	$667
Current portion of long-term debt	79	300
Accounts payable	1,334	1,556
Accrued taxes	186	87
Customer deposits	235	221
Derivative liabilities	207	196
Regulatory liabilities	888	401
Deferred income taxes	100	209
Other current liabilities	1,040	1,183
Total current liabilities	4,486	4,820
Long-term debt	10,536	9,624
Deferred income taxes and credits	8,804	8,288
Derivative liabilities	1,166	1,052
Pensions and benefits	1,677	1,672
Asset retirement obligations	2,820	2,819
Regulatory liabilities	5,265	5,889
Other deferred credits and other long-term liabilities	2,144	2,010
Total deferred credits and other liabilities	21,876	21,730
Total liabilities	36,898	36,174
Commitments and contingencies (Note 11)		
Common stock, no par value (560,000,000 shares authorized; 434,888,104 shares issued and outstanding at each date)	2,168	2,168
Additional paid-in capital	654	618
Accumulated other comprehensive loss	(25)	(28)
Retained earnings	9,057	8,454
Total common shareholder's equity	11,854	11,212
Preferred and preference stock	2,070	2,070
Total equity	13,924	13,282
Total liabilities and equity	$50,822	$49,456

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)	2015	2014
Cash flows from operating activities:		
Net income	$1,163	$1,156
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation, decommissioning and amortization	1,509	1,309
Allowance for equity during construction	(63)	(45)
Impairment and other charges	—	231
Deferred income taxes and investment tax credits	(149)	324
Other	10	8
Changes in operating assets and liabilities:		
Receivables	(436)	(377)
Inventory	21	(9)
Accounts payable	192	234
Prepaid and accrued taxes	99	18
Other current assets and liabilities	(558)	(595)
Derivative assets and liabilities, net	25	(68)
Regulatory assets and liabilities, net	1,318	41
Nuclear decommissioning trusts	(249)	100
Other noncurrent assets and liabilities	69	186
Net cash provided by operating activities	2,951	2,513
Cash flows from financing activities:		
Long-term debt issued or remarketed, net of discount and issuance costs of $16 and $2 at respective periods	1,415	398
Long-term debt matured or repurchased	(761)	(405)
Preference stock issued, net	319	269
Preference stock redeemed	(325)	—
Short-term debt financing, net	(251)	502
Dividends paid	(532)	(340)
Other	39	(34)
Net cash (used in) provided by financing activities	(96)	390
Cash flows from investing activities:		
Capital expenditures	(3,121)	(2,827)
Proceeds from sale of nuclear decommissioning trust investments	12,915	5,846
Purchases of nuclear decommissioning trust investments	(12,673)	(5,951)
Other	24	24
Net cash used in investing activities	(2,855)	(2,908)
Net decrease in cash and cash equivalents	—	(5)
Cash and cash equivalents, beginning of period	38	54
Cash and cash equivalents, end of period	$38	$49

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
Note 1. Summary of Significant Accounting Policies
Organization and Basis of Presentation
Edison International is the parent holding company of Southern California Edison Company ("SCE"). SCE is an investor-owned public utility primarily engaged in the business of supplying and delivering electricity to an approximately 50,000 square mile area of southern California. Edison International is also the parent company of Edison Energy Group, a company that holds interests in subsidiaries that are engaged in competitive businesses related to the generation, delivery, or use of electricity. Such competitive 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 nonutility subsidiaries. SCE's consolidated financial statements include the accounts of SCE and its wholly owned and controlled subsidiaries. All intercompany transactions have been eliminated from the consolidated financial statements.
Edison International's and SCE's significant accounting policies were described in Note 1 of "Notes to Consolidated Financial Statements" included in the 2014 Form 10-K. This quarterly report should be read in conjunction with the financial statements and notes included in the 2014 Form 10-K.
In the opinion of management, all adjustments, consisting of recurring accruals, have been made that are necessary to fairly state the consolidated financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America 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, 2015 are not necessarily indicative of the operating results for the full year.
The December 31, 2014 financial statement data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.
Cash Equivalents
Cash equivalents included 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, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Money market funds	$ 35	$ 35	$ 5	$ 5

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, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Book balances reclassified to accounts payable	$ 187	$ 180	$ 187	$ 177

Inventory
Inventory is primarily composed of materials, supplies and spare parts, and stated at the lower of cost or market, cost being determined by the average cost method.

San Onofre Impairment and Other Charges

As discussed in Note 1 of "Notes to Consolidated Financial Statements" included in the 2014 Form 10-K, in March 2014, SCE entered into a settlement agreement with The Utility Reform Network ("TURN"), the CPUC's Office of Ratepayer Advocates ("ORA"), San Diego Gas & Electric Company ("SDG&E"), the Coalition of California Utility Employees, and Friends of the Earth (together, the "Settling Parties") related to the regulatory proceedings for San Onofre. SCE recorded a pre-tax charge of approximately $231 million (approximately $96 million after-tax) in the first quarter of 2014.

In September 2014, SCE and the Settling Parties entered into an Amended and Restated Settlement Agreement (the "San Onofre OII Settlement Agreement") which was approved by the CPUC on November 20, 2014. As a result of these developments, SCE revised the pre-tax charge to $163 million (approximately $72 million after-tax) in the fourth quarter of 2014. Including amounts previously recorded in 2013, the total impact of the San Onofre OII Settlement Agreement was a pre-tax charge of $738 million (approximately $437 million after-tax). See Note 11 for further information.

Revenue Recognition

Operating revenue is recognized when electricity is delivered and includes amounts for services rendered but unbilled at the
end of each reporting period. During the first nine months of 2015, pending the outcome of the 2015 GRC, SCE recognized
GRC-related revenue largely based on the revenue requirement set forth in the 2015 GRC proposed decision received in September 2015. The CPUC has authorized the establishment of a GRC memorandum account, which will make the 2015 revenue requirement ultimately adopted by the CPUC effective as of January 1, 2015. A final CPUC decision may be received by year-end and could result in material changes to the proposed decision. See Note 10 for further information.

Earnings Per Share

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

	Three months ended September 30,		Nine months ended September 30,	
(in millions, except per-share amounts)	2015	2014	2015	2014
Basic earnings per share – continuing operations:				
Income from continuing operations attributable to common shareholders	$378	$496	$1,056	$1,046
Participating securities dividends	—	—	(1)	—
Income from continuing operations available to common shareholders	$378	$496	$1,055	$1,046
Weighted average common shares outstanding	326	326	326	326
Basic earnings per share – continuing operations	$1.16	$1.52	$3.24	$3.21
Diluted earnings per share – continuing operations:				
Income from continuing operations available to common shareholders	$378	$496	$1,055	$1,046
Income impact of assumed conversions	—	—	1	1
Income from continuing operations available to common shareholders and assumed conversions	$378	$496	$1,056	$1,047
Weighted average common shares outstanding	326	326	326	326

Incremental shares from assumed conversions	2	3	3	3
Adjusted weighted average shares – diluted	328	329	329	329
Diluted earnings per share – continuing operations	$ 1.15	$ 1.51	$ 3.21	$ 3.18

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 2,054,876 and 38,800 shares of common stock for the three months ended September 30, 2015 and 2014, respectively,

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and 2,054,876 and 62,885 shares for the nine months ended September 30, 2015 and 2014, respectively, were outstanding, but were not included in the computation of diluted earnings per share because the exercise price of the awards was greater than the average market price of the common shares during the respective periods and, therefore, the effect would have been antidilutive.

New Accounting Guidance

Accounting Guidance Not Yet Adopted

On July 22, 2015, the FASB issued an accounting standards update on inventory. Currently, inventory is measured at the lower of cost or market where market could be one of three different measurements. Under the new guidance, inventory (other than for the LIFO or the retail inventory methods) will be subsequently measured at the lower of cost or net realizable value. This standard is effective prospectively on January 1, 2016 and is not expected to have a material impact on Edison International’s and SCE's consolidated financial statements.

On May 28, 2014, the FASB issued an accounting standards update on revenue recognition including enhanced disclosures. Under the new standard, revenue is recognized when (or as) a good or service is transferred to the customer and the customer obtains control of the good or service. On July 9, 2015, the FASB approved a one-year deferral, updating the effective date to January 1, 2018. Edison International and SCE are currently evaluating this new guidance and cannot determine the impact of this standard at this time.

