

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2017
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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

**EDISON INTERNATIONAL**

2244 Walnut Grove Avenue  
(P.O. Box 976)  
Rosemead, California 91770  
(Address of principal executive offices)

(626) 302-2222

(Registrant's telephone number, including area code)

**SOUTHERN CALIFORNIA EDISON COMPANY**

2244 Walnut Grove Avenue  
(P.O. Box 800)  
Rosemead, California 91770  
(Address of principal executive offices)

(626) 302-1212

(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
<b>Edison International:</b> Common Stock, no par value	NYSE LLC
<b>Southern California Edison Company:</b> Cumulative Preferred Stock 4.08% Series, 4.24% Series, 4.32% Series, 4.78% Series	NYSE American LLC

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Edison International Yes  No  Southern California Edison Company Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Edison International Yes  No  Southern California Edison Company Yes  No

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

Edison International Yes  No  Southern California Edison Company Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Edison International Yes  No  Southern California Edison Company Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Edison International  Southern California Edison Company

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

Edison International  
Large Accelerated Filer  Accelerated Filer  Non-accelerated Filer   Smaller Reporting Company  
Emerging growth company

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Edison International  Southern California Edison Company

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

Edison International Yes  No  Southern California Edison Company Yes  No

Aggregate market value of voting and non-voting common equity held by non-affiliates of the registrants as of June 30, 2017, the last business day of the most recently completed second fiscal quarter:

Edison International Approximately \$25.5 billion Southern California Edison Company Wholly owned by Edison International

Common Stock outstanding as of February 20, 2018:

Edison International 325,811,206 shares  
Southern California Edison Company 434,888,104 shares (wholly owned by Edison International)

**DOCUMENTS INCORPORATED BY REFERENCE**

Designated portions of the Proxy Statement relating to registrants' joint 2017 Annual Meeting of Shareholders have been incorporated by reference into the parts of this report where indicated.

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



## GLOSSARY

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

AFUDC	allowance for funds used during construction
ALJ	administrative law judge
ARO(s)	asset retirement obligation(s)
Bcf	billion cubic feet
bonus depreciation	Current federal tax deduction of a percentage of the qualifying property placed in service during periods permitted under tax laws
BRRBA	Base Revenue Requirement Balancing Account
CAISO	California Independent System Operator
Cal Fire	California Department of Forestry and Fire Protection
CCAs	Community Choice Aggregators which are cities, counties, and certain other public agencies with the authority to generate and/or purchase electricity for their local residents and businesses
CPUC	California Public Utilities Commission
DOE	U.S. Department of Energy
DERs	distributed energy resources
DRP	Distributed Resources Plan
Edison Energy	Edison Energy, LLC, a wholly-owned subsidiary of Edison Energy Group that advises and provides energy solutions to large energy users
Edison Energy Group	Edison Energy Group, Inc., the holding company for subsidiaries engaged in competitive businesses focused on providing energy services, including distributed generation and/or storage, to commercial and industrial customers
EME	Edison Mission Energy
EME Settlement Agreement	Settlement Agreement by and among Edison Mission Energy, Edison International and the Consenting Noteholders identified therein, dated February 18, 2014
ERRA	Energy Resource Recovery Account
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
GAAP	generally accepted accounting principles
GHG	greenhouse gas
GRC	general rate case
GWh	gigawatt-hours
HLBV	hypothetical liquidation at book value
IRS	Internal Revenue Service
Joint Proxy Statement	Edison International's and SCE's definitive Proxy Statement to be filed with the SEC in connection with Edison International's and SCE's Annual Shareholders' Meeting to be held on April 26, 2018
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations in this report
MHI	Mitsubishi Heavy Industries, Inc. and related companies
MW	megawatts
MWdc	megawatts measured for solar projects representing the accumulated peak capacity of all the solar modules
NDCTP	Nuclear Decommissioning Cost Triennial Proceeding
NEIL	Nuclear Electric Insurance Limited
NEM	net energy metering
NERC	North American Electric Reliability Corporation
NOL	net operating loss
NRC	Nuclear Regulatory Commission
ORA	CPUC's Office of Ratepayers Advocates

OII	Order Instituting Investigation
OII Parties	SCE, SDG&E, The Alliance for Nuclear Responsibility, The California Large Energy Consumers Association, California State University, Citizens Oversight dba Coalition to Decommission San Onofre, the Coalition of California Utility Employees, the Direct Access Customer Coalition, Ruth Henricks, ORA, TURN, and Women's Energy Matters, all of whom are parties to the Revised San Onofre Settlement Agreement
Palo Verde	nuclear electric generating facility located near Phoenix, Arizona in which SCE holds a 15.8% ownership interest
PBOP(s)	postretirement benefits other than pension(s)
Prior San Onofre Settlement Agreement	San Onofre OII Settlement Agreement by and among TURN, ORA, SDG&E, the Coalition of California Utility Employees, and Friends of the Earth, dated November 20, 2014
ROE	return on common equity
Revised San Onofre Settlement Agreement	Revised San Onofre OII Settlement Agreement among OII Parties, dated January 30, 2018
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
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
SoCalGas	Southern California Gas Company
SoCore Energy	SoCore Energy LLC, a subsidiary of Edison Energy Group that provides solar energy and energy storage solutions
TAMA	Tax Accounting Memorandum Account
Tax Reform	Tax Cuts and Jobs Act signed into law on December 22, 2017
TURN	The Utility Reform Network
US EPA	U.S. Environmental Protection Agency

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## FORWARD-LOOKING STATEMENTS

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

- ability of SCE to recover its costs in a timely manner from its customers through regulated rates, including costs related to San Onofre, uninsured wildfire-related liabilities, and spending on grid modernization;
- ability to obtain sufficient insurance at a reasonable cost, including insurance relating to SCE's nuclear facilities and wildfire-related exposure, and to recover the costs of such insurance or, in the absence of insurance, the ability to recover uninsured losses;
- decisions and other actions by the CPUC, the FERC, the NRC and other regulatory authorities, including determinations of authorized rates of return or return on equity, the 2018 GRC, the recoverability of wildfire-related costs, and delays in regulatory actions;
- ability of Edison International or SCE to borrow funds and access the capital markets on reasonable terms;
- risks associated with the decommissioning of San Onofre, including those related to public opposition, permitting, governmental approvals, on-site storage of spent nuclear fuel, and cost overruns;
- extreme weather-related incidents and other natural disasters, including earthquakes and events caused, or exacerbated, by climate change, such as wildfires;
- risks associated with cost allocation resulting in higher rates for utility bundled service customers because of possible customer bypass or departure due to CCAs;
- risks inherent in SCE's transmission and distribution infrastructure investment program, including those related to project site identification, public opposition, environmental mitigation, construction, permitting, power curtailment costs (payments due under power contracts in the event there is insufficient transmission to enable acceptance of power delivery), changes in the CAISO's transmission plans, and governmental approvals;
- risks associated with the operation of transmission and distribution assets and power generating facilities, including public safety issues, failure, availability, efficiency, and output of equipment and availability and cost of spare parts;
- physical security of Edison International's and SCE's critical assets and personnel and the cybersecurity of Edison International's and SCE's critical information technology systems for grid control, and business and customer data;
- ability of Edison International to develop competitive businesses, manage new business risks, and recover and earn a return on its investment in newly developed or acquired businesses;
- changes in tax laws and regulations, at both the state and federal levels, or changes in the application of those laws, that could affect recorded deferred tax assets and liabilities and effective tax rate;
- changes in the fair value of investments and other assets;
- changes in interest rates and rates of inflation, including escalation rates, which may be adjusted by public utility regulators;
- governmental, statutory, regulatory, or administrative changes or initiatives affecting the electricity industry, including the market structure rules applicable to each market adopted by the NERC, CAISO, Western Electricity Council, and similar regulatory bodies in adjoining regions;

- availability and creditworthiness of counterparties and the resulting effects on liquidity in the power and fuel markets and/or the ability of counterparties to pay amounts owed in excess of collateral provided in support of their obligations;
- cost and availability of labor, equipment and materials;
- potential for penalties or disallowance for non-compliance with applicable laws and regulations;
- cost of fuel for generating facilities and related transportation, which could be impacted by, among other things, disruption of natural gas storage facilities, to the extent not recovered through regulated rate cost escalation provisions or balancing accounts; and
- disruption of natural gas supply due to unavailability of storage facilities, which could lead to electricity service interruptions.

See "Risk Factors" in this report for additional information on risks and uncertainties that could cause results to differ from those currently expected or that otherwise could impact Edison International, SCE or their subsidiaries.

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

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

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

### MANAGEMENT OVERVIEW

#### Highlights of Operating Results

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

(in millions)	2017	2016	2017 vs 2016 Change	2015
<b>Net income (loss) attributable to Edison International</b>				
Continuing operations				
SCE	\$ 1,012	\$ 1,376	\$ (364)	\$ 998
Edison International Parent and Other	(447)	(77)	(370)	(13)
Discontinued operations	—	12	(12)	35
Edison International	565	1,311	(746)	1,020
Less: Non-core items				
SCE				
Write-down, impairment and other charges	(448)	—	(448)	(382)
NEIL insurance recoveries	—	—	—	12
Re-measurement of deferred taxes	(33)	—	(33)	—
Edison International Parent and Other				
Re-measurement of deferred taxes	(433)	—	(433)	—
Edison Capital sale of affordable housing portfolio	—	—	—	10
Income from allocation of losses to tax equity investor	13	5	8	9
Discontinued operations	—	12	(12)	35
Total non-core items	(901)	17	(918)	(316)
Core earnings (losses)				
SCE	1,493	1,376	117	1,368
Edison International Parent and Other	(27)	(82)	55	(32)
Edison International	\$ 1,466	\$ 1,294	\$ 172	\$ 1,336

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

Edison International's 2017 earnings decreased \$746 million, driven by a decrease in SCE's earnings of \$364 million and a decrease in Edison International Parent and Other earnings of \$370 million and lower income from discontinued operations. SCE's lower net income consisted of \$481 million of higher non-core losses, mainly the result of the Revised San Onofre

Settlement Agreement, and \$117 million of higher core earnings. The increase in core earnings was due to an increase in revenue from the escalation mechanism set forth in the 2015 GRC decision and lower operation and maintenance expenses, partially offset by higher net financing costs.

Edison International Parent and Other losses from continuing operations for 2017 consisted of \$55 million of lower core losses and \$425 million of higher non-core losses. The decrease in core losses in 2017 was due to higher income tax benefits related to stock option exercises, net operating loss carrybacks from the filing of the 2016 tax returns in 2017, the 2017 settlement of federal income tax audits for 2007 – 2012 and higher Edison Energy Group operating revenue.

Consolidated non-core items for 2017, 2016 and 2015 for Edison International included:

- Impairment and other charges of \$716 million (\$448 million after-tax) in 2017 related to the Revised San Onofre Settlement Agreement. For further information, see "—Permanent Retirement of San Onofre" below.
- Charges of \$433 million in 2017 for Edison International Parent and Other and \$33 million for SCE from the re-measurement of deferred taxes as a result of the Tax Cuts and Jobs Act ("Tax Reform"). For further information see "— Tax Reform" below.
- Income of \$21 million (\$13 million after-tax), \$9 million (\$5 million after-tax) and \$16 million (\$9 million after-tax) for 2017, 2016 and 2015, respectively, related to losses (net of distributions) allocated to tax equity investors under the HLBV accounting method. Edison International core earnings reflected the operating results of the solar 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 "Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies."
- Income from discontinued operations was \$1 million (\$12 million after-tax) and \$15 million (\$35 million after-tax) for 2016 and 2015, respectively, which was primarily related to the resolution of tax issues related to EME. The discontinued operations from 2015 also reflects proceeds from insurance recoveries related to EME. See "Notes to Consolidated Financial Statements—Note 7. Income Taxes" for further information.
- Tax expense of \$382 million in 2015 related to the write-down of regulatory assets previously recorded for recovery of deferred income taxes from 2012 – 2014 incremental tax repair deductions resulting from the 2015 GRC decision.
- Income of \$20 million (\$12 million after-tax) in 2015 at SCE related to shareholder's portion of NEIL insurance recoveries arising from the outage and shutdown of the San Onofre Units 2 and 3 generating stations and the recovery of legal costs.
- Income of \$16 million (\$10 million after-tax) in 2015 related to completion of the sale of Edison Capital's affordable housing investment portfolio which represented the exit from this business activity.

See "Results of Operations" for discussion of SCE and Edison International Parent and Other results of operations.

#### **Southern California Wildfires**

In December 2017, several wind-driven wildfires (the "December 2017 Wildfires") impacted portions of SCE's service territory and caused substantial damage to both residential and business properties and service outages for SCE customers. The largest of these fires, known as the Thomas Fire, originated in Ventura County and burned acreage located in both Ventura and Santa Barbara Counties. According to the most recent California Department of Forestry and Fire Protection ("Cal Fire") incident information reports, the Thomas Fire burned over 280,000 acres, destroyed an estimated 1,063 structures, damaged an estimated 280 structures and resulted in two fatalities. During 2017, SCE incurred approximately \$35 million of capital expenditures related to restoration of service resulting from the December 2017 Wildfires.

The causes of the December 2017 Wildfires are being investigated by Cal Fire and other fire agencies. SCE believes the investigations include the possible role of SCE's facilities. SCE expects that one or more of the fire agencies will ultimately issue reports concerning the origins and causes of the December 2017 Wildfires but cannot predict when these reports will be released or if any findings will be issued before the investigations are completed.

Any potential liability of SCE for December 2017 Wildfire-related damages will depend on a number of factors, including whether SCE is determined to have substantially caused, or contributed to, the damages and whether parties seeking recovery of damages will be required to show negligence in addition to causation. Certain California courts have previously found utilities to be strictly liable for property damage, regardless of fault, by applying the theory of inverse condemnation when a utility's facilities were determined to be a substantial cause of a wildfire that caused the property damage. The rationale stated by these courts for applying this theory to investor-owned utilities is that property losses resulting from a public improvement, such as the distribution of electricity, can be spread across the larger community that benefited from such improvement. However, in December 2017, the CPUC issued a decision denying the investor-owned utility's request to include in its rates uninsured wildfire-related costs arising from several 2007 fires, finding that the investor-owned utility did not prudently manage and operate its facilities prior to or at the outset of the 2007 wildfires.

In addition to liability for property damages, when inverse condemnation is found to be applicable to a utility, the utility may be held liable, without regard to fault, for associated interest and attorney's fees (collectively, "Property Losses"). If inverse condemnation is held to be inapplicable to SCE in connection with the December 2017 Wildfires, SCE could still be held liable for Property Losses if those losses were found to have been proximately caused by SCE's negligence. If SCE was found negligent, SCE also could be held liable for fire suppression costs, business interruption losses, evacuation costs, medical expenses and personal injury/wrongful death claims. These potential liabilities, in the aggregate, could be substantial. Additionally, SCE could potentially be subject to fines for alleged violations of CPUC rules and laws in connection with the December 2017 Wildfires.

SCE is aware of multiple lawsuits filed related to the December 2017 Wildfires naming SCE as a defendant. One of these lawsuits also named Edison International as a defendant. At least four of these lawsuits were filed as purported class actions. The lawsuits, which have been filed in the superior courts of Ventura, Santa Barbara and Los Angeles Counties allege, among other things, negligence, inverse condemnation, trespass, private nuisance, and violations of the public utility and health and safety codes. SCE expects to be the subject of additional lawsuits related to the December 2017 Wildfires. The litigation could take a number of years to be resolved because of the complexity of the matters and the time needed to complete the ongoing investigations.

Given the preliminary stages of the investigations and the uncertainty as to the causes of the December 2017 Wildfires, and the extent and magnitude of potential damages, Edison International and SCE are currently unable to reasonably estimate whether SCE will incur material losses and, if so, the range of possible losses that could be incurred.

SCE has approximately \$1 billion of wildfire-specific insurance coverage, subject to a self-insured retention of \$10 million per occurrence, for wildfire-related claims for the period ending on May 31, 2018. SCE also has approximately \$300 million of additional insurance coverage for wildfire-related occurrences for the period from December 31, 2017 to December 31, 2018, which may be used in addition to the \$1 billion in wildfire insurance for wildfire events occurring on or after December 31, 2017 and on or before May 31, 2018, and would be available for new wildfire events, if any, occurring after May 31, 2018 and on or before December 30, 2018. Various coverage limitations within the policies that make up SCE's wildfire insurance coverage could result in material self-insured costs in the event of multiple wildfire occurrences during a policy period. SCE also has other general liability insurance coverage of approximately \$450 million but it is uncertain whether these other policies would apply to liabilities alleged to be related to wildfires. Should responsibility for damages be attributed to SCE for a significant portion of the losses related to the December 2017 Wildfires, SCE's insurance may not be sufficient to cover all such damages. In addition, SCE may not be authorized to recover its uninsured damages through customer rates if, for example, the CPUC finds that the damages were incurred because SCE was not a prudent manager of its facilities. The CPUC's SED is conducting an investigation to assess the compliance of SCE's facilities with applicable rules and regulations in areas impacted by the December 2017 Wildfires.

Edison International and SCE are pursuing legislative, regulatory and legal solutions to the application of a strict liability standard to wildfire-related damages without the ability to recover resulting costs from customers. Edison International and SCE cannot predict whether or when a solution mitigating the significant risk faced by a California investor-owned utility related to wildfires will be achieved.

### **Montecito Mudslides**

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

Six of the lawsuits mentioned above allege that SCE has responsibility for the Thomas Fire and that the Thomas Fire proximately caused the Montecito Mudslides, resulting in the plaintiffs' claimed damages. SCE expects that additional lawsuits related to the Montecito Mudslides will be filed.