On April 7, 2015, the FASB issued an accounting standards update that will require debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. Currently, these costs are presented as a deferred charge asset. Edison International and SCE will adopt this guidance in the first quarter of 2016. The adoption of this accounting standards update is not expected to have a material impact on Edison International's and SCE's consolidated financial statements.

On April 15, 2015, the FASB issued an accounting standard update on fees paid by a customer for software licenses. This new standard provides guidance about whether a cloud computing arrangement includes a software license which may be capitalized in certain circumstances. If a cloud computing arrangement does not include a software license, then the arrangement should be accounted for as a service contract. Edison International and SCE are currently evaluating this guidance, which is effective January 1, 2016, and expects this new standard will not have a material impact on the consolidated financial statements.

Note 2. Consolidated Statements of Changes in Equity

The following table provides Edison International's changes in equity for the nine months ended September 30, 2015:

	Equity Attributable to Common Shareholders				Noncontrolling Interests	
(in millions, except per-share amounts)	Common Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Subtotal	Preferred and Preference Stock	Total Equity
Balance at December 31, 2014	$2,445	$(58)	$8,573	$10,960	$2,022	$12,982
Net income	—	—	1,099	1,099	84	1,183
Other comprehensive income	—	3	—	3	—	3
Common stock dividends declared ($1.2525 per share)	—	—	(408)	(408)	—	(408)
Dividends to noncontrolling interests	—	—	—	—	(84)	(84)
Stock-based compensation	13	—	(80)	(67)	—	(67)
Non-cash stock-based compensation	17	—	—	17	—	17
Issuance of preference stock	—	—	—	—	319	319
Redemption of preference stock	—	—	(4)	(4)	(321)	(325)
Balance at September 30, 2015	$2,475	$(55)	$9,180	$11,600	$2,020	$13,620

The following table provides Edison International's changes in equity for the nine months ended September 30, 2014:

(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, 2013	$2,403	$(13)	$7,548	$9,938	$1,753	$11,691
Net income	—	—	1,192	1,192	84	1,276
Other comprehensive loss	—	(10)	—	(10)	—	(10)
Common stock dividends declared ($1.065 per share)	—	—	(347)	(347)	—	(347)
Dividends to noncontrolling interests	—	—	—	—	(84)	(84)
Stock-based compensation	22	—	(79)	(57)	—	(57)
Non-cash stock-based compensation	20	—	—	20	—	20
Issuance of preference stock	—	—	—	—	269	269
Balance at September 30, 2014	$2,445	$(23)	$8,314	$10,736	$2,022	$12,758

The following table provides SCE's changes in equity for the nine months ended September 30, 2015:

(in millions)	Equity Attributable to Edison International Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Preferred and Preference Stock	Total Equity
Balance at December 31, 2014	$2,168	$618	$(28)	$8,454	$2,070	$13,282
Net income	—	—	—	1,163	—	1,163
Other comprehensive income	—	—	3	—	—	3
Dividends declared on common stock	—	—	—	(441)	—	(441)
Dividends declared on preferred and preference stock	—	—	—	(84)	—	(84)
Stock-based compensation	—	28	—	(31)	—	(3)
Non-cash stock-based compensation	—	10	—	—	—	10
Issuance of preference stock	—	(6)	—	—	325	319
Redemption of preference stock	—	4	—	(4)	(325)	(325)
Balance at September 30, 2015	$2,168	$654	$(25)	$9,057	$2,070	$13,924

The following table provides SCE's changes in equity for the nine months ended September 30, 2014:

	Equity Attributable to Edison International					
(in millions)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Preferred and Preference Stock	Total Equity
Balance at December 31, 2013	$ 2,168	$ 592	$ (11)	$ 7,594	$ 1,795	$ 12,138
Net income	—	—	—	1,156	—	1,156
Other comprehensive income	—	—	3	—	—	3
Dividends declared on common stock	—	—	—	(378)	—	(378)
Dividends declared on preferred and preference stock	—	—	—	(84)	—	(84)
Stock-based compensation	—	13	—	(47)	—	(34)
Non-cash stock-based compensation	—	9	—	(4)	—	5
Issuance of preference stock	—	(6)	—	—	275	269
Balance at September 30, 2014	$ 2,168	$ 608	$ (8)	$ 8,237	$ 2,070	$ 13,075

Note 3. Variable Interest Entities

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

Variable Interest in VIEs that are not Consolidated

Power Purchase Contracts

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

As of the balance sheet date, the carrying amount of assets and liabilities in SCE's consolidated balance sheet that relate to its involvement with VIEs result from amounts due under the PPAs or the fair value of those derivative contracts. Under these contracts, SCE recovers the costs incurred through demonstration of compliance with its CPUC-approved long-term power procurement plans. SCE has no residual interest in the entities and has not provided or guaranteed any debt or equity support, liquidity arrangements, performance guarantees or other commitments associated with these contracts other than the purchase commitments described in Note 11 of the 2014 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 4,062 MW and 5,341 MW at September 30, 2015 and 2014, respectively, and the amounts that SCE paid to these projects were $270 million and $319 million for the three months ended September 30, 2015 and 2014, respectively, and $451 million and $526 million for the nine months ended September 30, 2015 and 2014, respectively. These amounts are recoverable in customer rates, subject to reasonableness review.

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Unconsolidated Trusts of SCE

SCE Trust I, Trust II, Trust III, and Trust IV were formed in 2012, 2013, 2014 and 2015, respectively, for the exclusive purpose of issuing the 5.625%, 5.10%, 5.75%, and 5.375% trust preference securities, respectively ("trust securities"). The trusts are VIEs. SCE has concluded that it is not the primary beneficiary of these VIEs as it does not have the obligation to absorb the expected losses or the right to receive the expected residual returns of the trusts. SCE Trust I, Trust II, Trust III and Trust IV issued to the public trust securities in the face amounts of $475 million, $400 million, $275 million and $325 million, respectively, (cumulative, liquidation amounts of $25 per share) and $10,000 of common stock each to SCE. The trusts invested the proceeds of these trust securities in Series F, Series G, Series H, and Series J Preference Stock issued by SCE in the principal amounts of $475 million, $400 million, $275 million and $325 million (cumulative, $2,500 per share liquidation values), respectively, which have substantially the same payment terms as the respective trust securities.

The Series F, Series G, Series H and Series J Preference Stock and the corresponding trust securities do not have a maturity date. Upon any redemption of any shares of the Series F, Series G, Series H or Series J Preference Stock, a corresponding dollar amount of trust securities will be redeemed by the applicable trust (see Note 12 for further information). The applicable trust will make distributions at the same rate and on the same dates on the applicable series of trust securities when and if the SCE board of directors declares and makes dividend payments on the Series F, Series G, Series H or Series J Preference Stock. The applicable trust will use any dividends it receives on the Series F, Series G, Series H or Series J 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 Series F, Series G, Series H and Series J Preference Stock.

The Trust I, Trust II and Trust III balance sheets as of September 30, 2015 and December 31, 2014, consisted of investments of $475 million, $400 million and $275 million in the Series F, Series G and Series H Preference Stock, respectively, $475 million, $400 million and $275 million of trust securities, respectively, and $10,000 each of common stock. The Trust IV balance sheet as of September 30, 2015 consisted of investments of $325 million in the Series J Preference Stock, $325 million of trust securities, and $10,000 of common stock.

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

	Three months ended September 30,				Nine months ended September 30,			
(in millions)	Trust I	Trust II	Trust III	Trust IV	Trust I	Trust II	Trust III	Trust IV
2015								
Dividend income	$ 7	$ 5	$ 4	$ 2	$ 20	$ 15	$ 12	$ 2
Dividend distributions	7	5	4	2	20	15	12	2
2014								
Dividend income	$ 7	$ 5	$ 4	*	$ 20	$ 15	$ 9	*
Dividend distributions	7	5	4	*	20	15	9	*

* Not applicable.

Note 4. Fair Value Measurements

Recurring Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (referred to as an "exit price"). Fair value of an asset or liability considers assumptions that market participants would use in pricing the asset or liability, including assumptions about nonperformance risk. As of September 30, 2015 and December 31, 2014, 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 and SCE's Level 2 assets and liabilities include fixed income securities primarily consisting of U.S. government and agency bonds, municipal bonds and corporate bonds, and over-the-counter derivatives. The fair value of fixed income securities is determined using a market approach by obtaining quoted prices for similar assets and liabilities in active markets and inputs that are observable, either directly or indirectly, for substantially the full term of the instrument.

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

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

Assumptions are made in order to value derivative contracts in which observable inputs are not available. Changes in fair value are based on changes to forward market prices, including extrapolation of short-term observable inputs into forecasted prices for illiquid forward periods. In circumstances where fair value cannot be verified with observable market transactions, it is possible that a different valuation model could produce a materially different estimate of fair value. Modeling methodologies, inputs and techniques are reviewed and assessed as markets continue to develop and more pricing information becomes available and the fair value is adjusted when it is concluded that a change in inputs or techniques would result in a new valuation that better reflects the fair value of those derivative contracts.

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, 2015				
(in millions)	Level 1	Level 2	Level 3	Netting and Collateral[1]	Total
Assets at fair value					
Derivative contracts	$—	$—	$269	$—	$269
Other	25	—	—	—	25
Nuclear decommissioning trusts:					
Stocks[2]	1,559	—	—	—	1,559
Fixed Income[3]	977	1,745	—	—	2,722
Short-term investments, primarily cash equivalents	26	112	—	—	138
Subtotal of nuclear decommissioning trusts[4]	2,562	1,857	—	—	4,419
Total assets	2,587	1,857	269	—	4,713
Liabilities at fair value					
Derivative contracts	—	46	1,362	(35)	1,373
Total liabilities	—	46	1,362	(35)	1,373
Net assets (liabilities)	$2,587	$1,811	$(1,093)	$35	$3,340

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(in millions)	December 31, 2014 Level 1	Level 2	Level 3	Netting and Collateral[1]	Total
Assets at fair value					
Derivative contracts	$—	$—	$321	$—	$321
Other	33	—	—	—	33
Nuclear decommissioning trusts:					
Stocks[2]	2,031	—	—	—	2,031
Fixed Income[3]	703	1,350	—	—	2,053
Short-term investments, primarily cash equivalents	606	166	—	—	772
Subtotal of nuclear decommissioning trusts[4]	3,340	1,516	—	—	4,856
Total assets	3,373	1,516	321	—	5,210
Liabilities at fair value					
Derivative contracts	—	86	1,223	(61)	1,248
Total liabilities	—	86	1,223	(61)	1,248
Net assets (liabilities)	$3,373	$1,430	$(902)	$61	$3,962

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

2 Approximately 68% and 73% of SCE's equity investments were located in the United States at September 30, 2015 and December 31, 2014, respectively.

3 Includes corporate bonds, which were diversified and included collateralized mortgage obligations and other asset backed securities of $149 million and $49 million at September 30, 2015 and December 31, 2014, respectively.

4 Excludes net payables of $31 million and net payables of $57 million at September 30, 2015 and December 31, 2014, which consist of interest and dividend receivables as well as receivables and payables related to SCE's pending securities sales and purchases.

Edison International

Edison International assets measured at fair value consisted of money market funds of $35 million at both September 30, 2015 and December 31, 2014, classified as Level 1.

SCE Fair Value of Level 3

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

(in millions)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Fair value of net liabilities at beginning of period	$(1,044)	$(878)	$(902)	$(805)
Total realized/unrealized gains (losses):				
Included in regulatory assets and liabilities[1]	(49)	120	(191)	43
Purchases	—	7	—	22
Settlements	—	(7)	—	(18)
Fair value of net liabilities at end of period	$(1,093)	$(758)	$(1,093)	$(758)
Change during the period in unrealized gains and losses related to assets and liabilities held at the end of the period	$(94)	$71	$(249)	$(12)

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

Edison International and SCE recognize the fair value for transfers in and transfers out of each level at the end of each reporting period. There were no transfers between any levels during 2015 and 2014.

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Valuation Techniques Used to Determine Fair Value

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

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

	Fair Value (in millions)			Significant	Range
	Assets	Liabilities	Valuation Technique(s)	Unobservable Input	(Weighted Average)
Congestion revenue rights					
September 30, 2015	$258	$—	Market simulation model	Load forecast	7,630 MW - 25,431 MW
				Power prices[1]	$1.65 - $109.95
				Gas prices[2]	$3.65 - $6.53
December 31, 2014	317	—	Market simulation model	Load forecast	7,630 MW - 25,431 MW
				Power prices[1]	$1.65 - $109.95
				Gas prices[2]	$3.65 - $6.53
Tolling					
September 30, 2015	11	1,359	Option model	Volatility of gas prices	15% - 45% (20%)
				Volatility of power prices	25% - 56% (30%)
				Power prices	$27.03 - $47.41 ($35.80)
December 31, 2014	4	1,207	Option model	Volatility of gas prices	13% - 53% (20%)
				Volatility of power prices	25% - 42% (30%)
				Power prices	$30.60 - $61.40 ($44.60)

1 Prices are in dollars per megawatt-hour.

2 Prices are in dollars per million British thermal units.

Level 3 Fair Value Sensitivity

Congestion Revenue Rights

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

Tolling Arrangements

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

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

Nuclear Decommissioning Trusts

SCE's nuclear decommissioning trust investments include equity securities, U.S. treasury securities and other fixed income securities. Equity and treasury securities are classified as Level 1 as fair value is determined by observable market prices in active or highly liquid and transparent markets. The remaining fixed income securities are classified as Level 2. The fair value of these financial instruments is based on evaluated prices that reflect significant observable market information such as reported trades, actual trade information of similar securities, benchmark yields, broker/dealer quotes, issuer spreads, bids, offers and relevant credit information.

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:

(in millions)	September 30, 2015 Carrying Value	September 30, 2015 Fair Value	December 31, 2014 Carrying Value	December 31, 2014 Fair Value
SCE	$10,615	$11,613	$9,924	$11,479
Edison International	11,252	12,268	10,738	12,319

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

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

Note 5. Debt and Credit Agreements

Credit Agreements and Short-Term Debt

SCE and Edison International Parent have multi-year revolving credit facilities of $2.75 billion and $1.25 billion, respectively. In July 2015, SCE and Edison International Parent amended the credit facilities to extend the maturity dates to July 2020 for $2.6 billion and $1.18 billion, respectively. The remaining $150 million and $68 million for the SCE and Edison International Parent credit facilities, respectively, will mature in July 2019. 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, 2015, SCE's outstanding commercial paper was $417 million at a weighted-average interest rate of 0.34%. At September 30, 2015, letters of credit issued under SCE's credit facility aggregated $135 million and are scheduled to expire in twelve months or less. At December 31, 2014, the outstanding commercial paper was $367 million at a weighted-average interest rate of 0.40%.

At September 30, 2015, Edison International Parent's outstanding commercial paper was $738 million at a weighted-average interest rate of 0.45%. At December 31, 2014, the outstanding commercial paper was $619 million at a weighted-average interest rate of 0.45%.

Project Financing

Indirect subsidiaries of Edison International entered into a non-recourse debt financing to support investment in approximately 29 megawatts of solar rooftop projects. Borrowings under this financing agreement, were converted to a 7-year term loan during September 2015. As of September 30, 2015, there was approximately $25 million outstanding under this financing at a weighted average interest rate of 2.83%.

Long-Term Debt

During the first quarter of 2015, SCE issued $550 million of 1.845% amortizing first and refunding mortgage bonds due in 2022, $325 million of 2.4% first and refunding mortgage bonds due in 2022, and $425 million of 3.6% first and refunding mortgage bonds due in 2045. The proceeds from these bonds were used to repay outstanding debt and for general corporate purposes. The $550 million amortizing first and refunding mortgage bonds and the $325 million of first and refunding mortgage bonds have been designated as a financing of the San Onofre regulatory asset.

During the second quarter of 2015, SCE reissued $56 million of 1.875% pollution-control bonds due in 2029 and $75 million of 1.875% pollution-control bonds due in 2031. The proceeds were used to repay commercial paper borrowings and for general corporate purposes.

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 power purchase agreements. 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 power purchase agreements in which SCE has agreed to provide the natural gas needed for generation, referred to as tolling arrangements.

Credit and Default Risk

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

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

Certain power contracts contain a provision that requires SCE to maintain an investment grade rating from each of the major credit rating agencies, referred to as a credit-risk-related contingent feature. If SCE's credit rating were to fall below investment grade, SCE may be required to post additional collateral to cover derivative liabilities and the related outstanding payables. The net fair value of all derivative liabilities with these credit-risk-related contingent features was $29 million and $53 million as of September 30, 2015 and December 31, 2014, respectively. SCE has posted no collateral at September 30, 2015 and $13 million at December 31, 2014 to its counterparties at the respective dates for its derivative liabilities and related outstanding payables. If the credit-risk-related contingent features underlying these agreements were triggered on September 30, 2015, SCE would be required to post $42 million of additional collateral of which $39 million is related to outstanding payables that are net of collateral already posted.