As noted above, the cause of the Thomas Fire has not been determined. In the event that SCE is determined to have liability for damages caused by the Thomas Fire, SCE cannot predict whether the courts will conclude that the Montecito Mudslides were caused by the Thomas Fire or that SCE is responsible or liable for damages caused by the Montecito Mudslides. As a result, Edison International and SCE are currently unable to reasonably estimate whether SCE will incur material losses and, if so, the range of possible losses that could be incurred. If it is determined that the Montecito Mudslides were caused by the Thomas Fire and that SCE is responsible or liable for damages caused by the Montecito Mudslides, then SCE's insurance coverage for such losses may be limited to its wildfire insurance. Additionally, if SCE is determined to be liable for a significant portion of costs associated with the Montecito Mudslides, SCE's insurance may not be sufficient to cover all such damages and SCE may be unable to recover any uninsured losses.

If it is ultimately determined that SCE is legally responsible for losses caused by the Montecito Mudslides, SCE could be held liable for resulting Property Losses if inverse condemnation is found applicable. If SCE is determined to have been negligent, in addition to Property Losses, SCE could be liable for business interruption losses, evacuation costs, clean-up costs, medical expenses and personal injury/wrongful death claims associated with the Montecito Mudslides. These liabilities, in the aggregate, could be substantial. SCE cannot predict whether it will be subjected to regulatory fines related to the Montecito Mudslides.

### **Permanent Retirement of San Onofre**

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

### ***San Onofre CPUC Proceedings***

In November 2014, the CPUC approved the Prior San Onofre Settlement Agreement, which, at the time, resolved the CPUC's investigation regarding the steam generator replacement project at San Onofre and the related outages and subsequent shutdown of San Onofre. Subsequently, the San Onofre OII proceeding record was reopened by a joint ruling of the Assigned Commissioner and the Assigned ALJ to consider whether, in light of the Company not reporting certain *ex parte* communications on a timely basis, the Prior San Onofre Settlement Agreement remained reasonable, consistent with the law and in the public interest, which is the standard the CPUC applies in reviewing settlements submitted for approval.

### ***Entry into Revised Settlement and Utility Shareholder Agreements***

On January 30, 2018, the OII Parties entered into a Revised San Onofre Settlement Agreement in the San Onofre OII proceeding. If approved by the CPUC, the Revised San Onofre Settlement Agreement will resolve all issues under consideration in the San Onofre OII and will modify the Prior San Onofre Settlement Agreement. If approved by the CPUC, the Revised San Onofre Settlement Agreement will also result in the dismissal of a federal lawsuit currently pending in the 9th Circuit Court of Appeals challenging the CPUC's authority to permit rate recovery of San Onofre costs. The Revised San Onofre Settlement Agreement was the result of multiple mediation sessions in 2017 and January 2018 and was signed on January 30, 2018 following a settlement conference in the OII, as required under CPUC rules.

Implementation of the terms of the Revised San Onofre Settlement Agreement is subject to the approval of the CPUC, as to which there is no assurance. The OII Parties have agreed to exercise their best efforts to obtain CPUC approval, but there can be no certainty of when or what the CPUC will actually decide.

On February 6, 2018, the San Onofre OII Assigned Commissioner and Assigned ALJ issued a joint ruling advising the parties, among other things, that (i) the CPUC will need additional information and that the parties should be prepared to submit joint testimony in support of the Revised San Onofre Settlement Agreement on March 26, 2018; (ii) there will be



public participation hearings and at least one additional status conference; and (iii) another ruling will be issued with further direction.

***Disallowances, Refunds and Recoveries***

If the Revised San Onofre Settlement Agreement is approved by the CPUC, the Utilities will cease rate recovery of San Onofre costs as of the date their combined remaining San Onofre regulatory assets equal \$775 million (the "Cessation Date"). SCE has previously requested the CPUC to authorize SCE to reduce the San Onofre regulatory asset by applying \$72 million of proceeds received from litigation with the DOE related to DOE's failure to meet its obligation to begin accepting spent nuclear fuel from San Onofre. If that request is approved by the CPUC, the Cessation Date is estimated to be December 19, 2017. If that request is not approved by the CPUC, the Cessation Date is estimated to be April 21, 2018. The Utilities will refund to customers San Onofre-related amounts recovered in rates after the Cessation Date. SCE will retain amounts collected under the Prior San Onofre Settlement Agreement before the Cessation Date. SCE also will retain \$47 million of proceeds received in 2017 from arbitration with MHI over MHI's delivery of faulty steam generators. In the Revised San Onofre Settlement Agreement, SCE retains the right to sell its stock of nuclear fuel and not share such proceeds with customers, as was provided in the Prior San Onofre Settlement Agreement. SCE intends to sell its nuclear fuel inventory as market conditions warrant. Sales of nuclear fuel may be significant and will be accounted for as non-core gains when sales are executed.

Under the Prior San Onofre Settlement Agreement, the Utilities agreed to fund \$25 million for a Research, Development and Demonstration program that is intended to develop technologies and methodologies to reduce greenhouse gas emissions ("GHG Reduction Program"). The Utilities' funding obligation is reduced to \$12.5 million under the Revised San Onofre Settlement Agreement.

If approved by the CPUC, the Revised San Onofre Settlement Agreement will also provide certain exclusions from the determination of SCE's ratemaking capital structure. Notwithstanding that SCE will no longer recover its San Onofre regulatory asset, the debt borrowed to finance the regulatory asset will continue to be excluded from SCE's ratemaking capital structure. Additionally, SCE may exclude the after-tax charge resulting from the implementation of the Revised San Onofre Settlement Agreement from its ratemaking capital structure.

***Accounting and Financial Impacts***

Under the Prior San Onofre Settlement Agreement, GAAP required that previously incurred costs related to San Onofre Units 2 & 3 be reflected as a regulatory asset to the extent that management concluded the costs were probable of recovery through future rates. GAAP also requires that amounts collected that are probable of refund to customers be recorded as regulatory liabilities. In the fourth quarter of 2017, regulatory assets and liabilities were adjusted based on the probable approval of the Revised San Onofre Settlement Agreement.

In connection with the Revised San Onofre Settlement Agreement, and in exchange for the release of certain San Onofre-related claims, the Utilities entered into an agreement ("Utility Shareholder Agreement") in which SCE has agreed to pay SDG&E the amounts SDG&E would have received in rates under the Prior San Onofre Settlement Agreement but will not receive upon implementation of the Revised San Onofre Settlement Agreement. As of December 19, 2017, SDG&E's regulatory asset was approximately \$151 million. In the fourth quarter of 2017, SCE recorded an accrued liability of \$143 million for the estimated present value of this obligation. The following table summarizes the financial impact of the Revised San Onofre Settlement Agreement and the Utility Shareholder Agreement:

(in millions)	
San Onofre base regulatory asset	\$ 696
DOE litigation regulatory liability	(72)
MHI Arbitration regulatory liability	(47)
GHG Reduction Program	(10)
Other	6
Present value of Utility Shareholder Agreement	143
<b>Total pre-tax charge</b>	<b>\$ 716</b>
<b>Total after-tax charge</b>	<b>\$ 448</b>

## **Tax Reform**

On December 22, 2017, Tax Reform was signed into law. This comprehensive reform of tax law reduces the federal corporate income tax rate from 35% to 21% and is generally effective beginning January 1, 2018. Certain provisions of Tax Reform, such as full expensing of certain capital expenditures ("bonus depreciation") and limitations on the deductibility of interest expense are not applicable to regulated utilities, such as SCE. It is expected that the new interest disallowance provisions applicable to the utility holding company would require allocations of interest expense to operating subsidiaries. As a result, Edison International expects that limitations on the deductibility of interest expense will be minimal for Edison International Parent and Other.

US GAAP requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at December 31, 2017, the company's deferred taxes were re-measured based upon the new tax rate. Immediately prior to the enactment of Tax Reform, Edison International Parent and Other had approximately \$2.6 billion of federal net operating loss carryforwards ("NOL") (excluding Capistrano Wind net operating loss carryforwards of approximately \$400 million). The reduction in the federal corporate income tax rate does not change the gross dollar value of taxable income that may be offset by NOLs, however since future income will only be taxable at 21% the value of NOLs utilized after 2017 is reduced. The re-measurement of these NOLs along with the other deferred taxes, resulted in a non-core charge of \$433 million reflected in "Income tax expense" for Edison International Parent and Other at December 31, 2017. Edison International Parent and Other also has \$347 million of tax credit carryforwards (excluding Capistrano Wind tax credit carryforwards of approximately \$112 million) which directly offset taxes due and are not re-measured in connection with Tax Reform.

The specific provisions of Tax Reform applicable to SCE generally allow for the continued deductibility of interest expense, the elimination of bonus depreciation of certain property acquired after September 27, 2017, and continues rate normalization requirements for accelerated depreciation benefits. While the re-measurement of deferred taxes at Edison International Parent and Other were recorded to earnings, the re-measurement of deferred taxes at SCE was mainly recorded to regulatory liabilities or an offset to regulatory assets since pre-tax amounts giving rise to the deferred taxes were created through ratemaking activities.

The CPUC and FERC regulatory processes that will be utilized to return the excess deferred taxes applicable to customers have not been determined. In the absence of regulatory guidance, judgment is required to estimate which deferred tax re-measurements will be refunded to customers and are subject to change based on the outcome of the regulatory processes. At December 31, 2017, the implementation of Tax Reform for SCE resulted in a reduction of deferred tax liabilities and an increase in regulatory liabilities of approximately \$5.0 billion ("Excess Deferred Taxes"). Changes in the allocation to customers of the deferred tax re-measurement will be reflected in the financial statements and adjusted prospectively as information becomes available through the regulatory process. Amounts to be refunded to customers will generally be refunded over the life of the underlying asset or liability that gave rise to the deferred taxes. Since the majority of SCE's deferred taxes arise from property-related differences, SCE estimates that the amount to be refunded will be amortized over approximately 40 or more years. SCE also had shareholder-funded pre-tax amounts that gave rise to deferred tax assets resulting in a non-core charge of \$33 million reflected in "Income tax expense."

In the near term, SCE expects Tax Reform to lower rates charged to customers, but not to have a meaningful impact to SCE's earnings. Certain deferred tax liabilities reduce SCE's rate base. The re-measurement of deferred tax liabilities from the implementation of Tax Reform will not impact SCE's rate base initially. However, Tax Reform's elimination of bonus depreciation and lower corporate tax rates will reduce cash flow from operations and increase rate base over time. In addition, as new plant is placed in service the lower federal corporate tax rate will result in lower deferred tax liabilities and, therefore, higher rate base than previously expected. See "—Capital Program." To the extent that Edison International Parent and Other continue to produce pre-tax losses, Tax Reform will result in lower tax benefits. Tax Reform will also impact Edison International's liquidity. See "Liquidity and Capital Resources—Edison International Parent and Other—Net Operating Loss and Tax Credit Carryforwards."

## **Electricity Industry Trends**

The electric power industry is undergoing transformative change driven by technological advances such as customer-owned generation and energy storage, which is altering the nature of energy generation and delivery. California is committed to reducing its GHG emissions, improving local air quality and supporting continued economic growth. The state set goals to reduce GHG emissions by 40 percent from 1990 levels by 2030 and 80 percent from the same baseline by 2050. State and local air quality plans call for substantial improvements, such as reducing smog-causing nitrogen oxides 90 percent below 2010 levels by 2032 in the most polluted areas of the state. While these policy goals cannot be achieved by the electric sector alone, the electric grid is a critical enabler of the adoption of new energy technologies that support California's climate

change and GHG reduction objectives. The grid is also key to enabling more customer choices with respect to new energy technologies.

Edison International expects to be a leader in the transformation of the industry by focusing on opportunities in clean energy and efficient electrification, building a modernized and more reliable grid, and enabling customers' technology choices.

SCE plans to be a key enabler of the adoption of new energy technologies that benefit customers of the electric grid while also helping California achieve its environmental goals. SCE expects to achieve these objectives through modernizing the electric grid to improve the safety and reliability of the transmission and distribution network and helping customers make cleaner energy choices including enabling increased penetration of DERs, electric transportation and energy efficiency programs. SCE's ongoing focus to drive operational and service excellence is intended to allow it to achieve these objectives safely while controlling costs and customer rates. SCE's focus on the transmission and distribution of electricity aligns with California's policy supporting competitive power procurement markets. For more information on the distribution grid development, see "[Capital Program—Distribution Grid Development](#)" below.

Changes in the electric power industry are impacting customers and jurisdictions outside California as well. Edison International believes that other states will also pursue climate change and GHG reduction objectives and large commercial and industrial customers will continue to pursue cost reduction and sustainability goals. Edison Energy Group provides energy services, managed portfolio solutions and distributed solar solutions to commercial and industrial customers who may be impacted by these changes. Edison Energy Group seeks to provide advice in dealing with increasingly complex tariff and technology choices in order to support customers and their management of energy costs and risks.

### **2018 General Rate Case**

As part of SCE's December update in the GRC proceedings for the three-year period 2018 – 2020, SCE updated its 2018 revenue requirement request from \$5.885 billion to \$5.673 billion, a \$33 million increase over the 2017 GRC authorized revenue requirement, and proposed post-test year increases in 2019 and 2020 of \$477 million and \$554 million, respectively. The changes are primarily driven by an update to the cost of capital, updated pension and benefits forecast and escalation rate forecasts. In February 2018, SCE further updated its request to incorporate the changes associated with Tax Reform, which resulted in a revenue requirement of \$5.534 billion, a decrease of \$139 million from the December update filing. The proposed post-test year decreases in 2019 and 2020 from the December update filing are \$185 million and \$235 million, respectively.

In April 2017 intervenor testimony, the ORA proposed, among other things, capturing grid modernization spending in a memorandum account for review in the 2021 GRC. TURN recommended reductions of 78% of grid modernization capital expenditures in 2018 and initially recommended adjustments to rate base for historical capital expenditures, including a reduction of \$550 million, primarily related to certain distribution infrastructure replacement programs.

Public participation hearings and updated testimony were completed in late 2017. A final 2018 GRC decision is not expected until later in 2018. SCE expects to recognize revenue based on the 2017 authorized revenue requirement, adjusted for the July cost of capital decision and Tax Reform, until a GRC decision is issued. The CPUC has approved the establishment of a GRC memorandum account, which will make the 2018 revenue requirement adopted by the CPUC effective as of January 1, 2018. SCE cannot predict the revenue requirement the CPUC will authorize or provide assurance on the timing of a final decision.

## Capital Program

Total capital expenditures (including accruals), were \$3.8 billion in 2017 and \$3.5 billion in 2016. SCE's year-end rate base was \$27.8 billion at December 31, 2017 compared to \$25.9 billion at December 31, 2016.

In connection with the 2018 GRC, SCE forecasts capital expenditures of up to \$13.7 billion for 2018 – 2020. In the absence of a 2018 GRC decision, SCE has developed, and is executing against, a 2018 capital expenditure plan that will allow SCE to ramp up its capital spending program over the three-year GRC period to meet what is ultimately authorized in the 2018 GRC decision while minimizing the associated risk of unauthorized spending. A component of this approach is to focus initial grid modernization spending on capital that provides safety and reliability benefits while deferring most spending that is primarily focused on integration of distributed energy resources.

The CPUC has approved 81%, 89%, and 92% of the traditional capital expenditures requested in the 2009, 2012, and 2015 GRC decisions, respectively. While SCE cannot predict the level of traditional capital spending that will be approved in the 2018 GRC decision, management is not aware of factors that would cause the percentage of SCE's request that is approved to be materially different from what has been approved in recent GRC decisions. SCE does not have prior approval experience with grid modernization capital expenditures and, therefore, is unable to predict an expected outcome. The table below reflects expected CPUC jurisdictional capital expenditures for 2018 and requested capital expenditures for 2019 – 2020. FERC jurisdictional capital expenditures are based on management's expectations. Forecasted expenditures for FERC capital projects are subject to change due to timeliness of permitting, licensing, regulatory approvals, and contractor bids. For further information regarding updates for large transmission and substation projects, see "Liquidity and Capital Resources—SCE—Capital Investment Plan." The following table sets forth a summary of capital expenditures for 2017 actual spend and a forecast for 2018 – 2020 on the basis described above:

(in millions)	2017	2018	2019	2020	Total 2018 – 2020
<b>Traditional capital expenditures<sup>1</sup></b>					
Distribution <sup>2</sup>	\$ 3,131	\$ 3,399	\$ 3,161	\$ 3,048	\$ 9,608
Transmission	501	609	762	874	2,245
Generation	203	193	212	201	606
<b>Total traditional capital expenditures<sup>1</sup></b>	<b>\$ 3,835</b>	<b>\$ 4,201</b>	<b>\$ 4,135</b>	<b>\$ 4,123</b>	<b>\$ 12,459</b>
Grid modernization capital expenditures <sup>2</sup>	\$ —	\$ —	\$ 649	\$ 608	\$ 1,257
<b>Total capital expenditures</b>	<b>\$ 3,835</b>	<b>\$ 4,201</b>	<b>\$ 4,784</b>	<b>\$ 4,731</b>	<b>\$ 13,716</b>

<sup>1</sup> Includes 2018 – 2020 capital expenditures of \$49 million for Energy Storage, \$10 million for Transportation Electrification, and \$4 million for Charge Ready.

<sup>2</sup> 2017 and 2018 capital expenditures related to grid modernization are included in traditional capital expenditures.

SCE's CPUC-jurisdictional rate base is determined by the amount authorized by the CPUC. Differences between actual and authorized capital expenditures are addressed in subsequent GRC proceedings. FERC-jurisdictional rate base is generally determined based on actual capital expenditures. Reflected below is SCE's estimated weighted average annual rate base for 2018 – 2020 using CPUC capital expenditures as requested in the 2018 GRC. The estimated weighted average annual rate base was updated to reflect FERC expected capital expenditures and changes associated with Tax Reform as discussed above.

(in millions)	2018	2019	2020
Rate base for requested traditional capital expenditures	\$ 28,860	\$ 31,070	\$ 33,332
Rate base for requested grid modernization capital expenditures	264	743	1,279
<b>Total rate base</b>	<b>\$ 29,124</b>	<b>\$ 31,813</b>	<b>\$ 34,611</b>

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

## ***Distribution Grid Development***

### *Distribution Resources Plan*

In July 2015, SCE filed its DRP with the CPUC. The filing was made as part of a CPUC proceeding initiated to support California's climate change and GHG reduction targets, modernize the electric distribution system to accommodate two-way flows of energy associated with DERs, such as rooftop solar, and facilitate customer choice of new technologies and services that reduce emissions and improve resilience. SCE's DRP included an indicative forecast of capital investment in distribution automation, substation automation, communications systems, technology platforms and applications, and grid reinforcement. The 2018 GRC includes operation and maintenance and capital expenditure requests consistent with SCE's DRP operation and maintenance and capital spending. Capital investments for 2018 may be updated or revised based on developments and guidance received from the CPUC as a part of the 2018 GRC, DRP rule making, technology availability, pace of DER adoption, and other factors. In January 2016, the CPUC issued a scoping memo that provided for, among other things, the issuance of guidance on utility spending to modify its grid in order to support its DRP. In 2017, the CPUC issued decisions on other topics in the DRP proceeding such as new DER integration tools and field demonstration projects as well as a proposed decision that would establish a new distribution investment deferral framework and new guidance regarding DER adoption forecasting. However, a proposed decision addressing grid modernization investment guidelines has not yet been issued and it is uncertain when SCE will receive firm guidance on the DRP proceeding.

### *Charge Ready Program*

In January 2016, the CPUC approved SCE's \$22 million Charge Ready Phase 1 pilot program, which allows SCE to install light-duty vehicle charging infrastructure, provide rebates to offset the cost of qualified customer-owned charging stations, and implement a supporting market education effort. Under the Phase 1 pilot program, SCE is building, and will own and maintain the electric infrastructure needed to serve the qualified charging stations at participating customer locations. Participating customers install, own, maintain, and operate the charging stations. By the end of December 2017, SCE had executed agreements for 74 sites to deploy 1,116 charge ports. The results of this pilot will help shape Phase 2 of the program. SCE anticipates filing an application to obtain CPUC approval for Phase 2 by the second quarter of 2018. The capital costs for Phase 2 of the program are not included in SCE's capital spending and rate base forecasts provided above.

### *Transportation Electrification Plan*

In January 2017, SCE filed a transportation electrification plan with the CPUC to accelerate the adoption of electric transportation, which is critical to California's climate change and GHG reduction objectives. The plan proposes a five-year program to fund medium- and heavy-duty vehicle charging infrastructure that follows the model developed for SCE's Charge Ready program discussed above. The proposal has an estimated five-year cost of \$554 million (\$532 million capital) in 2016 dollars. In addition, the plan proposed six pilot projects to be considered by the CPUC on an accelerated basis. The pilot projects would install charging infrastructure for electric transit buses and the Port of Long Beach; build clusters of fast charging sites in urban areas, and establish programs that would incentivize electric vehicle adoption. The estimated total cost of the six pilot projects is approximately \$19 million (\$14 million capital) in 2016 dollars. In January 2018, the CPUC issued a final decision approving five of the six pilot projects. SCE expects to receive a CPUC decision on the five-year program in the second quarter of 2018. SCE expects to propose additional programs and pilots in the future.

All of the plan's proposed transportation electrification projects are subject to CPUC review and the timing and amount of capital investments for any approved project will depend upon implementation decisions, including scope and pace of adoption and GRC ratemaking decisions and other CPUC actions. The capital costs for these proposed projects are not included in SCE's capital spending and rate base forecasts provided above.

## RESULTS OF OPERATIONS

### SCE

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

- Earning activities – representing revenue authorized by the CPUC and FERC which is intended to provide SCE a reasonable opportunity to recover its costs and earn a return on its net investment in generation, transmission and distribution assets. The annual revenue requirements are comprised of authorized operation and maintenance costs, depreciation, taxes and a return consistent with the capital structure. Also, included in earnings activities are revenue or penalties related to incentive mechanisms, other operating revenue, and regulatory charges or disallowances.
- Cost-recovery activities – representing CPUC- and FERC-authorized balancing accounts which allow for recovery of specific project or program costs, subject to reasonableness review or compliance with upfront standards. Cost-recovery activities include rates which provide recovery, subject to reasonableness review of, among other things, fuel costs, purchased power costs, public purpose related-program costs (including energy efficiency and demand-side management programs) and certain operation and maintenance expenses. SCE earns no return on these activities.

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

(in millions)	2017			2016			2015		
	Earning Activities	Cost-Recovery Activities	Total Consolidated	Earning Activities	Cost-Recovery Activities	Total Consolidated	Earning Activities	Cost-Recovery Activities	Total Consolidated
<b>Operating revenue</b>	\$ 6,611	\$ 5,643	\$ 12,254	\$ 6,504	\$ 5,326	\$ 11,830	\$ 6,305	\$ 5,180	\$ 11,485
Purchased power and fuel	—	4,873	4,873	—	4,527	4,527	—	4,266	4,266
Operation and maintenance	1,902	769	2,671	1,939	798	2,737	1,977	913	2,890
Depreciation and amortization	2,032	—	2,032	1,998	—	1,998	1,915	—	1,915
Property and other taxes	372	—	372	351	—	351	334	—	334
Impairment and other charges	716	—	716	—	—	—	—	—	—
Other operating income	(8)	—	(8)	—	—	—	—	—	—
<b>Total operating expenses</b>	5,014	5,642	10,656	4,288	5,325	9,613	4,226	5,179	9,405
<b>Operating income</b>	1,597	1	1,598	2,216	1	2,217	2,079	1	2,080
Interest expense	(588)	(1)	(589)	(540)	(1)	(541)	(525)	(1)	(526)
Other income and expenses	97	—	97	79	—	79	64	—	64
<b>Income before income taxes</b>	1,106	—	1,106	1,755	—	1,755	1,618	—	1,618
Income tax (benefit) expense	(30)	—	(30)	256	—	256	507	—	507
<b>Net income</b>	1,136	—	1,136	1,499	—	1,499	1,111	—	1,111
Preferred and preference stock dividend requirements	124	—	124	123	—	123	113	—	113
Net income available for common stock	\$ 1,012	\$ —	\$ 1,012	\$ 1,376	\$ —	\$ 1,376	\$ 998	\$ —	\$ 998
Net income available for common stock			\$ 1,012			\$ 1,376			\$ 998
Less: Non-core items									
Impairment and other charges			(448)			—			(382)
Re-measurement of deferred taxes			(33)			—			—
NEIL insurance recoveries			—			—			12
Core earnings <sup>1</sup>			\$ 1,493			\$ 1,376			\$ 1,368

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

## *Earning Activities*

### *2017 vs 2016*

Earning activities were primarily affected by the following:

- Higher operating revenue of \$107 million is primarily due to:
  - An increase in revenue of approximately \$241 million related to the increase in authorized revenue from the escalation mechanism set forth in the 2015 GRC decision and \$32 million of higher operating costs subject to balancing account treatment (primarily offset in depreciation expense below). These increases were partially offset by \$33 million of lower revenue related to the extension of bonus depreciation and a \$15 million revenue reduction for the expected refund to customers of prior overcollections identified in 2017.
  - Energy efficiency incentive awards recognized in 2017 were \$17 million compared to \$5 million in 2016. During 2016, the CPUC approved a settlement agreement in which SCE agreed to refund \$13 million related to incentive awards SCE received for savings achieved by its 2006 – 2008 energy efficiency programs.
  - A decrease in revenue of \$118 million related to tax benefits refunded to customers (offset in income taxes below). The decrease in revenue resulted from \$116 million of higher year-over-year incremental tax repair benefits recognized and \$135 million of benefits recognized for tax accounting method changes. These decreases were partially offset by a 2016 revenue refund to customers of \$133 million related to 2012 – 2014 incremental tax repair deductions.
  - A decrease in FERC-related revenue of \$39 million primarily related to higher operating costs in 2016 including amortization of the regulatory asset associated with the Coolwater-Lugo transmission project and a \$8 million reduction to FERC revenue due to a change in estimate under the FERC formula rate mechanism.
  - An increase of \$20 million for other operating revenue resulting from refunds to customers recorded in 2016 due to the retroactive extension of bonus depreciation in the PATH Act of 2015.
- Lower operation and maintenance expense of \$37 million primarily due to the impact of SCE's operational and service excellence initiatives and lower legal costs partially offset by higher transmission and distribution costs for line clearing and maintenance and information technology costs.
- Higher depreciation and amortization expense of \$34 million primarily related to depreciation and amortization on transmission and distribution investments partially offset by amortization of the regulatory asset related to Coolwater-Lugo plant recorded in 2016.
- Higher property and other taxes of \$21 million primarily due to higher property assessed values in 2017.
- Impairment and other charges of \$716 million in 2017 due to the Revised San Onofre Settlement Agreement (see "Management Overview—Highlights of Operating Results" for further information).
- Higher other operating income of \$8 million due to the sale of utility property.
- Higher interest expense of \$48 million primarily due to increased borrowings and higher interest on balancing account overcollections in 2017.
- Higher other income and expenses of \$18 million primarily due to higher AFUDC equity income. See "Notes to Consolidated Financial Statements—Note 14. Interest and Other Income and Other Expenses" for further information.
- Lower income taxes of \$286 million primarily due to the following:
  - Higher non-core income tax benefits in 2017 of \$235 million due to the impairment and other charges related to the Revised San Onofre Settlement Agreement partially offset by \$33 million income tax expense related to the re-measurement of deferred taxes resulting from the implementation of Tax Reform.
  - Higher income tax benefits in 2017 of \$70 million due to \$149 million related to flow through of incremental tax repair benefits and for tax accounting method changes (offset in revenue above) partially offset by \$79 million flow-through of 2012 – 2014 incremental income tax benefits in 2016.
  - Higher pre-tax income in 2017, excluding non-core items discussed above.

Earning activities were primarily affected by the following:

- Higher operating revenue of \$199 million is primarily due to:
  - An increase in revenue of approximately \$191 million related to the increase in authorized revenue from the escalation mechanism set forth in the 2015 GRC decision.
  - An increase in FERC-related revenue of \$68 million primarily related to higher operating costs including amortization of the regulatory asset associated with the Coolwater-Lugo transmission project and rate base growth partially offset by a \$15 million increase in 2015 due to a change in estimate under the FERC formula rate mechanism.
  - An increase in revenue of \$25 million (\$15 million after-tax) related to the incremental return on the pole loading rate base recorded through the pole loading balancing account.
  - An increase of \$46 million primarily due to tax benefits recognized in 2015 related to net operating loss carrybacks for San Onofre decommissioning costs resulting in a reduction in revenue in 2015 (offset in income taxes).
  - A decrease in revenue of \$52 million for incremental tax benefits refunded to customers. In 2016, SCE recorded a revenue refund to customers of \$133 million for 2012 – 2014 incremental tax benefits related to repair deductions (offset in income taxes as discussed below). This revenue refund resulted from the CPUC's approval of SCE's request to refund incremental tax repair deductions that were not addressed in SCE's 2015 GRC decision. Partially offsetting the refund of 2012 – 2014 incremental tax repair deductions, SCE recognized \$81 million lower incremental tax repairs and other benefits refunded to customers through balancing accounts in 2016.
  - Energy efficiency incentive awards were \$18 million in 2016 compared to \$29 million in 2015. In addition, in 2016, the CPUC approved a settlement agreement in which SCE agreed to refund \$13 million related to incentive awards SCE received for savings achieved by its 2006 – 2008 energy efficiency programs.
  - SCE's portion of NEIL insurance and legal cost recoveries of approximately \$20 million in 2015 arising from the outage and shutdown of the San Onofre Units 2 and 3 generating stations.
  - A decrease of \$29 million for other operating revenue resulting from lower contributions received from customers due to the retroactive extension of bonus depreciation in the PATH Act of 2015.
- Lower operation and maintenance expense of \$38 million primarily due to lower labor related to SCE's focus on operational and service excellence as well as lower outside services partially offset by higher transmission and distribution costs for rain and storm-related activities.
- Higher depreciation and amortization expense of \$83 million primarily related to depreciation on higher rate base and amortization of the regulatory asset related to the Coolwater-Lugo plant, as discussed above.
- Higher property and other taxes of \$17 million primarily due to higher property assessed values in 2016.
- Higher interest expense of \$15 million primarily due to reduced interest capitalization (AFUDC debt) related to lower construction work in progress balances and a higher interest rate on balancing account overcollections in 2016.
- Higher other income and expenses of \$15 million primarily due to higher insurance benefits and lower advertising expense in 2016. See "Notes to Consolidated Financial Statements—Note 14. Interest and Other Income and Other Expenses" for further information.
- Lower income taxes of \$251 million primarily due to the following:
  - Write-down of \$382 million in 2015 of regulatory assets previously recorded for recovery of deferred income taxes from 2012 – 2014 incremental tax repair deductions.
  - Higher income tax benefits in 2016 of \$31 million primarily due to \$79 million related to the flow-through of incremental tax benefits for 2012 – 2014 to customers partially offset by lower income tax benefits in 2016 of \$48 million related to the flow-through of incremental tax repair and other benefits refunded to customers through balancing accounts.
  - Lower income tax expense in 2016 of \$13 million related to the adoption of the FASB guidance on accounting for share-based payments.



- A change in liabilities related to uncertain tax positions related to repair deductions, which resulted in income tax benefits of \$100 million during the second quarter of 2015. See "—Income Taxes" below for more information.
- Higher pre-tax income in 2016, as discussed above.
- Higher preferred and preference stock dividends of \$10 million primarily related to new issuances in 2016 and late 2015 partially offset by redemptions of preferred stock.

#### ***Cost-Recovery Activities***

##### *2017 vs 2016*

Cost-recovery activities were primarily affected by the following:

- Higher purchased power and fuel costs of \$346 million primarily driven by higher power and gas prices experienced in 2017 relative to 2016, partially offset by lower realized losses on hedging activities (\$14 million in 2017 compared to \$59 million in 2016) and lower capacity costs.
- Lower operation and maintenance expense of \$29 million primarily driven by lower employee benefit and other labor costs and lower spending on various public purpose programs, partially offset by an increase in transmission and distribution costs for line clearing and maintenance activities.

##### *2016 vs 2015*

Cost-recovery activities were primarily affected by the following:

- Higher purchased power and fuel of \$261 million primarily due to the NEIL insurance recoveries received in 2015 (discussed below) and a change in portfolio mix partially offset by lower load related to cooler weather.

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. SCE customer's portion of amounts recovered from NEIL has been distributed to SCE customers via a credit to SCE's ERRRA account of approximately \$300 million in 2015.

- Lower operation and maintenance expense of \$115 million primarily due to lower transmission access charges and lower spending on various public purpose programs partially offset by an increase in transmission and distribution costs for drought related activities.

#### ***Supplemental Operating Revenue Information***

SCE's retail billed and unbilled revenue (excluding wholesale sales and balancing account over/undercollections) was \$11.5 billion, \$10.7 billion and \$12.2 billion for 2017, 2016 and 2015, respectively. The 2017 revenue reflects an increase of approximately \$720 million primarily due to the implementation of the 2017 ERRRA rate increase.

The 2016 revenue reflects a rate decrease of \$1.15 billion primarily due to the implementations of the 2016 ERRRA rate change and the 2015 GRC decision in January 2016 and a sales volume decrease of \$321 million due to lower load requirements related to cooler weather experienced in 2016 compared to 2015.

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").

### ***Income Taxes***

SCE's income tax provision decreased by \$286 million in 2017 compared to 2016 and decreased by \$251 million in 2016 compared to 2015. The effective tax rates were (2.7)%, 14.6% and 31.3% for 2017, 2016 and 2015, respectively. SCE's effective tax rate is below the federal statutory rate of 35% primarily due to CPUC's ratemaking treatment for the current tax benefit arising from certain property-related and other temporary differences, which reverse over time. The accounting treatment for these temporary differences results in recording regulatory assets and liabilities for amounts that would otherwise be recorded to deferred income tax expense. The effective tax rate decrease in 2017 was primarily due to impairment and other charges of \$716 million related to the Revised San Onofre Settlement Agreement. The decrease was also attributable to higher incremental repair tax benefits and benefits recognized for tax accounting method changes, all of which will be refunded to customers partially offset by lower tax benefits for the \$133 million revenue refund to customers that was recorded in 2016. The effective tax rate decrease in 2016 was primarily due to the \$382 million write-down in 2015 of regulatory assets partially offset by revisions in liabilities related to uncertain tax positions in 2015.

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—Permanent Retirement of San Onofre" above for more information.

### **Edison International Parent and Other**

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

### ***Strategic Review of Edison Energy Group Competitive Businesses***

During the third quarter of 2017, Edison International completed a strategic review of Edison Energy Group's competitive businesses. The competitive businesses pursued by Edison Energy Group include energy and managed portfolio services provided by Edison Energy and distributed solar solutions provided by SoCore Energy. Edison International decided to evaluate strategic options, including potential sale of SoCore Energy, and consolidate management across Edison Energy Group. Edison Energy will continue to pursue a proof of concept of its existing energy services and managed portfolio solutions practice for large energy users in the United States. Under the proof of concept, Edison Energy will seek to achieve a breakeven earnings run rate and 5% target customer penetration by the end of 2019.