Fair Value of Derivative Instruments

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

	September 30, 2015						
	Derivative Assets			Derivative Liabilities			Net
(in millions)	Short-Term	Long-Term	Subtotal	Short-Term	Long-Term	Subtotal	Liability
Commodity derivative contracts							
Gross amounts recognized	$82	$188	$270	$243	$1,166	$1,409	$1,139
Gross amounts offset in the consolidated balance sheets	(1)	—	(1)	(1)	—	(1)	—
Cash collateral posted[1]	—	—	—	(35)	—	(35)	(35)
Net amounts presented in the consolidated balance sheets	$81	$188	$269	$207	$1,166	$1,373	$1,104

	December 31, 2014						
	Derivative Assets			Derivative Liabilities			Net
(in millions)	Short-Term	Long-Term	Subtotal	Short-Term	Long-Term	Subtotal	Liability
Commodity derivative contracts							
Gross amounts recognized	$104	$219	$323	$259	$1,052	$1,311	$988
Gross amounts offset in the consolidated balance sheets	(2)	—	(2)	(2)	—	(2)	—
Cash collateral posted[1]	—	—	—	(61)	—	(61)	(61)
Net amounts presented in the consolidated balance sheets	$102	$219	$321	$196	$1,052	$1,248	$927

[1] In addition, at September 30, 2015 and December 31, 2014, SCE had posted $32 million and $36 million, respectively, of collateral that is not offset against derivative liabilities and is reflected in "Other current assets" 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 purchase 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 results of derivative activities and related regulatory offsets are recorded in cash flows from operating activities in the consolidated statements of cash flows.

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

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2015	2014	2015	2014
Realized losses	$(28)	$(18)	$(103)	$(59)
Unrealized (losses) gains	(67)	138	(152)	80

Notional Volumes of Derivative Instruments

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

Commodity	Unit of Measure	Economic Hedges September 30, 2015	December 31, 2014
Electricity options, swaps and forwards	GWh	4,807	3,618
Natural gas options, swaps and forwards	Bcf	64	83
Congestion revenue rights	GWh	103,207	122,859
Tolling arrangements	GWh	73,008	79,989

Note 7. Income Taxes

Effective Tax Rate

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

(in millions)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Edison International:				
Income from continuing operations before income taxes	$487	$744	$1,324	$1,414
Provision for income tax at federal statutory rate of 35%	170	260	463	495
Increase (decrease) in income tax from:				
State tax, net of federal benefit	6	28	23	34
Property-related	(79)	(73)	(207)	(179)
Change related to uncertain tax positions	10	10	(53)	(4)
San Onofre OII settlement	—	—	—	(40)
Other	(25)	(5)	(31)	(22)
Total income tax expense from continuing operations	$82	$220	$195	$284
Effective tax rate	16.8%	29.6%	14.7%	20.1%
SCE:				
Income from continuing operations before income taxes	$509	$755	$1,370	$1,466
Provision for income tax at federal statutory rate of 35%	178	264	480	513
Increase (decrease) in income tax from:				
State tax, net of federal benefit	8	31	23	42
Property-related	(79)	(73)	(207)	(179)
Change related to uncertain tax positions	9	9	(56)	(1)
San Onofre OII settlement	—	—	—	(40)
Other	(24)	(7)	(33)	(25)
Total income tax expense from continuing operations	$92	$224	$207	$310
Effective tax rate	18.1%	29.7%	15.1%	21.1%

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. 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.

Property-related items include recognition of income tax benefits from repair deductions. The CPUC classifies repair deductions as a flow-through item which affects earnings to the extent actual income tax benefits from repair deductions differ from the estimated amounts included in authorized revenue.

During the first nine months of 2015, SCE recorded $18 million of additional income taxes for revisions to estimated net operating loss carrybacks, interest and state income taxes.

Tax Disputes

Tax Years 2007 – 2009

Edison International received a Revenue Agent Report from the IRS in February 2013 which included a proposed adjustment to disallow a component of SCE's percentage repair allowance deduction. The proposed adjustment, if sustained, would result in a federal tax liability of approximately $80 million, including interest through September 30, 2015. Edison International has tentatively reached an agreement with the IRS regarding SCE's percentage repair allowance deduction, which if finalized, would result in a federal tax liability of approximately $17 million, including interest through September 30, 2015. The IRS also proposed an adjustment for 2008 and 2009 to disallow deductions related to certain capitalized overhead expenses. If this adjustment were sustained, it would result in a federal tax liability of approximately $124 million, including interest through September 30, 2015. Edison International disagrees with the proposed adjustment and has appealed.

Tax Years 2010 – 2012

The IRS Revenue Agent Report was received in June 2015. As a result, Edison International and SCE have re-measured its Federal and State uncertain tax positions and recorded $94 million and $100 million, respectively, of income tax benefits including interest and penalty during the second quarter of 2015. The Revenue Agent Report included a proposed adjustment to disallow deductions related to certain capitalized overhead expenses. If this adjustment is sustained, it would result in a federal tax liability of approximately $99 million, including interest through September 30, 2015. Edison International disagrees with the proposed adjustment and has appealed. SCE has agreed to the remaining proposed adjustments in the Revenue Agent Report.

Note 8. Compensation and Benefit Plans

Pension Plans

Edison International made contributions of $113 million during the nine months ended September 30, 2015, which includes contributions of $96 million by SCE. Edison International expects to make contributions of $14 million during the remainder of 2015, which includes $2 million from SCE. Annual contributions made by SCE to most of SCE's pension plans are anticipated to be recovered through CPUC-approved regulatory mechanisms, pending the outcome of the 2015 GRC decision. Annual contributions to these plans are expected to be, at a minimum, equal to the related annual expense.

Pension expense components for continuing operations are:

(in millions)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Edison International:				
Service cost	$35	$30	$105	$89
Interest cost	41	48	124	141
Expected return on plan assets	(57)	(61)	(171)	(178)
Settlement costs[1]	—	35	—	35
Amortization of prior service cost	1	1	3	4
Amortization of net loss[2]	9	1	27	3
Expense under accounting standards	$29	$54	$88	$94
Regulatory adjustment	(1)	(2)	(4)	59
Total expense recognized	$28	$52	$84	$153
SCE:				
Service cost	$35	$29	$104	$87
Interest cost	38	44	113	132
Expected return on plan assets	(53)	(56)	(160)	(168)
Settlement costs[1]	—	33	—	33
Amortization of prior service cost	1	1	4	3
Amortization of net loss[2]	7	—	22	1
Expense under accounting standards	$28	$51	$83	$88
Regulatory adjustment	(2)	(2)	(4)	59
Total expense recognized	$26	$49	$79	$147

1 For the three and nine months ended September 30, 2014, this relates to lump-sum amounts made to employees who retired from the SCE Retirement Plan (primarily due to workforce reductions). Includes the amount of net loss reclassified from other comprehensive loss. The amount reclassified for Edison International was $2 million for both the three and nine months ended September 30, 2014.

2 Includes the amount of net loss reclassified from other comprehensive loss. The amount reclassified for Edison International and SCE was $4 million and $2 million, respectively, for the three months ended September 30, 2015, and $11 million and $6 million, respectively, for the nine months ended September 30, 2015. The amount reclassified for Edison International and SCE was $2 million and $1 million, respectively, for the three months ended September 30, 2014 and $5 million and $3 million, respectively, for the nine months ended September 30, 2014.

Postretirement Benefits Other Than Pensions

Edison International made contributions of $45 million during the nine months ended September 30, 2015 and expects to make contributions of $14 million during the remainder of 2015, substantially all of which are expected to be made by SCE. Annual contributions made to SCE plans are anticipated to be recovered through CPUC-approved regulatory mechanisms and are expected to be, at a minimum, equal to the total annual expense for these plans, pending the outcome of the 2015 GRC decision. Benefits under these plans, with some exceptions, are generally unvested and subject to change. Under the terms of the Edison International Health and Welfare Plan ("PBOP Plan") each participating employer (Edison International or its participating subsidiaries) is responsible for the costs and expenses of all PBOP benefits with respect to its employees and former employees. A participating employer may terminate the PBOP benefits with respect to its employees and former employees, as may SCE (as Plan sponsor), and, accordingly, the participants' PBOP benefits are not vested benefits.