In connection with the strategic review, Edison International evaluated the recoverability of goodwill and recorded an impairment of SoCore Energy's goodwill totaling \$16 million (\$10 million after-tax) in the second quarter of 2017. SoCore Energy's remaining goodwill at December 31, 2017 was \$6 million.

In light of the decision to evaluate sale opportunities for SoCore Energy, Edison International considered the application of held for sale accounting treatment under the applicable accounting guidance. Edison International concluded that, as of December 31, 2017, it was not probable that the investment in SoCore Energy (\$248 million at December 31, 2017) would be sold within one year, therefore the long-lived assets of SoCore Energy were not subject to held for sale accounting treatment. Under held for sale accounting treatment, the net assets of SoCore Energy would be recorded at the lower of book value or net realizable value, including transaction costs.

On January 22, 2017, the United States government announced that it will impose tariffs on imported solar cells and modules. These tariffs are expected to increase the cost of solar equipment, which is expected to adversely impact the economics of new solar projects. Subsequent to the United States government announcement, Edison International obtained bids for the sale of its interest in SoCore Energy. Edison International is in the process of negotiating the sale of its interest in SoCore Energy. While the conclusion of the sale process cannot be assured, as a result of the current status of negotiations, Edison International expects to record a pre-tax loss of approximately \$65 million (approximately \$45 million on an after-tax basis) during the first quarter of 2018.

### Loss from Continuing Operations

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

(in millions)	Years ended December 31,		
	2017	2016	2015
Edison Energy Group and subsidiaries <sup>1</sup>	\$ (26)	\$ (38)	\$ (6)
Corporate expenses and other subsidiaries	(421)	(39)	(7)
Total Edison International Parent and Other	\$ (447)	\$ (77)	\$ (13)

<sup>1</sup> Includes income of \$13 million, \$5 million and \$9 million in 2017, 2016, 2015 related to losses (net of distributions) allocated to tax equity investors under the HLBV accounting method.

The loss from continuing operations of Edison International Parent and Other increased \$370 million in 2017 compared to 2016 primarily due to:

- Income tax expense of \$433 million in 2017 from the re-measurement of deferred taxes as a result of Tax Reform. For further information, see "Management Overview—Tax Reform."
- Higher income tax benefits related to stock option exercises of \$30 million for the year ended December 31, 2017, \$17 million of tax benefits recorded in 2017 from net operating loss carrybacks that resulted from the filing of the 2016 tax returns and \$6 million of tax benefits recorded in 2017 related to settlement with the IRS for taxable years 2007 – 2012.
- Edison Energy Group's 2017 results included HLBV income of \$13 million, a \$10 million after-tax goodwill impairment charge on the SoCore Energy reporting unit and net tax expense of \$5 million from a change in tax law partially offset by tax benefits primarily related to stock option exercises. Edison Energy Group's 2016 results included HLBV income of \$5 million, \$13 million after-tax charge in 2016 from a buy-out of an earn-out provision contained in one of the 2015 acquisitions and net tax benefits of \$5 million primarily related to stock option exercises. Excluding these items, Edison Energy Group net losses were \$24 million in 2017 and \$35 million in 2016. The reduction in these losses was due to lower expenses related to new business activities. Revenue for the Edison Energy Group was \$69 million and \$42 million for the years ended December 31, 2017 and 2016, respectively. The increase in revenue was primarily due to higher build transfer projects from SoCore Energy in 2017.

The loss from continuing operations of Edison International Parent and Other increased \$64 million in 2016 compared to 2015 primarily due to:

- An increase in losses of Edison Energy Group of \$32 million, including a \$13 million after-tax charge during 2016 (as discussed above), higher operating and development expenses and lower revenue and gross margin from the sale of solar systems in 2016 compared to 2015. The results for the twelve months ended December 31, 2016 include the three businesses acquired by Edison Energy in December 2015 and expanded sales and support personnel. Revenue for the Edison Energy Group was \$42 million and \$34 million for the twelve months ended December 31, 2016 and 2015, respectively.
- A decrease in income from Edison Mission Group and subsidiaries of \$32 million in 2016 primarily due to income related to affordable housing projects in 2015. In December 2015, Edison Mission Group, Inc.'s subsidiary, Edison Capital, completed the sale of its remaining affordable housing investment portfolio which represents the exit of this business activity.

## LIQUIDITY AND CAPITAL RESOURCES

### SCE

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

As discussed in "Management Overview," Tax Reform is expected to lower rates charged to customers which will result in less cash available to fund operations. In the next 12 months, SCE expects to fund its obligations, capital expenditures and dividends through operating cash flows, tax benefits and capital market financings of debt and preferred equity, as needed. SCE also has availability under its credit facilities to fund cash requirements.

#### *Available Liquidity*

At December 31, 2017, SCE had \$1.41 billion available under its \$2.75 billion credit facility. The credit facility is available for borrowing needs until July 2022. In December 2017, SCE borrowed \$500 million from its credit facility. On January 26, 2018, SCE repaid its \$500 million borrowings with cash on hand. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements" and "—Note 12. Preferred and Preference Stock of Utility."

SCE may finance balancing account undercollections and working capital requirements to support operations and capital expenditures with commercial paper, its credit facility or other borrowings, subject to availability in the bank and capital markets. To the extent necessary, SCE would utilize its available liquidity, capital market financings of debt and preferred equity or parent company contributions to SCE equity in order to meet its obligations as they become due, including any potential costs related to the December 2017 Wildfires and Montecito Mudslides (see "Management Overview—Southern California Wildfires" and "—Montecito Mudslides" for further information).

#### *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 December 31, 2017, SCE's debt to total capitalization ratio was 0.45 to 1.

At December 31, 2017, SCE was in compliance with all other financial covenants that affect access to capital.

#### *Capital Investment Plan*

##### *Major Transmission Projects*

A summary of SCE's most significant transmission and substation construction projects during the next three years is presented below. The timing of the projects below is subject to timely receipt of permitting, licensing and regulatory approvals.

Project Name	Project Lifecycle Phase	Direct Expenditures (in millions) <sup>1</sup>	Inception to Date (in millions) <sup>1</sup>	Scheduled In-Service Date
West of Devers	Construction	\$848	\$91	2021
Mesa Substation	Construction	\$646	\$78	2022
Alberhill System	Licensing	\$486	\$37	2021
Riverside Transmission Reliability	Licensing	\$405	\$8	2023
Eldorado-Lugo-Mohave Upgrade	Planning	\$233	\$31	2021

<sup>1</sup> Direct expenditures include direct labor, land and contract costs incurred for the respective projects and exclude overhead costs that are included in the capital expenditures forecast discussed in "Management Overview—Capital Program."

## West of Devers

The West of Devers Project consists of upgrading and reconfiguring approximately 48 miles of existing 220 kV transmission lines between the Devers, El Casco, Vista and San Bernardino substations, increasing the power transfer capabilities in support of California's renewable portfolio standards goals.

In August 2016, the CPUC approved the construction of the West of Devers Project. As a result of the delay in receipt of the Project's approval from the CPUC, SCE deferred the forecasted timing of project capital expenditures. ORA filed an Application for Rehearing in September 2016 stating that the August 2016 decision failed to follow the California Environmental Quality Act when it approved the Project and should have approved an alternative project with an amended scope. In March 2017, the CPUC issued a decision denying ORA's September 2016 Application for Rehearing. This action confirmed SCE's proposed project. In December 2017, SCE awarded the competitive bid for transmission construction, which resulted in a decrease to the expected cost of the Project.

## Mesa Substation

The Mesa Substation Project consists of replacing the existing 220 kV Mesa Substation with a new 500/220 kV substation. The Mesa Substation Project would address reliability concerns by providing additional transmission import capability, allowing greater flexibility in the siting of new generation, and reducing the total amount of new generation required to meet local reliability needs in the Western Los Angeles Basin area. In February 2017, the CPUC issued a final decision approving the Project largely consistent with SCE's proposal and rejected alternative project configurations proposed by CPUC staff. In October 2017, SCE awarded the competitive bid for the new 220kV portion of substation construction. SCE updated the expected cost of the Project due to schedule delays and scope changes. The remainder (550kV portion of substation construction) will be put out for bid by early 2019.

## Alberhill System

The Alberhill System Project consists of constructing a new 500-kV substation, two 500-kV transmission lines to connect the proposed substation to the existing Serrano-Valley 500-kV transmission line, telecommunication equipment and subtransmission lines in unincorporated and incorporated portions of western Riverside County. The Project was designed to meet long-term forecasted electrical demand in the proposed Alberhill Project area and to increase electrical system reliability. In April 2016, the CPUC issued a draft environmental impact report that identified an alternative substation site. In April 2017, the CPUC issued a final environmental impact report for the Project which rejected different alternatives recommended by CPUC staff and intervenors, selecting SCE's proposed project as the environmentally superior project. A final CPUC decision to approve the Project for construction is anticipated during 2018. SCE updated the total capital forecast for the Project based on the conclusion in the final environmental impact report and the timing of the extended regulatory review process.

## Riverside Transmission Reliability

The Riverside Transmission Reliability Project is a joint project between SCE and Riverside Public Utilities (RPU), the municipal utility department of the City of Riverside. While RPU would be responsible for constructing some of the Project's facilities within Riverside, SCE's portion of the Project consists of constructing upgrades to its system, including a new 230-kV Substation; certain interconnection and telecommunication facilities and transmission lines in the cities of Riverside, Jurupa Valley and Norco and in portions of unincorporated Riverside County. The purpose of the Project is to provide RPU and its customers with adequate transmission capacity to serve existing and projected load, to provide for long-term system capacity for load growth, and to provide needed system reliability.

Due to changed circumstances since the time the Project was originally developed, SCE informed the CPUC in August 2016 that it supports revisions to the proposed Project. The CPUC continues to collect information regarding the revised Project or other proposed revisions in support of a supplemental environmental review. SCE updated the total expected cost of the Project to include scope revisions consistent with a revised project.

## Eldorado-Lugo-Mohave Upgrade

The Eldorado-Lugo-Mohave Upgrade Project will increase capacity on existing transmission lines to allow additional renewable energy to flow from Nevada to southern California. The Project would modify SCE's existing Eldorado, Lugo, and Mohave electrical substations to accommodate the increased current flow from Nevada to southern California; increase the power flow through the existing 500 kV transmission lines by constructing two new capacitors along the lines; raise transmission tower heights to meet ground clearance requirements; and install communication wire on our transmission lines to allow for communication between existing SCE substations. SCE has proposed an expedited schedule and a non-standard

review process with the regulatory permitting agencies in order to meet the current in-service date. During September 2017, SCE awarded the competitive bid for the Project which resulted in a decrease to the expected capital forecast for the Project.

### ***Regulatory Proceedings***

#### ***Cost of Capital***

In July 2017, the CPUC issued a final decision that adopted the petition previously filed by SCE, Pacific Gas & Electric Company, SDG&E, and SoCalGas (collectively, the "Investor-Owned Utilities"), ORA, and TURN to modify the prior CPUC decisions addressing the Investor-Owned Utilities' costs of capital. The decision extended the deadline for the next Investor-Owned Utilities cost of capital application to April 2019, reset SCE's authorized cost of long-term debt to 4.98% and preferred stock to 5.82%, and established SCE's authorized ROE at 10.30%, both beginning January 1, 2018. In October 2017, the CPUC approved SCE's updated debt and preferred rates that SCE filed in September 2017.

#### ***FERC Formula Rate***

In December 2017, the FERC issued an order setting the effective date of SCE's new formula rate as January 1, 2018, subject to settlement procedures and refund. The new formula rate results in a decrease in SCE's transmission revenue requirement of \$19 million or 1.6% lower than amounts authorized in 2017 rates primarily due to higher recovery of undercollections in previous periods.

#### ***Energy Efficiency Incentive Mechanism***

In December 2017, the CPUC awarded SCE incentives of approximately \$17 million, approximately 70% of the requested award for program years 2015 and 2016.

### ***Decommissioning of San Onofre***

The decommissioning of a nuclear plant requires the management of three related activities: radiological decommissioning, non-radiological decommissioning and the management of spent nuclear fuel. The decommissioning process is expected to take many years. Decommissioning of San Onofre Unit 1 began in 1999 and major decommissioning work was completed in 2008, except for reactor vessel disposal and certain underground work that was deferred to allow for the construction of the San Onofre Independent Spent Fuel Storage Installation ("ISFSI"). The construction of the ISFSI has been completed and the transfer of spent nuclear fuel to the dry cask storage in the ISFSI has begun. The initial activity phase of radiological decommissioning of Units 2 and 3 began in June 2013 with SCE filing a certification of permanent cessation of power operations at San Onofre with the NRC. SCE is currently permitted to start major radiological decommissioning activities pursuant to NRC regulations, provided SCE obtains all necessary environmental permits for decommissioning. SCE has engaged a decommissioning general contractor to undertake a significant scope of decommissioning activities for Units 1, 2 and 3 at San Onofre.

In December 2017, SCE updated its decommissioning cost estimate for San Onofre Units 2 and 3. The decommissioning cost estimate in 2017 dollars is \$3.4 billion (SCE share is \$2.6 billion) and includes costs through the respective completion dates to decommission San Onofre Units 2 and 3 estimated to be in 2051. The decommissioning cost estimate is subject to a number of uncertainties including the cost of disposal of nuclear waste, cost of removal of property, site remediation costs as well as a number of other assumptions and estimates, including when the federal government may remove spent fuel canisters from the San Onofre site, as to which there can be no assurance. The cost estimate is subject to change once the site specific study is final, and such changes may be material. In March 2018, SCE expects to file its 2018 NDCTP which will include the updated site specific study for San Onofre Units 2 and 3. For further information, see "Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies—Nuclear Decommissioning and Asset Retirement Obligations." The CPUC will conduct a reasonableness review for costs for each year. SCE's share of the decommissioning costs recorded during 2017 were \$236 million and are subject to reasonableness review by the CPUC.

SCE has nuclear decommissioning trust funds for San Onofre Units 2 and 3 of \$2.8 billion as of December 31, 2017. If the decommissioning cost estimate and assumptions regarding trust performance do not change significantly, SCE believes that future contributions to the trust funds will not be necessary.

### ***SCE Dividends***

SCE made \$573 million and \$701 million in dividend payments to its parent, Edison International, in 2017 and 2016, respectively. During the fourth quarter of 2017, SCE declared a dividend to Edison International of \$212 million, which was paid on January 31, 2018.

The CPUC regulates SCE's capital structure which limits the dividends it may pay Edison International. Under CPUC regulations, 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 average basis, or otherwise satisfies the CPUC requirements. If the Revised San Onofre Settlement Agreement is approved by the CPUC, SCE may exclude the \$448 million after-tax charge resulting from the implementation of the Revised San Onofre Settlement Agreement from its ratemaking capital structure. At December 31, 2017, without excluding the \$448 million after-tax charge, SCE's 13-month average common equity component of total capitalization was 50.0% and the maximum additional dividend that SCE could pay to Edison International under this limitation was approximately \$511 million, resulting in a restriction on net assets of approximately \$14.2 billion. If the Revised San Onofre Settlement Agreement had been approved by the CPUC at December 31, 2017, the common equity component of SCE's capital structure would have been 50.1% on a 13-month average basis.

As a California corporation, SCE's ability to pay dividends is also governed by its obligations under the California General Corporation Law. California law requires that for a dividend to be declared: (a) retained earnings must equal or exceed the proposed dividend, or (b) immediately after the dividend is made, the value of the corporation's assets must exceed the value of its liabilities plus amounts required to be paid in order to liquidate stock senior to the shares receiving the dividend. Additionally, a California corporation may not declare a dividend if it is, or as a result of the dividend, would be, likely to be unable to meet its liabilities as they mature. On February 22, 2018, SCE declared a dividend to Edison International of \$212 million. Prior to declaring the dividend, SCE's Board of Directors evaluated the information available, including information pertaining to the December 2017 Wildfires and Montecito Mudslides, and determined that the California law requirements for the declaration were met.

The timing and amount of future dividends are also dependent on a number of other factors including SCE's requirements to fund other obligations and capital expenditures, and its ability to access the capital markets, and generate operating cash flows and earnings. If SCE incurs significant costs for 2017 Wildfires-related damages and is unable to recover such costs through insurance or from customers or access capital markets on reasonable terms, SCE may be limited in its ability to pay future dividends to Edison International and its preferred and preference shareholders. See "Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies—SCE Dividend Restrictions" for discussion of dividend restrictions.

### **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 December 31, 2017 due to the addition of incremental power and energy procurement contracts with collateral requirements, if any, and the impact of changes in wholesale power and natural gas prices on SCE's contractual obligations.

Some of the power 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 be required as of December 31, 2017.

(in millions)

Collateral posted as of December 31, 2017 <sup>1</sup>	\$	102
Incremental collateral requirements for power procurement contracts resulting from a potential downgrade of SCE's credit rating to below investment grade		35
Incremental collateral requirements for power procurement contracts resulting from adverse market price movement <sup>2</sup>		3
Posted and potential collateral requirements	\$	140

<sup>1</sup> Net collateral provided to counterparties and other brokers consisted \$101 million in letters of credit and surety bonds and \$1 million of cash which was offset against net derivative liabilities on the consolidated balance sheets.

<sup>2</sup> Incremental collateral requirements were based on potential changes in SCE's forward positions as of December 31, 2017 due to adverse market price movements over the remaining lives of the existing power procurement contracts using a 95% confidence level.

### ***Regulatory Balancing Accounts***

SCE's cash flows are affected by regulatory balancing accounts overcollections or undercollections. Overcollections and undercollections represent differences between cash collected in current rates for specified forecasted costs and the costs actually incurred. With some exceptions, SCE seeks to adjust rates on an annual basis or at other designated times to recover or refund the balances recorded in its balancing accounts. Undercollections or overcollections in these balancing accounts impact cash flows and can change rapidly. Undercollections- and overcollections accrue interest based on a three-month commercial paper rate published by the Federal Reserve.

As of December 31, 2017, SCE had regulatory balancing account net overcollections of \$1.7 billion, primarily consisting of overcollections related to public purpose-related and energy efficiency program costs, BRRBA and TAMA. Overcollections related to public purpose-related programs are expected to decrease as costs are incurred to fund programs established by the CPUC. Overcollections related to BRRBA and TAMA are expected to decrease as refunds are provided to customers in January 2018. See "Notes to Consolidated Financial Statements—Note 10. Regulatory Assets and Liabilities" for further information.

### **Edison International Parent and Other**

In the next 12 months, Edison International expects to fund its obligations, capital expenditures and dividends through operating cash flows, tax benefits and capital market financings, as needed. Edison International also has availability under its credit facilities to fund cash requirements. In December 2017, Edison International declared an 11.5% increase to the annual dividend rate from \$2.17 per share to \$2.42 per share. On February 22, 2018, Edison International declared a dividend of \$0.605 per share to be paid on April 30, 2018. Edison International Parent and Other's liquidity and its ability to pay operating expenses and pay dividends to common shareholders are dependent on dividends from SCE, realization of tax benefits, access to the bank and capital markets, and its ability to meet California law requirements for the declaration of dividends. For information on the California law requirements on the declaration of dividends, see "*—SCE—SCE Dividends.*" Edison International intends to maintain its target payout ratio of 45% – 55% of SCE's core earnings, subject to the factors identified above. Edison International may also finance working capital requirements, payment of obligations, capital investments, including capital contributions to subsidiaries, and common stock dividends with short-term or other financings, subject to availability in the bank and capital markets.

At December 31, 2017, Edison International Parent had approximately \$524 million of cash and cash equivalents and \$111 million available of net borrowing capacity under its \$1.25 billion multi-year revolving credit facility. In December 2017, Edison International Parent borrowed \$500 million from its credit facility. The \$500 million credit facility was repaid on January 26, 2018 from cash on hand. In addition, on January 26, 2018, Edison International Parent issued a \$500 million term loan and the proceeds of the loan were used to pay down the commercial paper outstanding. At February 20, 2018, Edison International Parent had available liquidity of approximately \$1.1 billion on its credit facility. The credit facility is available for borrowing needs until July 2022. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements."

The debt covenant in Edison International Parent's credit facility requires a consolidated debt to total capitalization ratio as defined in the credit agreement of less than or equal to 0.65 to 1. At December 31, 2017, Edison International Parent's consolidated debt to total capitalization ratio was 0.51 to 1.

At December 31, 2017, Edison International Parent was in compliance with all financial covenants that affect access to capital.

### ***Net Operating Loss and Tax Credit Carryforwards***

After giving effect to Tax Reform, Edison International has approximately \$1.1 billion of tax effected net operating loss and tax credit carryforwards at December 31, 2017 (excluding \$77 million of unrecognized tax benefits and \$199 million of Capistrano Wind net operating loss and tax credit carryforwards) which are available to offset future consolidated tax liabilities (see "Notes to Consolidated Financial Statements—Note 7. Income Taxes" for further information regarding taxes payable to Capistrano Wind). Tax Reform reduced the valuation of net operating loss carryforwards but did not affect the amount of future taxable income that may be offset. Tax Reform also will limit the utilization of NOLs arising after December 31, 2017 to 80% of taxable income with an indefinite carryforward and places limitations on the ability of regulated utilities to qualify for immediate expensing of certain capital expenditures. Tax Reform did not impact the valuation of tax credit carryforwards, which directly offset taxes due. As a result of the forgoing, Edison International expects to realize its NOL and tax credit carryforward position through 2025.



## Historical Cash Flows

### SCE

(in millions)	2017	2016	2015
Net cash provided by operating activities	\$ 3,725	\$ 3,523	\$ 4,624
Net cash provided by (used in) financing activities	243	(219)	(812)
Net cash used in investing activities	(3,492)	(3,291)	(3,824)
Net increase (decrease) in cash and cash equivalents	\$ 476	\$ 13	\$ (12)

#### 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 2017, 2016 and 2015.

(in millions)	Years ended December 31,			Change in cash flows	
	2017	2016	2015	2017/2016	2016/2015
Net income	\$ 1,136	\$ 1,499	\$ 1,111		
Non-cash items <sup>1</sup>	3,046	2,108	2,231		
Subtotal	\$ 4,182	\$ 3,607	\$ 3,342	\$ 575	\$ 265
Changes in cash flow resulting from working capital <sup>2</sup>	(120)	236	16	(356)	220
Derivative assets and liabilities, net	(28)	13	45	(41)	(32)
Regulatory assets and liabilities, net	4	(292)	1,729	296	(2,021)
Other noncurrent assets and liabilities, net <sup>3</sup>	(313)	(41)	(508)	(272)	467
Net cash provided by operating activities	\$ 3,725	\$ 3,523	\$ 4,624	\$ 202	\$ (1,101)

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

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

<sup>3</sup> Includes the nuclear decommissioning trusts.

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

Net income and non-cash items increased in 2017 by \$575 million from 2016 and increased in 2016 by \$265 million from 2015. The increase in 2017 was primarily due to an increase in revenue from the escalation mechanism set forth in the 2015 GRC decision and lower operation and maintenance expenses, partially offset by higher financing costs along with non-cash items. Non-cash items included changes in deferred income taxes and investment tax credits of \$304 million in 2017 and \$88 million in 2016. The increase in 2016 was primarily due to higher authorized revenue in 2016 from the escalation mechanism set forth in the 2015 GRC decision. The factors that impacted these items are discussed under "Results of Operations—SCE—Earning Activities."

Net cash for working capital was \$(120) million, \$236 million and \$16 million in 2017, 2016 and 2015, respectively. The net cash for 2017, 2016 and 2015 was primarily related to timing of disbursements (\$125 million, \$45 million and \$120 million in 2017, 2016 and 2015, respectively) and the decrease in receivables from customers (\$163 million, \$220 million and \$93 million in 2017, 2016 and 2015, respectively). Net cash for working capital also included an insurance premium payment of \$121 million for additional wildfire coverage in December 2017 and changes in tax receivables and payables of \$(234) million in 2017 and \$(16) million in 2016 primarily due to the utilization of net operating losses in 2017. In addition, SCE had net tax payments of \$144 million in 2015.

Net cash provided by regulatory assets and liabilities, including changes in over (under) collections of balancing accounts, was \$4 million, \$(292) million and \$1.7 billion in 2017, 2016 and 2015, respectively. SCE has a number of balancing accounts, which impact cash flows based on differences between timing of collection of amounts through rates and accrual expenditures. Cash flows were primarily impacted by the following:

#### 2017

- The 2015 GRC decision established the TAMA. As a result of this memorandum account, together with a balancing account for pole loading expenditures, 2015 – 2017 tax benefits or costs associated with certain events are tracked and adjusted annually through customer rates. Overcollections increased by \$117 million during 2017 primarily due to higher tax repair deductions than forecasted in rates and \$135 million of higher benefits recognized for tax accounting method changes, partially offset by a \$226 million reclassification from TAMA to BRRBA to refund customers.
- Higher cash due to \$153 million of overcollections for the public purpose and energy efficiency programs. The increase in cash was due to lower spending than billed to customers and recovery of prior year undercollections.
- Higher cash due to \$136 million of overcollections related to FERC balancing accounts. The increase in cash was due to recovery of prior FERC undercollections and lower costs than previously forecasted.
- Higher cash due to proceeds of approximately \$34 million from the Department of Energy related to spent nuclear fuel. For further information on the spent nuclear fuel, see "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies—Spent Nuclear Fuel."
- The BRRBA tracks the differences between amounts authorized by the CPUC in the GRC proceedings and amounts billed to customers. BRRBA overcollections decreased by \$226 million during 2017 primarily due to the refunds of 2015 TAMA overcollections, a revenue refund to customers of \$133 million for 2012 – 2014 incremental tax benefits related to repair deductions, and 2015 overcollections resulting from the implementation of the 2015 GRC decision, which was authorized to be refunded to customers over a two year period, partially offset by a \$226 million reclassification from TAMA to BRRBA to refund customers in January 2018 as discussed above.
- Net undercollections for ERRA and the new system generation program were \$267 million at December 31, 2017 compared to net overcollections of \$26 million at December 31, 2016. Lower cash due to \$293 million of net undercollections in 2017 primarily due to a refund of prior year overcollections and an increase in costs due to higher than forecasted power and gas prices experienced in 2017 and higher load requirements than forecasted in rates.

#### 2016

- Lower cash due to a decrease in ERRA overcollections for fuel and purchased power of \$419 million in 2016 primarily due to the implementation of the 2016 ERRA rate decrease in January 2016, partially offset by lower than forecasted power and gas prices experienced in 2016.
- 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 increased by \$309 million in 2016 due to higher funding and lower spending for these programs.
- SCE had a decrease in cash of approximately \$182 million primarily due to a 2016 refund of 2015 overcollections resulting from the implementation of the 2015 GRC decision which was authorized to be refunded to customers over a two year period.

#### 2015

- Higher cash due to a decrease in ERRA undercollections of \$1.5 billion in 2015 primarily due to lower power and gas prices experienced in 2015, the 2015 application of 2013 and 2014 nuclear decommissioning costs refunds against ERRA undercollections and the NEIL settlement proceeds from insurance claims arising out of the failures of the San Onofre replacement steam generators. In January 2015, SCE reclassified the regulatory liability for generator settlements to ERRA to refund customers as required by the CPUC.
- During 2015, BRRBA overcollections increased by \$314 million primarily due to revenue previously collected from customers that was expected to be refunded as part of the 2015 GRC decision.
- Overcollections for the public purpose and energy efficiency programs decreased by \$191 million in 2015 primarily due to higher spending for these programs. The decrease was partially offset by an increase in funding of the new system generation program for 2015.

- The 2015 GRC Decision established the TAMA. As a result of this memorandum account, together with a balancing account for pole loading expenditures, any differences between the forecasted tax repair deductions and actual tax repair deductions will be adjusted through customer rates. At December 31, 2015, SCE had a regulatory liability of \$248 million related to these accounts (impact of TAMA is offset in non-cash items above).

Cash flows used in other noncurrent assets and liabilities were primarily related to net earnings from nuclear decommissioning trust investments (\$55 million, \$45 million and \$43 million in 2017, 2016 and 2015, respectively), SCE's payments of decommissioning costs (\$236 million, \$168 million and \$216 million in 2017, 2016 and 2015, respectively) and changes in uncertain tax positions due to the utilization of net operating losses (\$98) million and \$104 million in 2017 and 2016, respectively). See "Nuclear Decommissioning Activities" below for further discussion.

#### *Net Cash Provided by (Used in) Financing Activities*

The following table summarizes cash provided by financing activities for 2017, 2016 and 2015. Issuances of debt and preference stock are discussed in "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements—Long-Term Debt" and "—Note 12. Preferred and Preference Stock of Utility."

(in millions)	2017	2016	2015
Issuances of first and refunding mortgage bonds, net of premium (discount) and issuance costs	\$ 1,011	\$ —	\$ 1,287
Issuance of term loan	300	—	—
Remarketing and issuances of pollution control bonds, net of issuance costs	134	—	126
Long-term debt matured or repurchased	(882)	(217)	(761)
Issuances of preference stock, net of issuance costs	462	294	319
Redemptions of preference stock	(475)	(125)	(325)
Short-term debt borrowings, net of repayments and discount	469	719	(619)
Payments of common stock dividends to Edison International	(573)	(701)	(758)
Payments of preferred and preference stock dividends	(124)	(123)	(116)
Other	(79)	(66)	35
Net cash provided by (used in) financing activities	\$ 243	\$ (219)	\$ (812)

#### *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 \$3.7 billion for 2017, \$3.6 billion for 2016 and \$4.2 billion for 2015, primarily related to transmission and generation investments. The decrease in capital expenditures during 2016 was primarily due to lower FERC capital spending. SCE had a net redemption of nuclear decommissioning trust investments of \$197 million, \$179 million and \$374 million in 2017, 2016 and 2015, respectively. See "Nuclear Decommissioning Activities" below for further discussion. In addition, during 2017 and 2016, SCE received proceeds of \$26 million and \$140 million, respectively, for loans on the cash surrender value of life insurance policies. The proceeds were used for general corporate purposes.

#### *Nuclear Decommissioning Activities*

SCE's statement of cash flows includes nuclear decommissioning activities, which are reflected in the following line items:

(in millions)	2017	2016	2015
Net cash used in operating activities:			
Net earnings from nuclear decommissioning trust investments	\$ 55	\$ 45	\$ 43
SCE's decommissioning costs	(236)	(168)	(216)
Net cash provided by investing activities:			
Proceeds from sale of investments	5,239	3,212	3,506
Purchases of investments	(5,042)	(3,033)	(3,132)
Net cash impact	\$ 16	\$ 56	\$ 201

Net cash used in operating activities relate to interest and dividends less administrative expenses, taxes, and SCE's decommissioning costs. See "Notes to Consolidated Financial Statements—Note 9. Investments" for further information. Investing activities represent the purchase and sale of investments within the nuclear decommissioning trusts, including the reinvestment of earnings from nuclear decommissioning trust investments.

Beginning in March 2016, funds for decommissioning costs are requested from the nuclear decommissioning trusts one month in advance. Decommissioning disbursements are funded from sales of investments of the nuclear decommissioning trusts. See "Notes to Consolidated Financial Statements—Note 9. Investments" for further information. The net cash impact reflects timing of decommissioning payments (\$236 million, \$168 million and \$216 million in 2017, 2016 and 2015, respectively) and reimbursements to SCE from the nuclear decommissioning trust (\$252 million, \$224 million and \$471 million in 2017, 2016 and 2015, respectively). The 2016 net cash impact included reimbursements for 2016 and a portion of 2015, 2014, and 2013 decommissioning costs. The 2015 net cash impact included reimbursements for 2015, 2014, and 2013 decommissioning costs. In addition, during 2015, SCE made a contribution of \$54 million to the non-qualified decommissioning trust related to tax benefits received and pursuant to a CPUC decision related to decommissioning costs for San Onofre Unit 1.

#### **Edison International Parent and Other**

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

(in millions)	2017	2016	2015
Net cash used in operating activities	\$ (138)	\$ (267)	\$ (115)
Net cash provided by financing activities	764	314	224
Net cash used in investing activities	(107)	(125)	(68)
Net increase (decrease) in cash and cash equivalents	\$ 519	\$ (78)	\$ 41

#### *Net Cash Used in Operating Activities*

Net cash used in operating activities decreased in 2017 by \$129 million from 2016 and increased in 2016 by \$152 million from 2015 due to:

- \$214 million and \$204 million of cash payments made to the Reorganization Trust in September 2016 and 2015, respectively, related to the EME Settlement Agreement.
- \$21 million outflow in June 2016 related to the buy-out of an earn-out provision with the former shareholders of a company acquired by Edison Energy in 2015. See "Results of Operations—Edison International Parent and Other—Loss from Continuing Operations" for further information.
- \$143 million receipt of intercompany tax-allocation payments in 2015.
- \$138 million, \$32 million and \$54 million cash outflow from operating activities in 2017, 2016 and 2015, respectively, due to payments and receipts relating to interest and operating costs. In addition, the cash outflow in 2017 included higher pension payments related to executive retirement plans.

#### *Net Cash Provided by Financing Activities*

Net cash provided by financing activities were as follows:

(in millions)	2017	2016	2015
Dividends paid to Edison International common shareholders	\$ (707)	\$ (626)	\$ (544)
Dividends received from SCE	573	701	758
Payment for stock-based compensation, net of receipt from stock option exercises	(140)	(51)	(52)
Long-term debt issuance, net of discount and issuance costs	788	397	7
Long-term debt repayment	(403)	(3)	(1)
Short-term debt borrowings, net of repayments and discount	615	(108)	47
Other	38	4	9
Net cash provided by financing activities	\$ 764	\$ 314	\$ 224

## Net Cash Used in Investing Activities

Net cash used in investing activities relates to Edison Energy Group's capital expenditures primarily for commercial solar installations (\$88 million, \$101 million and \$15 million in 2017, 2016 and 2015, respectively). In addition, the cash outflow in 2017 included \$24 million of restricted cash related to funds held by SoCore Energy and its consolidated affiliates pursuant to project financing or purchase agreements. The cash outflow in 2015 was also due to the acquisitions of three companies for approximately \$100 million to support Edison Energy Group's commercial and industrial services growth strategy. See "Notes to Consolidated Financial Statements—Note 9. Investments" for further information.

## Contractual Obligations and Contingencies

### Contractual Obligations

Edison International Parent and Other and SCE's contractual obligations as of December 31, 2017, for the years 2018 through 2022 and thereafter are estimated below.

(in millions)	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
<b>SCE:</b>					
Long-term debt maturities and interest <sup>1</sup>	\$ 20,060	\$ 967	\$ 1,103	\$ 1,844	\$ 16,146
Power purchase agreements: <sup>2</sup>	39,877	2,513	5,127	5,144	27,093
Other operating lease obligations <sup>3</sup>	246	48	64	35	99
<b>Purchase obligations:<sup>4</sup></b>					
Other contractual obligations	704	127	141	91	345
<b>Total SCE<sup>5,6,7</sup></b>	<b>60,887</b>	<b>3,655</b>	<b>6,435</b>	<b>7,114</b>	<b>43,683</b>
<b>Edison International Parent and Other:</b>					
Long-term debt maturities and interest <sup>1</sup>	1,370	35	462	459	414
<b>Total Edison International Parent and Other<sup>5</sup></b>	<b>1,370</b>	<b>35</b>	<b>462</b>	<b>459</b>	<b>414</b>
<b>Total Edison International<sup>6,7</sup></b>	<b>\$ 62,257</b>	<b>\$ 3,690</b>	<b>\$ 6,897</b>	<b>\$ 7,573</b>	<b>\$ 44,097</b>

<sup>1</sup> For additional details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements." Amount includes interest payments totaling \$9.07 billion and \$141 million over applicable period of the debt for SCE and Edison International Parent and Other, respectively.