PBOP expense components for continuing operations are:

(in millions)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
Edison International:				
Service cost	$12	$10	$36	$32
Interest cost	29	28	86	82
Expected return on plan assets	(28)	(28)	(85)	(84)
Amortization of prior service cost	(3)	(9)	(9)	(27)
Amortization of net loss	5	—	17	—
Total expense	$15	$1	$45	$3
SCE:				
Service cost	$12	$10	$36	$32
Interest cost	28	27	84	81
Expected return on plan assets	(28)	(28)	(84)	(84)
Amortization of prior service cost	(3)	(9)	(9)	(27)
Amortization of net loss	6	—	17	—
Total expense	$15	$—	$44	$2

Workforce Reductions

SCE continues to focus on productivity improvements to mitigate rate pressure from its capital program, optimize its cost structure and improve operational efficiency, which is expected to result in further workforce reductions through 2016. During the nine months ended September 30, 2015, SCE increased the estimated impact for approved workforce reductions.

The following table provides a summary of changes in the accrued severance liability associated with these reductions:

(in millions)	
Balance at January 1, 2015	$35
Additions	17
Payments	(31)
Balance at September 30, 2015	$21

The liability presented in the table above is reflected in "Other current liabilities" on the consolidated balance sheets. The severance costs are included in "Operation and maintenance" on the consolidated income statements.

Note 9. Investments

Nuclear Decommissioning Trusts

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

The following table sets forth amortized cost and fair value of the trust investments:

(in millions)	Longest Maturity Dates	Amortized Cost September 30, 2015	Amortized Cost December 31, 2014	Fair Value September 30, 2015	Fair Value December 31, 2014
Stocks	—	$386	$524	$1,559	$2,031
Municipal bonds	2054	726	681	860	822
U.S. government and agency securities	2045	1,069	777	1,141	836
Corporate bonds	2057	668	346	721	395
Short-term investments and receivables/payables[1]	One-year	104	692	107	715
Total		$2,953	$3,020	$4,388	$4,799

1 Short-term investments include $112 million of repurchase agreements payable by financial institutions which earn interest, are fully secured by U.S. Treasury securities and mature by October 7, 2015.

Trust fund earnings (based on specific identification) increase the trust fund balance and the ARO regulatory liability. Proceeds from sales of securities (which are reinvested) were $5.7 billion and $2.1 billion for the three months ended September 30, 2015 and 2014, respectively, and $12.9 billion and $5.8 billion for the nine months ended September 30, 2015 and 2014, respectively. Unrealized holding gains, net of losses, were $1.4 billion and $1.8 billion at September 30, 2015 and December 31, 2014, respectively.

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

(in millions)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Balance at beginning of period	$4,836	$4,740	$4,799	$4,494
Gross realized gains	183	149	215	187
Gross realized losses	(10)	—	(15)	—
Unrealized (losses) gains, net	(316)	(131)	(343)	38
Other-than-temporary impairments	(10)	(4)	(22)	(10)
Interest and dividends	28	28	88	90
Contributions	—	—	7	6
Income taxes	—	(40)	(14)	(59)
Decommissioning disbursements	(319)	—	(319)	(1)
Administrative expenses and other	(4)	(1)	(8)	(4)
Balance at end of period	$4,388	$4,741	$4,388	$4,741

Trust assets are used to pay income taxes as the Trust files separate income taxes returns from SCE. Deferred income taxes related to unrealized gains at September 30, 2015 were $344 million. Accordingly, the fair value of Trust assets available to pay future decommissioning costs, net of deferred income taxes, totaled $4.0 billion at September 30, 2015. Due to regulatory mechanisms, changes in assets of the trusts from income or loss items have no impact on operating revenue or earnings.

In August 2015, the trust reimbursed SCE for $319 million of 2013 and 2014 Unit 2 and 3 decommissioning costs. Under the San Onofre OII Settlement Agreement recoveries from the nuclear decommissioning trusts of 2013 and 2014 decommissioning costs are refunded to customers primarily through ERRA.

Note 10. Regulatory Assets and Liabilities

Regulatory Assets

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

(in millions)	September 30, 2015	December 31, 2014
Current:		
Regulatory balancing accounts	$ 287	$ 1,088
Energy derivatives	167	159
Other	19	7
Total current	473	1,254
Long-term:		
Deferred income taxes, net	3,949	3,405
Pensions and other postretirement benefits	1,206	1,218
Energy derivatives	990	850
Unamortized investments, net	198	255
San Onofre	1,130	1,288
Unamortized loss on reacquired debt	205	201
Regulatory balancing accounts	58	44
Other	385	351
Total long-term	8,121	7,612
Total regulatory assets	$ 8,594	$ 8,866

Regulatory Liabilities

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

(in millions)	September 30, 2015	December 31, 2014
Current:		
Regulatory balancing accounts	$ 547	$ 380
Other	341	21
Total current	888	401
Long-term:		
Costs of removal	2,713	2,826
Recoveries in excess of ARO liabilities[1]	1,393	1,956
Regulatory balancing accounts	1,081	1,083
Other	78	24
Total long-term	5,265	5,889
Total regulatory liabilities	$ 6,153	$ 6,290

1 Represents the cumulative differences between ARO expenses and amounts collected in rates primarily for the decommissioning of the SCE's nuclear generation facilities. Decommissioning costs recovered through rates are primarily placed in nuclear decommissioning trusts. This regulatory liability also represents the deferral of realized and unrealized gains and losses on the nuclear decommissioning trust investments. See Note 9.

As discussed in Note 1, SCE has recognized CPUC-related revenue largely based on the revenue requirement set forth in the proposed 2015 GRC decision. As a result of the proposed decision, SCE recorded a current regulatory liability to refund customers $318 million of the 2014 authorized base revenue requirements included in customer rates for the nine months ended September 30, 2015.

The 2015 GRC proposed decision includes a reduction in 2015 base rate revenue requirement of approximately $40 million through a rate base adjustment of $344 million as determined by the CPUC to achieve a benefit to customers equal to the increased future customer costs attributable to SCE's election related to 2012 – 2014 tax repairs. In SCE's filed comments, it requested a modification to eliminate the rate base adjustment on the basis of a number of legal errors including, among other items, that the rate base adjustment affecting the revenue requirements is prohibited as retroactive rate making. As of September 30, 2015, SCE had recorded a regulatory asset, included in the table above, of approximately $380 million related to future cash taxes associated with incremental 2012 – 2014 repair deductions. SCE has not recorded the potential impact from the rate base adjustment or 2015 incremental repair deductions pending a final decision that would provide clarity on the tax accounting treatment. SCE cannot predict the outcome of this matter. If the final decision mandates future reductions in revenue requirements, SCE would reduce 2015 revenue by the amount determined in the final decision and may record a charge against income to write down some or all of the above regulatory asset.

Net Regulatory Balancing Accounts

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

(in millions)	September 30, 2015	December 31, 2014
Asset (liability)		
Energy resource recovery account	$ (112)	$ 1,028
New system generation balancing account	(71)	35
Public purpose programs and energy efficiency programs	(754)	(874)
Base rate recovery balancing account	(79)	(5)
Greenhouse gas auction revenue	(142)	(182)
FERC balancing accounts	16	(32)
Generator settlements	(3)	(197)
Other	(138)	(104)
Liability	$ (1,283)	$ (331)

Note 11. Commitments and Contingencies

Third-Party Power Purchase Agreements

During the nine months ended September 30, 2015, SCE had new power procurement contracts with additional commitments estimated to be: $21 million for the remainder of 2015, $142 million for 2016, $303 million for 2017, $352 million for 2018, $391 million for 2019 and $5.2 billion for the period remaining thereafter.

Indemnities

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

Edison International and SCE have provided indemnifications through contracts entered into in the normal course of business. These are primarily indemnifications against adverse litigation outcomes in connection with underwriting agreements, and indemnities for specified environmental liabilities and income taxes with respect to assets sold. Edison International's and SCE's obligations under these agreements may or may not be limited in terms of time and/or amount, and in some instances Edison International and SCE may have recourse against third parties. Edison International and SCE have not recorded a liability related to these indemnities. The overall maximum amount of the obligations under these indemnifications cannot be reasonably estimated.