<sup>2</sup> Certain power purchase agreements entered into with independent power producers are treated as operating or capital leases. For further discussion, see "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies."

<sup>3</sup> At December 31, 2017, SCE's minimum other operating lease payments were primarily related to vehicles, office space and other equipment. For further discussion, see "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies."

<sup>4</sup> For additional details, see "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies." At December 31, 2017, other commitments were primarily related to maintaining reliability and expanding SCE's transmission and distribution system and nuclear fuel supply contracts.

<sup>5</sup> At December 31, 2017, Edison International Parent and Other and SCE had estimated contributions to the pension and PBOP plans. SCE estimated contributions are \$62 million, \$54 million, \$47 million, \$42 million and \$39 million in 2018, 2019, 2020, 2021 and 2022, respectively, which are excluded from the table above. Edison International Parent and Other estimated contributions are \$16 million, \$24 million, \$18 million, \$21 million and \$15 million for the same respective periods and are excluded from the table above. These amounts represent estimates that are based on assumptions that are subject to change. See "Notes to Consolidated Financial Statements—Note 8. Compensation and Benefit Plans" for further information.

<sup>6</sup> At December 31, 2017, Edison International and SCE had a total net liability recorded for uncertain tax positions of \$432 million and \$331 million, respectively, which is excluded from the table. Edison International and SCE cannot make reliable estimates of the cash flows by period due to uncertainty surrounding the timing of resolving these open tax issues with the tax authorities.

<sup>7</sup> The contractual obligations table does not include derivative obligations and asset retirement obligations, which are discussed in "Notes to Consolidated Financial Statements—Note 6. Derivative Instruments," and "—Note 1. Summary of Significant Accounting Policies" and "—Note 9. Investments," respectively.

## Contingencies

SCE has contingencies related to San Onofre Related Matters, Nuclear Insurance, December 2017 Wildfires, and Spent Nuclear Fuel, which are discussed in "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies."

## Environmental Remediation

For a discussion of SCE's environmental remediation liabilities, see "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies—Environmental Remediation."

## Off-Balance Sheet Arrangements

SCE has variable interests in power purchase contracts with variable interest entities and a variable interest in unconsolidated Trust II, Trust III, Trust IV, Trust V and Trust VI that issued \$400 million (aggregate liquidation preference) of 5.10%, \$275 million (aggregate liquidation preference) of 5.75%, \$325 million (aggregate liquidation preference) of 5.375%, \$300 million (aggregate liquidation preference) of 5.45% and \$475 million (aggregate liquidation preference) of 5.00%, trust securities, respectively, to the public, see "Notes to Consolidated Financial Statements—Note 3. Variable Interest Entities."

## Environmental Developments

For a discussion of environmental developments, see "Business—Environmental Considerations."

## MARKET RISK EXPOSURES

Edison International's and SCE's primary market risks include fluctuations in interest rates, commodity prices and volumes, and counterparty credit. Derivative instruments are used 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."

## Interest Rate Risk

Edison International and SCE are exposed to changes in interest rates primarily as a result of its financing, investing and borrowing activities used for liquidity purposes, and to fund business operations and capital investments. The nature and amount of Edison International and SCE's long-term and short-term debt can be expected to vary as a result of future business requirements, market conditions and other factors. Fluctuations in interest rates can affect earnings and cash flows. Changes in interest rates may impact SCE's authorized rate of return for the period beyond 2017, see "Business—SCE—Overview of Ratemaking Process" for further discussion. The following table summarizes the increase or decrease to the fair value of long-term debt including the current portion as of December 31, 2017, if the market interest rates were changed while leaving all other assumptions the same:

(in millions)	Carrying Value	Fair Value	10% Increase	10% Decrease
Edison International	\$ 12,123	\$ 13,760	\$ 13,239	\$ 14,308
SCE	10,907	12,547	12,039	13,082

## Commodity Price Risk

SCE and its customers are exposed to the risk of a change in the market price of natural gas, electric power and transmission congestion. SCE's hedging program is designed to reduce exposure to variability in market prices related to SCE's purchases and sales of electric power and natural gas. SCE expects recovery of its related hedging costs through the ERRA balancing account or CPUC-approved procurement plans, and as a result, exposure to commodity price is not expected to impact earnings, but may impact timing of cash flows. As part of this program, SCE enters into energy options, swaps, forward arrangements, and congestion revenue rights ("CRRs"). The transactions are pre-approved by the CPUC or executed in compliance with CPUC-approved procurement plans.

## Fair Value of Derivative Instruments

The fair value of derivative instruments is included in the consolidated balance sheets unless subject to an exception under the applicable accounting guidance. Realized gains and losses from derivative instruments are expected to be recovered from or refunded to customers through regulatory mechanisms and, accordingly, changes in SCE's fair value have no impact on earnings. SCE does not use hedge accounting for these transactions due to this regulatory accounting treatment. For further

discussion on fair value measurements and the fair value hierarchy, see "Notes to Consolidated Financial Statements—Note 4. Fair Value Measurements."

The fair value of outstanding derivative instruments used to mitigate exposure to commodity price risk was a net liability of \$1.1 billion at December 31, 2016. During the third quarter of 2017, SCE designated certain derivative contracts as normal purchase and normal sale contracts, which resulted in a reclassification of \$914 million from derivative liabilities to other liabilities. These liabilities will be amortized over the remaining contract terms. The fair value of remaining derivative instruments at December 31, 2017 was a net asset of \$109 million.

The following table summarizes the increase or decrease to the fair values of the net liability of derivative instruments included in the consolidated balance sheets as of December 31, 2017, if the electricity prices or gas prices were changed while leaving all other assumptions constant:

(in millions)	December 31, 2017	
Increase in electricity prices by 10%	\$	11
Decrease in electricity prices by 10%		(11)
Increase in gas prices by 10%		10
Decrease in gas prices by 10%		(5)

### Credit Risk

For information related to credit risks, see "Notes to Consolidated Financial Statements—Note 6. Derivative Instruments."

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 December 31, 2017, the amount of balance sheet exposure as described above broken down by the credit ratings of SCE's counterparties, was as follows:

(in millions)	December 31, 2017		
	Exposure <sup>2</sup>	Collateral	Net Exposure
<b>S&amp;P Credit Rating<sup>1</sup></b>			
A or higher	\$ 110	\$ —	\$ 110

<sup>1</sup> SCE assigns a credit rating based on the lower of a counterparty's S&P, Fitch 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 three credit ratings.

<sup>2</sup> 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.

### CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The accounting policies described below are considered critical to obtaining an understanding of Edison International and SCE's consolidated financial statements because their application requires the use of significant estimates and judgments by management in preparing the consolidated financial statements. Management estimates and judgments are inherently uncertain and may differ significantly from actual results achieved. Management considers an accounting estimate to be critical if the estimate requires significant assumptions and changes in the estimate or, the use of alternative estimates, could have a material impact on Edison International's results of operations or financial position. For more information on Edison International's accounting policies, see "Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies."

## Rate Regulated Enterprises

*Nature of Estimate Required.* SCE follows the accounting principles for rate-regulated enterprises which are required for entities whose rates are set by regulators at levels intended to recover the estimated costs of providing service, plus a return on net investment, or rate base. Regulators may also impose penalties or grant incentives. Due to timing and other differences in the collection of revenue, these principles allow a cost that would otherwise be charged as an expense by an unregulated entity to be capitalized as a regulatory asset if it is probable that such cost is recoverable through future rates; conversely the principles allow creation of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future or amounts collected in excess of costs incurred and are refundable to customers. In addition, SCE recognizes revenue and regulatory assets from alternative revenue programs, which enables the utility to adjust future rates in response to past activities or completed events, if certain criteria are met, even for programs that do not qualify for recognition of "traditional" regulatory assets and liabilities.

*Key Assumptions and Approach Used.* SCE's management assesses at the end of each reporting period whether regulatory assets are probable of future recovery by considering factors such as the current regulatory environment, the issuance of rate orders on recovery of the specific or a similar incurred cost to SCE or other rate-regulated entities, and other factors that would indicate that the regulator will treat an incurred cost as allowable for ratemaking purposes. Using these factors, management has determined that existing regulatory assets and liabilities are probable of future recovery or settlement. This determination reflects the current regulatory climate and is subject to change in the future.

*Effect if Different Assumptions Used.* Significant management judgment is required to evaluate the anticipated recovery of regulatory assets, the recognition of incentives and revenue subject to refund, as well as the anticipated cost of regulatory liabilities or penalties. If future recovery of costs ceases to be probable, all or part of the regulatory assets and liabilities would have to be written off against current period earnings. At December 31, 2017, the consolidated balance sheets included regulatory assets of \$5.6 billion and regulatory liabilities of \$9.7 billion. If different judgments were reached on recovery of costs and timing of income recognition, SCE's earnings may vary from the amounts reported.

### **Application to Tax Reform**

As discussed in "Management Overview—Tax Reform," in December 2017, Tax Reform was signed into law. This comprehensive reform of tax law reduces the federal corporate income tax rate from 35% to 21% and is generally effective beginning January 1, 2018. US GAAP requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment, the deferred taxes were re-measured based upon the new tax rate. The re-measurement of SCE's deferred taxes was recorded against regulatory assets and liabilities when the pre-tax amounts giving rise to deferred tax assets and liabilities were funded by customers and were recorded to earnings when amounts were funded by shareholders.

The CPUC and FERC regulatory processes that will be utilized to return SCE's excess deferred taxes applicable to customers have not been determined. In the absence of regulatory guidance, judgment is required to estimate which deferred tax re-measurements will be refunded to customers and are subject to change based on the outcome of the regulatory processes.

At December 31, 2017, the implementation of Tax Reform at SCE resulted in a reduction of deferred tax liabilities and an increase in regulatory liabilities of approximately \$5.0 billion. Changes in the allocation to customers of the deferred tax re-measurement will be reflected in the financial statements and adjusted prospectively as information becomes available through the regulatory process. Amounts to be refunded to customers are expected to generally be refunded over the life of the underlying asset or liability that gave rise to the deferred taxes.

### **Income Taxes**

*Nature of Estimates Required.* As part of the process of preparing its consolidated financial statements, Edison International and SCE are required to estimate income taxes for each jurisdiction in which they operate. This process involves estimating actual current period tax expense together with assessing temporary differences resulting from differing treatment of items, such as depreciation, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within Edison International and SCE's consolidated balance sheets, including net operating loss and tax credit carryforwards that can be used to reduce liabilities in future periods.

Edison International and SCE take certain tax positions they believe are in accordance with the applicable tax laws. However, these tax positions are subject to interpretation by the IRS, state tax authorities and the courts. Edison International and SCE determine uncertain tax positions in accordance with the authoritative guidance.



*Key Assumptions and Approach Used.* Accounting for tax obligations requires management judgment. Edison International and SCE's management use judgment in determining whether the evidence indicates it is more likely than not, based solely on the technical merits, that a tax position will be sustained, and to determine the amount of tax benefits to be recognized. Judgment is also used in determining the likelihood a tax position will be settled and possible settlement outcomes. In assessing uncertain tax positions Edison International and SCE consider, among others, the following factors: the facts and circumstances of the position, regulations, rulings, and case law, opinions or views of legal counsel and other advisers, and the experience gained from similar tax positions. Edison International and SCE's management evaluates uncertain tax positions at the end of each reporting period and makes adjustments when warranted based on changes in fact or law.

*Effect if Different Assumptions Used.* Actual income taxes may differ from the estimated amounts which could have a significant impact on the liabilities, revenue and expenses recorded in the financial statements. Edison International and SCE continue to be under audit or subject to audit for multiple years in various jurisdictions. Significant judgment is required to determine the tax treatment of particular tax positions that involve interpretations of complex tax laws. Such liabilities are based on judgment and a final determination could take many years from the time the liability is recorded. Furthermore, settlement of tax positions included in open tax years may be resolved by compromises of tax positions based on current factors and business considerations that may result in material adjustments to income taxes previously estimated.

#### **Nuclear Decommissioning – Asset Retirement Obligation**

*Key Assumptions and Approach Used.* The liability to decommission SCE's nuclear power facilities is based on an updated cost estimate in 2017 for Palo Verde, a decommissioning study performed in 2014 for San Onofre Unit 1 and an updated cost estimate in 2017 for San Onofre 2 and 3. See "Liquidity and Capital Resources—SCE—Decommissioning of San Onofre" for further discussion of the plans for decommissioning of San Onofre. SCE estimates that it will spend approximately \$7.2 billion undiscounted through 2079 to decommission its nuclear facilities. San Onofre Units 1, 2 and 3 decommissioning cost estimates are updated in each Nuclear Decommissioning Triennial Proceeding. Palo Verde decommissioning cost estimates are updated every three years by the operating agent, Arizona Public Services.

The current ARO estimates for San Onofre and Palo Verde are based on the assumptions from these decommissioning studies and revised based on the latest cost estimates:

- **Decommissioning Costs.** The estimated costs for labor, "material, equipment and other," and low-level radioactive waste costs are included in each of the NRC decommissioning stages; license termination, site restoration, and spent fuel storage. The ARO for decommissioning San Onofre Units 2 and 3 was updated in 2017 after onboarding the decommissioning general contractor.
- **Escalation Rates.** Annual escalation rates are used to convert the decommissioning cost estimates in base year dollars to decommissioning cost estimates in future-year dollars. Escalation rates are primarily used for labor, material, equipment, and low level radioactive waste burial costs. SCE's current estimates are based upon SCE's decommissioning cost methodology used for ratemaking purposes. Average escalation rates range from 1.6% to 7.5% (depending on the cost element) annually.
- **Timing.** Cost estimates for Palo Verde are based on an assumption that decommissioning will commence promptly after the current NRC operating licenses expire. The Palo Verde 1, 2, 3 operating licenses currently expire in 2045, 2046 and 2047 respectively. San Onofre Unit 1 started decommissioning in 1998 and Units 2 and 3 began in 2013. Cost estimates for San Onofre Units are currently based on completion of decommissioning activities by 2051.
- **Spent Fuel Dry Storage Costs.** Cost estimates are based on an assumption that the DOE will begin to take spent fuel from the nuclear industry in 2028, and will remove the last spent fuel from the San Onofre and Palo Verde sites by 2049 and 2078, respectively.
- **Changes in Decommissioning Technology, Regulation, and Economics.** The current cost studies assume the use of current technologies under current regulations and at current cost levels.

*Effect if Different Assumptions Used.* The ARO for decommissioning SCE's nuclear facilities was \$2.6 billion as of December 31, 2017, based on the decommissioning studies performed and the subsequent cost estimate updates. Changes in the estimated costs, execution strategy or timing of decommissioning, or in the assumptions and judgments by management underlying these estimates, could cause material revisions to the estimated total cost to decommission these facilities which could have a material effect on the recorded liability. SCE expects to file its 2018 NDTCP for San Onofre Units 2 and 3 in March 2018 which may result in a revision to the currently reflected decommissioning liability.

The following table illustrates the increase to the ARO liability if the cost escalation rate was adjusted while leaving all other assumptions constant:

(in millions)	Increase to ARO and Regulatory Asset at December 31, 2017	
Uniform increase in escalation rate of 1 percentage point	\$	616

The increase in the ARO liability driven by an increase in the escalation rate would result in a decrease in the regulatory liability for recoveries in excess of ARO liabilities.

#### Pensions and Postretirement Benefits Other than Pensions

*Nature of Estimate Required.* Authoritative accounting guidance requires companies to recognize the overfunded or underfunded status of defined benefit pension and other postretirement plans as assets and liabilities in the balance sheet; the assets and/or liabilities are normally offset through other comprehensive income (loss). In accordance with authoritative guidance for rate-regulated enterprises, regulatory assets and liabilities are recorded instead of charges and credits to other comprehensive income (loss) for its postretirement benefit plans that are recoverable in utility rates. Edison International and SCE have a fiscal year-end measurement date for all of its postretirement plans.

*Key Assumptions of Approach Used.* Pension and other postretirement benefit obligations and the related effects on results of operations are calculated using actuarial models. Two critical assumptions, discount rate and expected return on assets, are important elements of plan expense, and the discount rate is important to liability measurement. Additionally, health care cost trend rates are critical assumptions for postretirement health care plans. These critical assumptions are evaluated at least annually. Other assumptions, which require management judgment, such as rate of compensation increases and rates of retirement and turnover, are evaluated periodically and updated to reflect actual experience.

As of December 31, 2017, Edison International's and SCE's pension plans had a \$4.2 billion and \$3.7 billion benefit obligation, respectively, and total 2017 expense for these plans was \$92 million and \$75 million, respectively. As of December 31, 2017, the benefit obligation for both Edison International's and SCE's PBOP plans were \$2.3 billion, and total 2017 expense for Edison International's and SCE's plans was \$5 million. Annual contributions made to most of SCE's pension plans are currently recovered through CPUC-approved regulatory mechanisms and are expected to be, at a minimum, equal to the related annual expense.

Pension expense is recorded for SCE based on the amount funded to the trusts, as calculated using an actuarial method required for ratemaking purposes, in which the impact of market volatility on plan assets is recognized in earnings on a more gradual basis. Any difference between pension expense calculated in accordance with ratemaking methods and pension expense calculated in accordance with authoritative accounting guidance for pension is accumulated as a regulatory asset or liability, and is expected, over time, to be recovered from or returned to customers. As of December 31, 2017, this cumulative difference amounted to a regulatory asset of \$123 million, meaning that the accounting method has recognized more in expense than the ratemaking method since implementation of authoritative guidance for employers' accounting for pensions in 1987.

Edison International and SCE used the following critical assumptions to determine expense for pension and other postretirement benefit for 2017:

(in millions)	Pension Plans	Postretirement Benefits Other than Pensions
Discount rate <sup>1</sup>	3.94%	4.29%
Expected long-term return on plan assets <sup>2</sup>	6.50%	5.30%
Assumed health care cost trend rates <sup>3</sup>	*	7.00%

\* Not applicable to pension plans.

<sup>1</sup> The discount rate enables Edison International and SCE to state expected future cash flows at a present value on the measurement date. Edison International and SCE select its discount rate by performing a yield curve analysis. This analysis determines the equivalent discount rate on projected cash flows, matching the timing and amount of expected benefit payments. The AON-Hewitt yield curve is considered in determining the discount rate.

- <sup>2</sup> To determine the expected long-term rate of return on pension plan assets, current and expected asset allocations are considered, as well as historical and expected returns on plan assets. A portion of PBOP trusts asset returns are subject to taxation, so the 5.3% rate of return on plan assets above is determined on an after-tax basis. Actual time-weighted, annualized returns on the pension plan assets were 15.1%, 9.7% and 6.4% for the one-year, five-year and ten-year periods ended December 31, 2017, respectively. Actual time-weighted, annualized returns on the PBOP plan assets were 14.1%, 9.5% and 5.7% over these same periods. Accounting principles provide that differences between expected and actual returns are recognized over the average future service of employees.
- <sup>3</sup> The health care cost trend rate gradually declines to 5.0% for 2022 and beyond.

As of December 31, 2017, Edison International and SCE had unrecognized pension costs of \$347 million and \$292 million, and unrecognized PBOP gains of \$22 million and \$26 million, respectively. The unrecognized pension costs and PBOP gains primarily consisted of the cumulative impact of the reduced discount rates on the respective benefit obligations and the cumulative difference between the expected and actual rate of return on plan assets. Of these deferred costs (gains), \$271 million of SCE's pension costs and \$(26) million of SCE's PBOP gains are recorded as regulatory assets and regulatory liabilities, respectively, and are expected to be recovered (refunded) over the average expected future service of employees.

Edison International's and SCE's pension and PBOP plans are subject to limits established for federal tax deductibility. SCE funds its pension and PBOP plans in accordance with amounts allowed by the CPUC. Executive pension plans have no plan assets.

*Effect if Different Assumptions Used.* Changes in the estimated costs or timing of pension and other postretirement benefit obligations, or the assumptions and judgments used by management underlying these estimates, could have a material effect on the recorded expenses and liabilities.

The following table summarizes the increase or (decrease) to projected benefit obligation for pension and the accumulated benefit obligation for PBOP if the discount rate were changed while leaving all other assumptions constant:

(in millions)	Edison International		SCE	
	Increase in discount rate by 1%	Decrease in discount rate by 1%	Increase in discount rate by 1%	Decrease in discount rate by 1%
Change to projected benefit obligation for pension	\$ (381)	\$ 463	\$ (342)	\$ 417
Change to accumulated benefit obligation for PBOP	(328)	382	(327)	380

A one percentage point increase in the expected rate of return on pension plan assets would decrease Edison International's and SCE's current year expense by \$33 million and \$31 million, respectively, and a one percentage point increase in the expected rate of return on PBOP plan assets would decrease both Edison International's and SCE's current year expense by \$21 million.

The following table summarizes the increase or (decrease) to accumulated benefit obligation and annual aggregate service and interest costs for PBOP if the health care cost trend rate was changed while leaving all other assumptions constant:

(in millions)	Edison International		SCE	
	Increase in health care cost trend rate by 1%	Decrease in health care cost trend rate by 1%	Increase in health care cost trend rate by 1%	Decrease in health care cost trend rate by 1%
Change to accumulated benefit obligation for PBOP	\$ 247	\$ (203)	\$ 246	\$ (202)
Change to annual aggregate service and interest costs	9	(8)	9	(8)

### Accounting for Contingencies

*Nature of Estimates Required.* Edison International and SCE record loss contingencies when management determines that the outcome of future events is probable of occurring and when the amount of the loss can be reasonably estimated. Gain contingencies are recognized in the financial statements when they are realized.

*Key Assumptions and Approach Used.* The determination of a reserve for a loss contingency is based on management judgment and estimates with respect to the likely outcome of the matter, including the analysis of different scenarios.

Liabilities are recorded or adjusted when events or circumstances cause these judgments or estimates to change. In assessing whether a loss is a reasonable possibility, Edison International and SCE may consider the following factors, among others: the nature of the litigation, claim or assessment, available information, opinions or views of legal counsel and other advisors, and the experience gained from similar cases. Edison International and SCE provide disclosures for material contingencies when there is a reasonable possibility that a loss or an additional loss may be incurred.

*Effect if Different Assumptions Used.* Actual amounts realized upon settlement of contingencies may be different than amounts recorded and disclosed and could have a significant impact on the liabilities, revenue and expenses recorded on the consolidated financial statements. For a discussion of contingencies, guarantees and indemnities, see "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies."

#### ***Application to Southern California Wildfires***

As discussed in "Management Overview," in December 2017, several wind-driven wildfires (the "December 2017 Wildfires") impacted portions of SCE's service territory and caused substantial damage to both residential and business properties and service outages for SCE customers. The causes of the December 2017 Wildfires are being investigated by Cal Fire and other fire agencies. SCE believes the investigations include the possible role of SCE's facilities.

Any potential liability of SCE for December 2017 Wildfire-related damages will depend on a number of factors, including whether SCE is determined to have substantially caused, or contributed to, the damages and whether parties seeking recovery of damages will be required to show negligence in addition to causation.

Management judgment was required to assess whether a loss contingency was probable and reasonably estimable. Given the preliminary stages of the investigations and the uncertainty as to the causes of the December 2017 Wildfires, and the extent and magnitude of potential damages, Edison International and SCE determined that it is possible, but not probable a loss had occurred as of December 31, 2017. Over the course of the various investigations, new facts may emerge as to the cause of the December 2017 Wildfires and the extent and magnitude of potential damages. If new facts are learned that cause management to conclude a loss is probable and reasonably estimable, Edison International and SCE would record an accrued liability at that time.

#### **NEW ACCOUNTING GUIDANCE**

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

#### **RISK FACTORS**

##### **RISKS RELATING TO EDISON INTERNATIONAL**

##### **Edison International's liquidity and ability to pay dividends depends on SCE's ability to pay dividends and tax allocation payments to Edison International, monetization of tax benefits retained by EME, ability to borrow funds, and access to capital markets.**

Edison International is a holding company and, as such, it has no operations of its own. Edison International's ability to meet its financial obligations, make investments, and to pay dividends on its common stock is primarily dependent on the earnings and cash flows of SCE and its ability to make upstream distributions. Prior to paying dividends to Edison International, SCE has financial and regulatory obligations that must be satisfied, including, among others, debt service and preferred and preference stock dividends. In addition, CPUC holding company rules require that SCE's dividend policy be established by SCE's Board of Directors on the same basis as if SCE were a stand-alone utility company, and that the capital requirements of SCE, as deemed to be necessary to meet SCE's electricity service obligations, shall receive first priority from the Boards of Directors of both Edison International and SCE. Further, SCE and Edison International cannot pay dividends if California law requirements for the declaration of dividends are not met. For information on the California law requirements on the declaration of dividends, see "Liquidity and Capital Resources—SCE—SCE Dividends." SCE may also owe tax-allocation payments to Edison International under applicable tax-allocation agreements. See "Risks Relating to Southern California Edison Company" below for further discussion.

##### **Edison International's business activities are concentrated in one industry and in one region.**

Edison International business activities are concentrated in the electricity industry. Its principal subsidiary, SCE, serves customers only in southern and central California. Although Edison International, through Edison Energy Group, is developing competitive businesses that are diversified geographically, these businesses are not material. As a result, Edison

International's future performance may be affected by events and economic factors unique to California or by regional regulation or legislation.

**Edison International is developing businesses held by Edison Energy Group that may not be successful.**

Edison International, through Edison Energy Group, is pursuing an energy services and managed portfolio solutions business focused on large C&I customers by providing unbiased expertise to help define energy requirements and implement solutions to better manage energy costs and risks. There is no assurance that these activities will lead to growth or be profitable.

Edison International is also exploring the sale of SoCore Energy, its solar business. There is no assurance that this will lead to a sale of the business, that a loss on sale will not result or that if a sale is not completed, that future solar activities will be profitable.

**RISKS RELATING TO SOUTHERN CALIFORNIA EDISON COMPANY**

**Regulatory Risks**

*SCE's financial results depend upon its ability to recover its costs and to earn a reasonable rate of return on capital investments in a timely manner from its customers through regulated rates.*

SCE's ongoing financial results depend on its ability to recover its costs from its customers, including the costs of electricity purchased for its customers, through the rates it charges its customers as approved by the CPUC and FERC. SCE's financial results also depend on its ability to earn a reasonable return on capital, including long-term debt and equity. SCE's ability to recover its costs and earn a reasonable rate of return can be affected by many factors, including the time lag between when costs are incurred and when those costs are recovered in customers' rates and differences between the forecast or authorized costs embedded in rates (which are set on a prospective basis) and the amount of actual costs incurred. The CPUC or the FERC may not allow SCE to recover costs on the basis that such costs were not reasonably or prudently incurred or for other reasons. Further, SCE may be required to incur expenses before the relevant regulatory agency approves the recovery of such costs. For example, to the extent SCE is required to pay uninsured wildfire-related damages, SCE may be forced to do so before it is clear that such costs will be recoverable from customers. In addition, while SCE supports California's environmental goals, it may be prevented from fully executing on its strategy to support such goals by regulatory delay or lack of approval of cost-recovery for the costs of such strategic actions from the relevant regulatory agencies. In addition, SCE's capital investment plan, increasing procurement of renewable power and energy storage, increasing environmental regulations, leveling demand, and the cumulative impact of other public policy requirements, collectively place continuing upward pressure on customer rates. If SCE is unable to obtain a sufficient rate increase or modify its rate design to recover its costs (including an adequate return on capital) in rates in a timely manner, its financial condition and results of operations could be materially affected. For further information on SCE's rate requests, see "Management Overview—2018 General Rate Case" and "Liquidity and Capital Resources—SCE—Regulatory Proceedings—FERC Formula Rate" in the MD&A.

*SCE is subject to extensive regulation and the risk of adverse regulatory decisions and changes in applicable regulations or legislation.*

SCE operates in a highly regulated environment. SCE's business is subject to extensive federal, state and local energy, environmental and other laws and regulations. Among other things, the CPUC regulates SCE's retail rates and capital structure, and the FERC regulates SCE's wholesale rates. The NRC regulates the decommissioning of San Onofre in addition to the local and state agencies that require permits. The construction, planning, and siting of SCE's power plants and transmission lines in California are also subject to regulation by the CPUC and other local, state and federal agencies.

SCE must periodically apply for licenses and permits from these various regulatory authorities and abide by their respective orders. Should SCE be unsuccessful in obtaining necessary licenses or permits or should these regulatory authorities initiate any investigations or enforcement actions or impose penalties or disallowances on SCE, SCE may be prevented from executing its strategy and its business could be materially affected. The process of obtaining licenses and permits from regulatory authorities may be delayed or defeated by opponents and such delay or defeat could have a material effect on SCE's business.

Rules, restrictions and processes around *ex parte* communications could result in delayed decisions, increased investigations, enforcement actions and penalties. In addition, the CPUC or other parties may initiate investigations of past communications between public utilities, including SCE, and CPUC officials and staff that could result in reopening completed proceedings for reconsideration.

In addition, existing regulations may be revised or reinterpreted and new laws and regulations may be adopted or become applicable to SCE, or its facilities or operations, in a manner that may have a detrimental effect on SCE's business or result in

significant additional costs. In addition, regulations adopted via the public initiative or legislative process may apply to SCE, or its facilities or operations, in a manner that may have a detrimental effect on SCE's business or result in significant additional costs.

***SCE's energy procurement activities are subject to regulatory and market risks that could materially affect its financial condition and liquidity.***

SCE obtains energy, capacity, environmental credits and ancillary services needed to serve its customers from its own generating plants and through contracts with energy producers and sellers. California law and CPUC decisions allow SCE to recover, through the rates it is allowed to charge its customers, reasonable procurement costs incurred in compliance with an approved procurement plan. Nonetheless, SCE's cash flows remain subject to volatility primarily resulting from changes in commodity prices. Additionally, significant and prolonged gas use restrictions may adversely impact the reliability of the electric grid if critical generation resources are limited in their operations. For further information, see "Business—SCE—Purchased Power and Fuel Supply." SCE is also subject to the risks of unfavorable or untimely CPUC decisions about the compliance with SCE's procurement plan and the reasonableness of certain procurement-related costs.

SCE may not be able to hedge its risk for commodities on economic terms or fully recover the costs of hedges through the rates it is allowed to charge its customers, which could materially affect SCE's liquidity and results of operations, see "Market Risk Exposures" in the MD&A.

## **Operating Risks**

***Damage claims against SCE for wildfire-related losses may materially affect SCE's financial condition and results of operations.***

Prolonged drought conditions and shifting weather patterns in California resulting from climate change as well as increased tree mortality rates have increased the duration of the wildfire season and the risk of severe wildfire events. Severe wildfires and increased urban development in high fire risk areas in California have given rise to large damage claims against California utilities for fire-related losses alleged to be the result of utility practices and/or the failure of electric and other utility equipment. Certain California courts have previously found utilities to be strictly liable for property damage, regardless of fault, by applying the theory of inverse condemnation when a utility's facilities were determined to be a substantial cause of a wildfire that caused the property damage. The rationale stated by these courts for applying this theory to investor-owned utilities is that property losses resulting from a public improvement, such as the distribution of electricity, can be spread across the larger community that benefited from such improvement. However, in December 2017, the CPUC issued a decision denying the investor-owned utility's request to include in its rates uninsured wildfire-related costs arising from several 2007 fires, finding that the investor-owned utility did not prudently manage and operate its facilities prior to or at the outset of the 2007 wildfires. An inability to recover uninsured wildfire-related costs could materially affect SCE's business, financial condition and results of operations. For example, if SCE is found liable for damages related to the December 2017 Wildfires, and SCE is unable to, or believes that it will be unable to, recover those damages, SCE may not have sufficient cash or equity to pay dividends to Edison International or may be prohibited from declaring such dividends because it does not meet California law requirements for the declaration of dividends. For information on the California law requirements on the declaration of dividends, see "Liquidity and Capital Resources—SCE—SCE Dividends" in the MD&A. See "Management Overview—Southern California Wildfires" in the MD&A.

***SCE's insurance coverage for wildfires arising from its ordinary operations may not be sufficient.***

Edison International has experienced increased costs and difficulties in obtaining insurance coverage for wildfires that could arise from SCE's ordinary operations. Edison International, SCE or its contractors may experience coverage reductions and/or increased wildfire insurance costs in future years. No assurance can be given that losses will not exceed the limits of SCE's or its contractors' insurance coverage. SCE may not be able to recover uninsured losses and increases in the cost of insurance in customer rates. Losses which are not fully insured or cannot be recovered in customer rates could materially affect Edison International's and SCE's financial condition and results of operations. For more information on wildfire insurance risk, see "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies—Southern California Wildfires."

***There are inherent risks associated with owning and decommissioning nuclear power generating facilities and obtaining cost reimbursement, including, among other things, costs exceeding estimates, execution risks, potential harmful effects on the environment and human health and the hazards of storage, handling and disposal of radioactive materials. Existing insurance and ratemaking arrangements may not protect SCE fully against losses from a nuclear incident.***

SCE expects to fund decommissioning costs with assets that are currently held in nuclear decommissioning trusts. SCE believes that the nuclear decommissioning trusts' assets will be sufficient to pay the estimated costs of decommissioning without further contributions but the costs ultimately incurred could exceed the current estimates. The costs of decommissioning San Onofre are subject to reasonableness reviews by the CPUC. These costs may not be recoverable through regulatory processes or otherwise unless SCE can establish that the costs were reasonably incurred. In addition, SCE faces inherent execution risks including such matters as the risks of human performance, workforce capabilities, public opposition, permitting delays, and governmental approvals.

Despite the fact that San Onofre is being decommissioned, the presence of spent nuclear fuel still poses a potential risk of a nuclear incident. Federal law limits public liability claims from a nuclear incident to the amount of available financial protection, which is currently approximately \$13.4 billion. SCE and other owners of San Onofre and Palo Verde have purchased the maximum private primary insurance available of \$450 million per site. If nuclear incident liability claims were to exceed \$450 million, the remaining amount would be made up from contributions of approximately \$13.0 billion made by all of the nuclear facility owners in the U.S., up to an aggregate total of \$13.4 billion. There is no assurance that the CPUC would allow SCE to recover the required contribution made in the case of one or more nuclear incident claims that exceeded \$450 million. If this public liability limit of \$13.4 billion is insufficient, federal law contemplates that additional funds may be appropriated by Congress. There can be no assurance of SCE's ability to recover uninsured costs in the event the additional federal appropriations are insufficient. For more information on nuclear insurance risk, see "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies—Nuclear Insurance."