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

Contingencies

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

San Onofre Related Matters

Replacement steam generators were installed at San Onofre in 2010 and 2011. On January 31, 2012, a leak suddenly occurred in one of the heat transfer tubes in San Onofre's Unit 3 steam generators. The Unit was safely taken off-line and subsequent inspections revealed excessive tube wear. Unit 2 was off-line for a planned outage when areas of unexpected tube wear were also discovered. On June 6, 2013, SCE decided to permanently retire Units 2 and 3.

Settlement of San Onofre CPUC Proceedings

In November 2014, the CPUC approved the San Onofre OII Settlement Agreement that SCE had entered into with TURN, ORA, SDG&E, the Coalition of California Utility Employees, and Friends of the Earth. The San Onofre OII Settlement Agreement resolved the CPUC's investigation regarding the Steam Generator Replacement Project at San Onofre and the related outages and subsequent shutdown of San Onofre. The San Onofre OII Settlement Agreement does not affect proceedings related to recoveries from third parties described below, but does describe how shareholders and customers will share any potential recoveries.

Challenges related to San Onofre CPUC Proceedings

A federal lawsuit challenging the CPUC's authority to permit rate recovery of San Onofre costs and an application to the CPUC for rehearing of its decision approving the San Onofre OII Settlement Agreement were filed in November and December 2014, respectively. In April 2015, the federal lawsuit was dismissed with prejudice and the plaintiffs in that case appealed the dismissal to the Ninth Circuit in May 2015. Both the appeal and the application for rehearing remain pending.

In February 2015, SCE filed in the OII proceeding a Late-Filed Notice of Ex Parte Communication regarding a meeting in March 2013 between an SCE senior executive and the president of the CPUC, both of whom have since retired from their respective positions. Following this filing, the Alliance for Nuclear Responsibility ("A4NR"), one of the intervenors in the OII, filed a motion requesting that the CPUC institute an investigation into whether sanctions should be imposed on SCE for the late notice of the March 2013 meeting. The motion requests that the CPUC order SCE to produce all ex parte communications between SCE and the CPUC or its staff since January 31, 2012 and all internal SCE unprivileged communications that discuss such ex parte communications. On May 6, 2015, A4NR amended its motion to recommend that the CPUC impose a $38.2 million penalty on SCE and additional restrictions on ex parte communications.

On April 14, 2015, the OII ALJs ordered SCE, among other things, to produce unprivileged documents pertaining to oral and written communications regarding the possible settlement of the OII proceeding between any SCE employee and CPUC decision makers from March 2013 to November 2014. SCE produced responsive documents and information on April 29, 2015. On June 26, 2015, the ALJs requested additional information, which SCE provided on July 3, 2015. Subsequently, another intervenor, the Coalition to Decommission San Onofre, filed a motion to move the start date for the production of documents under the CPUC's order to January 31, 2012 and to authorize the intervenors to conduct discovery of SCE. On August 5, 2015, the OII ALJ issued a ruling that nine additional communications should have been reported in addition to the March 2013 communication that SCE had reported in February 2015. The ruling dismissed all other pending requests for disclosures by SCE, discovery, or sanctions. In addition, the August 2015 ruling ordered SCE to show cause why it should not be sanctioned for violations of the ex parte rules and two related violations of Rule 1.1. The amount of potential monetary sanctions may vary from $500 to $50,000 per offense and will also depend on whether each offense is considered to be a single or a continuing violation, rendering it subject to a separate fine for each day. SCE responded to the order on August 20, 2015, arguing that the additional communications were not reportable and that sanctions were not justified. On October 20, 2015, SCE submitted to the CPUC additional documents that were responsive to the ALJs' order discussed above. On October 26, 2015, the OII ALJ issued a proposed decision that would impose a penalty of $16.74 million in connection with eight communications that the proposed decision finds should have been reported. The proposed decision does not address the petitions for modification of the San Onofre OII Settlement Agreement discussed below.

On April 17, 2015, ORA and TURN issued press releases asking the CPUC to impose penalties on SCE as a sanction for allegedly improper ex parte communications pertaining to San Onofre or failures to report such communications. ORA recommended penalties in the amount of $648 million, representing ORA's calculation of the difference in ratepayer value between ORA's initial settlement negotiating position in the San Onofre OII and the approved settlement. TURN did not recommend a penalty amount.

On April 27, 2015, A4NR filed a petition to modify the CPUC's decision approving the San Onofre OII Settlement Agreement based on SCE's alleged failures to disclose communications between SCE and CPUC decision-makers pertaining to the issues in the San Onofre OII. The petition seeks the reversal of the decision approving the San Onofre OII Settlement Agreement and reopening of the OII proceeding. Subsequently, TURN and ORA filed responses supporting A4NR's petition to reopen the San Onofre OII proceeding. In August 2015, ORA filed its own petition to modify the CPUC's decision approving the San Onofre OII Settlement Agreement seeking to set aside the settlement and reopen the San Onofre OII proceeding. SCE and SDG&E responded to this petition in September 2015. Both petitions remain pending before the CPUC. On July 6, 2015, a purported securities class action lawsuit was filed in federal court against Edison International, its CEO and CFO. The lawsuit alleges that the defendants violated the securities laws by failing to disclose that Edison International's ex parte contacts with CPUC decision-makers were more extensive than initially reported. The complaint purports to be filed on behalf of a class of persons who acquired Edison International common stock between July 31, 2014 and June 24, 2015.

Subsequently, in July 2015, a federal shareholder derivative lawsuit was filed against members of the Edison International Board of Directors for breach of fiduciary duty and other claims based on similar allegations to the federal securities lawsuit. The derivative lawsuit seeks monetary damages, including punitive damages, and various corporate governance reforms. Two additional federal shareholder derivative lawsuits making essentially the same allegations were filed in August and October 2015.

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

NEIL Insurance Settlement

San Onofre carries accidental property damage and carried accidental outage insurance issued by Nuclear Electric Insurance Limited ("NEIL"). Through August 30, 2014, the San Onofre owners had submitted approximately $433 million in claims (SCE's share of which is approximately $339 million) under the accidental outage insurance. The accidental outage insurance at San Onofre has been canceled prospectively as a result of the permanent retirement.

In October 2015, San Onofre owners reached an agreement with NEIL to resolve all insurance claims arising out of the failures of the San Onofre replacement steam generators for a total payment by NEIL of $400 million (SCE's share of which is approximately $313 million). According to the terms of the San Onofre OII Settlement Agreement, the settlement proceeds will be applied to reimburse the costs of pursuing the recovery and then allocated 95% to customers and 5% to SCE. SCE will record the recoveries from NEIL during the fourth quarter of 2015. SCE customers' portion of amounts recovered from NEIL would be distributed to SCE customers via a credit to SCE's ERRA account.

MHI Claims

SCE is also pursuing claims against Mitsubishi Heavy Industries, Ltd. and a related company ("MHI"), which designed and supplied the RSGs. MHI warranted the RSGs for an initial period of 20 years from acceptance and is contractually obligated to repair or replace defective items with dispatch and to pay specified damages for certain repairs. MHI's stated liability under the purchase agreement is limited to $138 million and excludes consequential damages, defined to include "the cost of replacement power;" however, limitations in the contract are subject to applicable exceptions both in the contract and under law. SCE has advised MHI that it believes one or more of such exceptions apply and that MHI's liability is not limited to $138 million. MHI has advised SCE that it disagrees. In October 2013, SCE sent MHI a formal request for binding arbitration under the auspices of the International Chamber of Commerce in accordance with the purchase contract seeking damages for all losses. In the request for arbitration, SCE alleges contract and tort claims and seeks at least $4 billion in damages on behalf of itself and its customers and in its capacity as Operating Agent for San Onofre. MHI has denied any liability and has asserted counterclaims for $41 million, for which SCE has denied any liability. Each of the other San Onofre owners sued MHI, alleging claims arising from MHI's supplying the faulty steam generators. These litigation claims have been stayed pending the arbitration. The other owners (SDG&E and Riverside) have been added as additional claimants in the arbitration. The arbitration is being conducted pursuant to a confidentiality order issued by the arbitration panel.

SCE, on behalf of itself and the other San Onofre owners, has submitted seven invoices to MHI totaling $149 million for steam generator repair costs incurred through April 30, 2013. MHI paid the first invoice of $45 million, while reserving its right to challenge it and subsequently rejected a portion of the first invoice and has not paid further invoices, claiming further documentation is required, which SCE disputes. SCE recorded its share of the invoice paid (approximately $35 million) as a reduction of repair and inspection costs in 2012.

Under the San Onofre OII Settlement Agreement, recoveries from MHI (including amounts paid by MHI under the first invoice), if any, will first be applied to reimburse costs incurred in pursuing such recoveries, including litigation costs. To the extent SCE's share of recoveries from MHI exceed such costs, they will be allocated 50% to customers and 50% to SCE.

The first $282 million of SCE's customers' portion of such recoveries from MHI will be distributed to customers via a credit to a sub-account of SCE's Base Revenue Requirement Balancing Account ("BRRBA"), reducing revenue requirements from customers. Amounts in excess of the first $282 million distributable to SCE customers will reduce SCE's regulatory asset represented by the unamortized balance of investment in San Onofre base plant, reducing the revenue requirement needed to amortize such investment. The amortization period, however, will be unaffected. Any additional amounts received after the regulatory asset is recovered will be applied to the BRRBA.

The San Onofre OII Settlement Agreement provides the utilities with the discretion to resolve the NEIL and MHI disputes without CPUC approval or review, but the utilities are obligated to use their best efforts to inform the CPUC of any settlement or other resolution of these disputes to the extent this is possible without compromising any aspect of the resolution. SCE and SDG&E have also agreed to allow the CPUC to review the documentation of any final resolution of the NEIL and MHI disputes and the litigation costs incurred in pursuing claims against NEIL and MHI to ensure they are not exorbitant in relation to the recovery obtained. There is no assurance that there will be any recoveries from NEIL or MHI or, that if there are recoveries, that they will equal or exceed the costs incurred to pursue them.

NRC Proceedings

In July 2015, the NRC issued a final decision regarding SCE's compliance with the license amendment regulatory process related to the RSGs, finding the issue to be moot, given the permanent cessation of operation of San Onofre. In March 2015, the NRC issued a lessons learned report in which it restated earlier NRC inspection findings that SCE properly concluded that the replacement steam generators at San Onofre did not require a formal license amendment prior to installation using a common NRC process for replacement components.

Certain anti-nuclear groups and individual members of Congress have alleged that SCE knew of deficiencies in the steam generators when they were installed or otherwise did not correctly follow NRC requirements for the design and installation of the replacement steam generators, all of which SCE has vigorously denied, and have called for investigations, including by the Department of Justice. SCE cannot predict when or whether ongoing proceedings by the NRC will be completed or whether inquiries by other government agencies concerning how the RSG project was conducted will be initiated or reopened.

Long Beach Service Interruptions

In July 2015, SCE's customers who are served via the network portion of SCE's electric system in Long Beach, California experienced service interruptions due to multiple underground vault fires and underground cable failures. No personal injuries have been reported in connection with these events. SCE instituted an internal investigation and commissioned an external investigation of these events and their causes. These events and their causes are also being investigated by the CPUC's SED. SCE is unable to estimate a possible loss or range of loss associated with any penalties that may be imposed by the CPUC related to this matter. Subject to applicable deductibles, SCE is generally insured against customer claims arising from these service interruptions.

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, 2015, SCE's recorded estimated minimum liability to remediate its 19 identified material sites (sites in which the upper end of the range of the costs is at least $1 million) was $137 million, including $82 million related to San Onofre. In addition to these sites, SCE also has 39 immaterial sites for which the total minimum recorded liability was $4 million. Of the $140 million total environmental remediation liability for SCE, $135 million has been recorded as a regulatory asset. SCE expects to recover $50 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 $84 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 $163 million and $8 million, respectively. The upper limit of this range of costs was estimated using assumptions least favorable to SCE among a range of reasonably possible outcomes.

SCE expects to clean up and mitigate its identified sites over a period of up to 30 years. Remediation costs for each of the next five years are expected to range from $7 million to $24 million. Costs incurred for the nine months ended September 30, 2015 and 2014 were $5 million and $3 million, respectively.

Based upon the CPUC's regulatory treatment of environmental remediation costs incurred at SCE, SCE believes that costs ultimately recorded will not materially affect its results of operations, financial position or cash flows. There can be no assurance, however, that future developments, including additional information about existing sites or the identification of new sites, will not require material revisions to estimates.

Nuclear Insurance

SCE is a member of NEIL, a mutual insurance company owned by entities with nuclear facilities. NEIL provides insurance for nuclear property damage, including damages caused by acts of terrorism up to specified limits, and for accidental outages for active facilities. The amount of nuclear property damage insurance purchased for San Onofre and Palo Verde exceeds the minimum federal requirement of $1.06 billion. If NEIL losses at any nuclear facility covered by the arrangement were to exceed the accumulated funds for these insurance programs, SCE could be assessed retrospective premium adjustments of up to approximately $52 million per year.

Federal law limits public offsite liability claims for bodily injury and property damage from a nuclear incident to the amount of available financial protection, which is currently approximately $13.4 billion. Based on its ownership interests, SCE could be required to pay a maximum of approximately $255 million per nuclear incident. However, it would have to pay no more than approximately $38 million per incident in any one year.

For more information on nuclear insurance coverage, see Note 11 in the 2014 Form 10-K.

Wildfire Insurance

Severe wildfires in California have given rise to large damage claims against California utilities for fire-related losses alleged to be the result of the failure of electric and other utility equipment. Invoking a California Court of Appeal decision, plaintiffs pursuing these claims have relied on the doctrine of inverse condemnation, which can impose strict liability (including liability for a claimant's attorneys' fees) for property damage. Prolonged drought conditions in California have also increased the risk of severe wildfire events. On June 1, 2015, Edison International renewed its liability insurance coverage, which included coverage for SCE's wildfire liabilities up to a $610 million limit (with a self-insured retention of $10 million per wildfire occurrence). Various coverage limitations within the policies that make up this insurance coverage could result in additional self-insured costs in the event of multiple wildfire occurrences during the policy period (June 1, 2015 to May 31, 2016). SCE also has additional coverage for certain wildfire liabilities of $390 million, which applies when total covered wildfire claims exceed $610 million, through

June 14, 2016. SCE may experience coverage reductions and/or increased insurance costs in future years. No assurance can be given that future losses will not exceed the limits of SCE's insurance coverage.

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 the current license period.

SCE, as operating agent, filed a lawsuit on behalf of the San Onofre owners against the DOE in the Court of Federal Claims seeking damages of approximately $182 million for 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. Additional legal action would be necessary to recover damages incurred after December 31, 2013. All damages recovered by SCE are subject to CPUC review as to how these amounts would be distributed among customers, shareholders, or to offset fuel decommissioning or storage costs.

Note 12. Preferred and Preference Stock of Utility

During the third quarter of 2015, SCE issued 130,004 shares of 5.375% Series J preference stock (cumulative, $2,500 liquidation value) to SCE Trust IV, a special purpose entity formed to issue trust securities as discussed in Note 3. The Series J preference stock may be redeemed at par, in whole, but not in part, at any time prior to September 15, 2025 if certain changes in tax or investment company laws occur. After September 15, 2025, SCE may redeem the Series J shares at par, in whole or in part and distributions will accrue and be payable at a floating rate. The shares are not subject to mandatory redemption. The proceeds were used to redeem $325 million of the Company's Series A preference stock and for general corporate purposes.

Note 13. 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)	2015	2014	2015	2014
Beginning balance	$(56)	$(13)	$(58)	$(13)
Pension and PBOP – net income (loss):				
Other comprehensive loss before reclassifications	—	(12)	(4)	(17)
Reclassified from accumulated other comprehensive loss[1]	2	3	8	6
Other	(1)	(1)	(1)	1
Change	1	(10)	3	(10)
Ending Balance	$(55)	$(23)	$(55)	$(23)

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

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

	Three months ended September 30,		Nine months ended September 30,	
(in millions)	2015	2014	2015	2014
Beginning balance	$(26)	$(8)	$(28)	$(11)
Pension and PBOP – net income (loss):				
Other comprehensive loss before reclassifications	—	—	(1)	—
Reclassified from accumulated other comprehensive loss[1]	1	1	4	2
Other	—	(1)	—	1
Change	1	—	3	3
Ending Balance	$(25)	$(8)	$(25)	$(8)

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

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Note 14. Interest and Other Income and Other Expenses

Interest and other income and other expenses are as follows:

(in millions)	Three months ended September 30, 2015	2014	Nine months ended September 30, 2015	2014
SCE interest and other income:				
Equity allowance for funds used during construction	$21	$17	$63	$45
Generator settlements	—	1	—	15
Increase in cash surrender value of life insurance policies and life insurance benefits	5	10	22	28
Interest income	1	1	4	6
Other	2	7	4	11
Total SCE interest and other income	29	36	93	105
Other income of Edison International Parent and Other	3	4	21	4
Total Edison International interest and other income	$32	$40	$114	$109
SCE other expenses:				
Penalties	$1	$15	$1	$15
Civic, political and related activities and donations	8	8	21	22
Other	6	6	17	15
Total SCE other expenses	15	29	39	52
Other expense of Edison International Parent and Other	—	—	1	—
Total Edison International other expenses	$15	$29	$40	$52

SCE has participated in proceedings seeking recovery of refunds from sellers of electricity and natural gas who manipulated the electric and natural gas markets during the energy crisis in California in 2000 – 2001. SCE is authorized to refund to customers any refunds actually realized by SCE, net of litigation costs and amounts retained by SCE as a shareholder incentive pursuant to an established sharing arrangement. During the nine months ended September 30, 2014, FERC approved generator refund settlement agreements which resulted in total refunds to customers of $216 million of which $15 million is subject to the shareholder incentive.

In August 2014, the CPUC approved two settlement agreements between SCE and the SED related to 2011 events in San Bernardino and San Gabriel, California. The settlement agreements resulted in SCE paying a $15 million penalty to the State General Fund.

Edison International other income reflects Edison Capital's income related to the sale of affordable housing projects.

Note 15. Discontinued Operations

EME Chapter 11 Bankruptcy

In December 2012, EME and certain of its wholly-owned subsidiaries filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Northern District of Illinois, Eastern Division. The Amended Plan of Reorganization, including the EME Settlement Agreement, was completed on April 1, 2014 with the sale of substantially all of EME's assets to NRG Energy, Inc. and the transactions called for in the EME Settlement Agreement, including an initial cash payment to the Reorganization Trust of $225 million in April 2014. For further discussion of the EME Settlement Agreement, see the 2014 Form 10-K, "Notes to Consolidated Financial Statements—Note 15."

In August 2014, Edison International entered into an amendment of the EME Settlement Agreement that finalized the remaining matters related to the EME Settlement including setting the amount of the two installment payments. Edison International made an installment payment of $204 million on September 30, 2015 and will make the remaining $214 million payment in September 2016.

Income from discontinued operations, net of tax, was $43 million for the three- and nine-month periods in 2015 compared to a loss of $16 million and income of $146 million for the respective periods in 2014. The 2015 income was due to $27 million of income tax benefits from revised estimates of tax benefits based on filing of the 2014 tax returns in the third quarter of

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2015 and $16 million in insurance recoveries ($28 million pre-tax) related to the EME bankruptcy. The 2014 loss and income were due to the completion of the Amended Plan of Reorganization, including transactions recorded in the first nine months of 2014 and other impacts of the EME Settlement. The nine months of 2014 also reflects a $22 million income tax loss from revised estimates of the tax impact of a tax deconsolidation of EME as originally contemplated prior to the EME Settlement.

Note 16. Supplemental Cash Flows Information

Supplemental cash flows information for continuing operations is:

	Edison International		SCE	
	Nine months ended September 30,			
(in millions)	2015	2014	2015	2014
Cash payments for interest and taxes:				
Interest, net of amounts capitalized	$434	$412	$409	$411
Tax payments, net	3	190	125	15
Non-cash financing and investing activities:				
Dividends declared but not paid:				
Common stock	$136	$116	$147	$126
Preferred and preference stock	—	4	—	4
Details of debt exchange:				
Pollution-control bonds redeemed (2.875%)	$(203)	$—	$(203)	$—
Pollution-control bonds issued (1.875%)	203	—	203	—
Notes issued under EME Settlement Agreement	$—	$410	$—	$—

SCE's accrued capital expenditures at September 30, 2015 and 2014 were $403 million and $505 million, respectively. Accrued capital expenditures will be included as an investing activity in the consolidated statements of cash flow in the period paid.

During 2015, an SCE power contract classified as a capital lease was amended, which resulted in a reduction in the lease obligation and asset by $147 million.

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 Chief Executive Officer and Chief Financial Officer and SCE's President and Chief Financial Officer, 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 2015. Based on that evaluation, Edison International's Chief Executive Officer and Chief Financial Officer and SCE's President and Chief Financial Officer 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

Beginning in 2015, SCE commenced transitioning a portion of its information technology services to third-party providers under managed services agreements. The transition of day-to-day responsibilities to outside service providers has resulted in certain changes to business processes and internal controls over financial reporting. SCE continues to be responsible for the design and operating effectiveness of controls over financial reporting and has taken steps to provide oversight of controls performed by its managed service provider during this period of change and will continue to evaluate the operating effectiveness of related controls during subsequent periods.

There were no other changes in Edison International's or SCE's internal control over financial reporting, respectively, during the third quarter of 2015 that have materially affected, or are reasonably likely to materially affect, Edison International's or SCE's internal control over financial reporting.

Jointly Owned Utility Plant

Edison International's and SCE's respective scope of evaluation of internal control over financial reporting includes their Jointly Owned Utility Projects as discussed in Note 2. Property, Plant and Equipment in the 2014 Form 10-K.

LEGAL PROCEEDINGS

Shaver Lake Dam Project Administrative Civil Liability Complaint

In 2011, SCE installed a PVC plastic geomembrane liner on the Shaver Lake Dam to prevent water seepage. Before starting the project, SCE received the required regulatory permits and approvals. SCE and the California Department of Fish and Wildlife executed a Streambed Alteration Agreement in November 2011 that governed SCE's activities in Shaver Lake as required by state and federal law. SCE also obtained the required federal Clean Water Act Certification in November 2011 for the project's completion.

In February 2012, the California Department of Fish and Wildlife and the Central Valley Regional Water Quality control Board issued letters alleging that SCE had violated provisions of the Streambed Alteration Agreement and certain conditions of the federal Clean Water Act Certification, respectively. Both letters alleged that during the draining of Shaver Lake, SCE failed to prevent the discharge of sediment into an adjoining creek, causing the deaths of fish in the lake and creek. In October 2014, SCE received a pre-issuance draft of an Administrative Civil Liability Complaint from the Central Valley Regional Water Quality Control Board alleging violations of certain permit conditions relating to the Shaver Lake Dam Project. The Regional Water Quality Control Board is seeking $25 million in civil penalties for the violations. SCE disputes the allegations but is working with the parties to resolve the matter.

Dominguez Channel Oil Spill Complaint

In August 2015, SCE settled a criminal misdemeanor complaint filed by the L.A. City Attorney's office arising from a 2013 oil spill associated with the failure of an underground primary cable and ground rod located in close proximity to a pipeline controlled by a private pipeline management company. SCE agreed to pay approximately $25,000 for the City's investigative costs and to donate $100,000 to the National Fish and Wildlife Fund. The agreement with the City provides that the payments to be made by SCE shall not constitute a fine or penalty.

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 2015.

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, 2015 to July 31, 2015	46,891	$58.96	—	—
August 1, 2015 to August 31, 2015	140,530	59.65	—	—
September 1, 2015 to September 30, 2015	166,690	59.37	—	—
Total	354,111	59.43	—	—

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
3.1	Restated Articles of Incorporation of Southern California Edison Company, together with all Certificates of Determination of Preferences of all outstanding Preferred and Preference Stock
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, 2015, filed on October 27, 2015, 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, 2015, filed on October 27, 2015, formatted in XBRL: (i) the Consolidated Statements of Income; (ii) the Consolidated Statements of Comprehensive Income; (iii) the Consolidated Balance Sheets; (iv) the Consolidated Statements of Cash Flows; and (v) the Notes to Consolidated Financial Statements

SIGNATURES

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

	EDISON INTERNATIONAL		SOUTHERN CALIFORNIA EDISON COMPANY
By:	/s/ Mark C. Clarke	By:	/s/ Connie J. Erickson
	Mark C. Clarke Vice President and Controller (Duly Authorized Officer and Principal Accounting Officer)		Connie J. Erickson Vice President and Controller (Duly Authorized Officer and Principal Accounting Officer)
Date:	October 27, 2015	Date:	October 27, 2015