***Climate change exacerbated weather-related incidents and other natural disasters could materially affect SCE's financial condition and results of operations.***

Weather-related incidents and other natural disasters, including storms, wildfires, mudslides and earthquakes, can disrupt the generation and transmission of electricity, and can seriously damage the infrastructure necessary to deliver power to SCE's customers. Climate change has caused, and exacerbated, extreme weather events and wildfires in southern California. These events can lead to lost revenue and increased expense, including higher maintenance and repair costs, which SCE may not be able to recover from its customers. They can also result in regulatory penalties and disallowances, particularly if SCE encounters difficulties in restoring power to its customers on a timely basis or if fire-related losses are found to be the result of utility practices and/or the failure of electric and other utility equipment. These occurrences could materially affect SCE's business, financial condition and results of operations, and the inability to restore power to SCE's customers could also materially damage the business reputation of SCE and Edison International.

***The generation, transmission and distribution of electricity are dangerous and involve inherent risks of damage to private property and injury to employees and the general public.***

Electricity is dangerous for employees and the general public should they come in contact with electrical current or equipment, including through downed power lines or if equipment malfunctions. Injuries and property damage caused by such events can subject SCE to liability that, despite the existence of insurance coverage, can be significant. No assurance can be given that future losses will not exceed the limits of SCE's or its contractors' insurance coverage. The CPUC has increased its focus on public safety with an emphasis on heightened compliance with construction and operating standards and the potential for penalties being imposed on utilities. Additionally, the CPUC has delegated to its staff the authority to issue citations to electric utilities, which can impose fines of up to \$50,000 per violation per day, pursuant to the CPUC's jurisdiction for violations of safety rules found in statutes, regulations, and the CPUC's General Orders. Such penalties and liabilities could be significant and materially affect SCE's liquidity and results of operations.

***SCE's financial condition and results of operations could be materially affected if it is unable to successfully manage the risks inherent in operating and maintaining its facilities.***

SCE's infrastructure is aging and could pose a risk to system reliability. In order to mitigate this risk, SCE is engaged in a significant and ongoing infrastructure investment program. This substantial investment program elevates operational risks and the need for superior execution in SCE's activities. SCE's financial condition and results of operations could be materially affected if it is unable to successfully manage these risks as well as the risks inherent in operating and maintaining its facilities, the operation of which can be hazardous. SCE's inherent operating risks include such matters as the risks of human performance, workforce capabilities, public opposition to infrastructure projects, delays, environmental mitigation costs, difficulty in estimating costs or in recovering costs that are above original estimates, system limitations and degradation, and interruptions in necessary supplies.

## Financing Risks

*As a capital intensive company, SCE relies on access to the capital markets. If SCE were unable to access the capital markets or the cost of financing were to substantially increase, its liquidity and operations could be materially affected.*

SCE regularly accesses the capital markets to finance its activities and is expected to do so by its regulators as part of its obligation to serve as a regulated utility. SCE's needs for capital for its ongoing infrastructure investment program are substantial. SCE's ability to obtain financing, as well as its ability to refinance debt and make scheduled payments of principal, interest and preferred stock dividends, are dependent on numerous factors, including SCE's levels of indebtedness, maintenance of acceptable credit ratings, financial performance, liquidity and cash flow, and other market conditions. In addition, the actions of other California investor-owned utilities and the CPUC can affect market conditions and therefore, SCE's ability to obtain financing. SCE's inability to obtain additional capital from time to time could have a material effect on SCE's liquidity and operations.

## Competitive and Market Risks

*SCE's inability to effectively and timely respond to the changes that the electricity industry is undergoing, as a result of increased competition, technological advances, and changes to the regulatory environment, could materially impact SCE's business model, financial condition and results of operations.*

California utilities are experiencing increasing deployment by customers and third parties of DERs, such as solar generation, energy storage, energy efficiency and demand response technologies. California's environmental policy objectives are accelerating the pace and scope of industry change. This change will require modernization of the electric distribution grid to, among other things, accommodate two-way flows of electricity and increase the grid's capacity to interconnect DERs. In addition, enabling California's clean energy economy goals will require sustained investments in grid modernization, renewable integration projects, energy efficiency programs, energy storage options and electric vehicle infrastructures. To this end, the CPUC is conducting proceedings to: evaluate changes to the planning and operation of the electric distribution grid in order to prepare for higher penetration of DERs; consider future grid modernization and grid reinforcement investments; evaluate if traditional grid investments can be deferred by DERs, and if feasible, what, if any, compensation to utilities would be appropriate; and clarify the role of the electric distribution grid operator. The outcome of the CPUC's proceedings may impact SCE's business model, its ability to execute on its strategy, and ultimately its financial condition and results of operations. For more information, see "Management Overview—Capital Program—Distribution Grid Development" in the MD&A.

Customer-owned generation and CCAs each reduce the amount of electricity that customers purchase from utilities and have the effect of increasing utility rates unless customer rates are designed to allocate the costs of the distribution grid across all customers that benefit from its use. For example, customers in California who generate their own power do not currently pay all transmission and distribution charges and non-bypassable charges, subject to limitations, which result in increased utility rates for those customers who do not own their generation. If regulations aren't changed such that customers pay their share of transmission and distribution charges and non-bypassable charges or the demand for electricity reduces so significantly that SCE is no longer effectively able to recover such charges from its customers, SCE's business, financial condition and results of operations will be materially impacted.

In addition, the FERC has opened transmission development to competition from independent developers, allowing such developers to compete with incumbent utilities for the construction and operation of transmission facilities. For more information, see "Business—SCE—Competition."

## Cybersecurity and Physical Security Risks

*SCE's systems and network infrastructure may be vulnerable to physical and cyber attacks, intrusions or other catastrophic events that could result in their failure or reduced functionality.*

Regulators, such as the NERC, and U.S. Government Departments, including the Departments of Defense, Homeland Security and Energy, have noted that threat sources continue to seek to exploit potential vulnerabilities in the U.S. national electric grid and other energy infrastructures and that such attacks and disruptions, both physical and cyber, are becoming increasingly sophisticated and dynamic. As SCE moves from an analog to a digital electric grid, new cyber security risks arise. An example of such new risks is the installation of "smart" meters in SCE's service territory. This technology may represent a new route for attacks on SCE's information systems. Additional risks may also arise as a result of proposed grid modernization efforts. SCE's operations require the continuous availability of critical information technology systems and network infrastructure. SCE's systems have been, and will likely continue to be, subjected to computer attacks of malicious codes, unauthorized access attempts, and other illicit activities, but to date, SCE has not experienced a material cybersecurity



breach. Although SCE actively monitors developments in this area and is involved in various industry groups and government initiatives, no security measures can completely shield such systems and infrastructure from vulnerabilities to cyber attacks, intrusions or other catastrophic events that could result in their failure or reduced functionality. If SCE's information technology and operational technology systems' security measures were to be breached or a critical system failure were to occur without timely recovery, SCE could be unable to fulfill critical business functions such as delivery of electricity to customers and/or sensitive confidential personal and other data could be compromised, which could result in violations of applicable privacy and other laws, financial loss to SCE or to its customers, loss of confidence in SCE's security measures, customer dissatisfaction, and significant litigation exposure, all of which could materially affect SCE's financial condition and results of operations and materially damage the business reputation of Edison International and SCE.

**QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Information responding to this section is included in the MD&A under the heading "Market Risk Exposures."

**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and  
Shareholders of Edison International

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Edison International and its subsidiaries as of December 31, 2017 and December 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes and financial statement schedules listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California

February 22, 2018

We have served as the Company's auditor since 2002.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and  
Shareholders of Southern California Edison Company

### *Opinion on the Financial Statements*

We have audited the accompanying consolidated balance sheets of Southern California Edison and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California  
February 22, 2018

We have served as the Company's auditor since 2002.

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**CONSOLIDATED STATEMENTS**
**Consolidated Statements of Income**
**Edison International**

(in millions, except per-share amounts)	Years ended December 31,		
	2017	2016	2015
<b>Total operating revenue</b>	\$ 12,320	\$ 11,869	\$ 11,524
Purchased power and fuel	4,873	4,527	4,266
Operation and maintenance	2,807	2,868	2,990
Depreciation and amortization	2,041	2,007	1,919
Property and other taxes	377	354	336
Impairment and other charges	738	21	5
Other operating income	(9)	—	—
<b>Total operating expenses</b>	10,827	9,777	9,516
<b>Operating income</b>	1,493	2,092	2,008
Interest and other income	146	123	174
Interest expense	(639)	(581)	(555)
Other expenses	(51)	(44)	(59)
<b>Income from continuing operations before income taxes</b>	949	1,590	1,568
Income tax expense	281	177	486
<b>Income from continuing operations</b>	668	1,413	1,082
Income from discontinued operations, net of tax	—	12	35
<b>Net income</b>	668	1,425	1,117
Preferred and preference stock dividend requirements of utility	124	123	113
Other noncontrolling interests	(21)	(9)	(16)
<b>Net income attributable to Edison International common shareholders</b>	\$ 565	\$ 1,311	\$ 1,020
<b>Amounts attributable to Edison International common shareholders:</b>			
Income from continuing operations, net of tax	\$ 565	\$ 1,299	\$ 985
Income from discontinued operations, net of tax	—	12	35
<b>Net income attributable to Edison International common shareholders</b>	\$ 565	\$ 1,311	\$ 1,020
<b>Basic earnings per common share attributable to Edison International common shareholders:</b>			
Weighted-average shares of common stock outstanding	326	326	326
Continuing operations	\$ 1.73	\$ 3.99	\$ 3.02
Discontinued operations	—	0.03	0.11
<b>Total</b>	\$ 1.73	\$ 4.02	\$ 3.13
<b>Diluted earnings per common share attributable to Edison International common shareholders:</b>			
Weighted-average shares of common stock outstanding, including effect of dilutive securities	328	330	329
Continuing operations	\$ 1.72	\$ 3.94	\$ 2.99
Discontinued operations	—	0.03	0.11
<b>Total</b>	\$ 1.72	\$ 3.97	\$ 3.10
<b>Dividends declared per common share</b>	\$ 2.2325	\$ 1.9825	\$ 1.7325

**Consolidated Statements of Comprehensive Income**
**Edison International**

(in millions)	Years ended December 31,		
	2017	2016	2015
<b>Net income</b>	\$ 668	\$ 1,425	\$ 1,117
Other comprehensive income, net of tax:			
Pension and postretirement benefits other than pensions:			
Net gain or loss arising during the period plus amortization included in net income	10	2	1
Prior service cost arising during the period plus amortization included in net income	—	—	1
Other	—	1	—
<b>Other comprehensive income, net of tax</b>	<b>10</b>	<b>3</b>	<b>2</b>
<b>Comprehensive income</b>	<b>678</b>	<b>1,428</b>	<b>1,119</b>
Less: Comprehensive income attributable to noncontrolling interests	103	114	97
<b>Comprehensive income attributable to Edison International</b>	<b>\$ 575</b>	<b>\$ 1,314</b>	<b>\$ 1,022</b>

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

## Consolidated Balance Sheets

Edison International

(in millions)	December 31,	
	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,091	\$ 96
Receivables, less allowances of \$54 million and \$62 for uncollectible accounts at respective dates	717	714
Accrued unbilled revenue	212	370
Inventory	242	239
Income tax receivables	224	1
Prepaid expenses	233	103
Derivative assets	105	73
Regulatory assets	703	350
Other current assets	202	177
<b>Total current assets</b>	<b>3,729</b>	<b>2,123</b>
Nuclear decommissioning trusts	4,440	4,242
Other investments	73	83
<b>Total investments</b>	<b>4,513</b>	<b>4,325</b>
Utility property, plant and equipment, less accumulated depreciation and amortization of \$9,355 and \$9,000 at respective dates	38,708	36,806
Nonutility property, plant and equipment, less accumulated depreciation of \$114 and \$99 at respective dates	342	194
<b>Total property, plant and equipment</b>	<b>39,050</b>	<b>37,000</b>
Regulatory assets	4,914	7,455
Other long-term assets	374	416
<b>Total long-term assets</b>	<b>5,288</b>	<b>7,871</b>
<b>Total assets</b>	<b>\$ 52,580</b>	<b>\$ 51,319</b>

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



**Consolidated Balance Sheets**
**Edison International**

(in millions, except share amounts)	December 31,	
	2017	2016
<b>LIABILITIES AND EQUITY</b>		
Short-term debt	\$ 2,393	\$ 1,307
Current portion of long-term debt	481	981
Accounts payable	1,503	1,342
Accrued taxes	23	50
Customer deposits	281	269
Derivative liabilities	1	216
Regulatory liabilities	1,121	756
Other current liabilities	1,265	991
<b>Total current liabilities</b>	<b>7,068</b>	<b>5,912</b>
<b>Long-term debt</b>	<b>11,642</b>	<b>10,175</b>
Deferred income taxes and credits	4,567	8,327
Derivative liabilities	—	941
Pensions and benefits	943	1,354
Asset retirement obligations	2,908	2,590
Regulatory liabilities	8,614	5,726
Other deferred credits and other long-term liabilities	2,953	2,102
<b>Total deferred credits and other liabilities</b>	<b>19,985</b>	<b>21,040</b>
<b>Total liabilities</b>	<b>38,695</b>	<b>37,127</b>
Commitments and contingencies (Note 11)		
<b>Redeemable noncontrolling interest</b>	<b>19</b>	<b>5</b>
Common stock, no par value (800,000,000 shares authorized; 325,811,206 shares issued and outstanding at respective dates)	2,526	2,505
Accumulated other comprehensive loss	(43)	(53)
Retained earnings	9,188	9,544
<b>Total Edison International's common shareholders' equity</b>	<b>11,671</b>	<b>11,996</b>
Noncontrolling interests – preferred and preference stock of utility	2,193	2,191
<b>Other noncontrolling interests</b>	<b>2</b>	<b>—</b>
<b>Total equity</b>	<b>13,866</b>	<b>14,187</b>
<b>Total liabilities and equity</b>	<b>\$ 52,580</b>	<b>\$ 51,319</b>

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

## Consolidated Statements of Cash Flows

Edison International

(in millions)	Years ended December 31,		
	2017	2016	2015
<b>Cash flows from operating activities:</b>			
Net income	\$ 668	\$ 1,425	\$ 1,117
Less: Income from discontinued operations	—	12	35
Income from continuing operations	668	1,413	1,082
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	2,115	2,098	2,005
Allowance for equity during construction	(87)	(74)	(87)
Impairment and other charges	738	—	5
Deferred income taxes and investment tax credits	498	190	449
Other	22	20	(28)
Nuclear decommissioning trusts	(197)	(179)	(428)
EME settlement payments, net of insurance proceeds	—	(209)	(176)
Changes in operating assets and liabilities:			
Receivables	7	52	49
Inventory	(12)	8	14
Accounts payable	50	35	8
Tax receivables and payables	(250)	(6)	(28)
Other current assets and liabilities	34	211	(24)
Derivative assets and liabilities, net	(28)	13	45
Regulatory assets and liabilities, net	4	(292)	1,729
Other noncurrent assets and liabilities	25	(24)	(106)
<b>Net cash provided by operating activities</b>	<b>3,587</b>	<b>3,256</b>	<b>4,509</b>
<b>Cash flows from financing activities:</b>			
Long-term debt issued or remarketed, net of premium, discount and issuance costs of \$2, \$7, and \$17 for respective years	2,233	397	1,420
Long-term debt matured or repurchased	(1,285)	(220)	(762)
Preference stock issued, net	462	294	319
Preference stock redeemed	(475)	(125)	(325)
Short-term debt financing, net	1,084	611	(572)
Payments for stock-based compensation	(393)	(237)	(197)
Receipts from stock option exercises	215	135	128
Dividends and distribution to noncontrolling interests	(125)	(123)	(116)
Dividends paid	(707)	(626)	(544)
Other	(2)	(11)	61
<b>Net cash provided by (used in) financing activities</b>	<b>1,007</b>	<b>95</b>	<b>(588)</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(3,828)	(3,734)	(4,225)
Proceeds from sale of nuclear decommissioning trust investments	5,239	3,212	3,506
Purchases of nuclear decommissioning trust investments	(5,042)	(3,033)	(3,132)
Life insurance policy loans proceeds	26	140	—
Other	6	(1)	(41)
<b>Net cash used in investing activities</b>	<b>(3,599)</b>	<b>(3,416)</b>	<b>(3,892)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>995</b>	<b>(65)</b>	<b>29</b>
Cash and cash equivalents at beginning of year	96	161	132
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,091</b>	<b>\$ 96</b>	<b>\$ 161</b>

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

**Consolidated Statements of Changes in Equity**
**Edison International**

(in millions)	Equity Attributable to Common Shareholders				Noncontrolling Interests			Total Equity
	Common Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Subtotal	Other	Preferred and Preference Stock		
<b>Balance at December 31, 2014</b>	\$ 2,445	\$ (58)	\$ 8,573	\$ 10,960	\$ —	\$ 2,022	\$ 12,982	
Net income	—	—	1,020	1,020	—	113	1,133	
Other comprehensive loss	—	2	—	2	—	—	2	
Common stock dividends declared (\$1.7325 per share)	—	—	(564)	(564)	—	—	(564)	
Dividends and distributions to noncontrolling interests and other	—	—	—	—	—	(113)	(113)	
Stock-based compensation and other	15	—	(85)	(70)	—	—	(70)	
Noncash stock-based compensation and other	24	—	—	24	—	—	24	
Issuance of preference stock	—	—	—	—	—	319	319	
Redemption of preference stock	—	—	(4)	(4)	—	(321)	(325)	
<b>Balance at December 31, 2015</b>	\$ 2,484	\$ (56)	\$ 8,940	\$ 11,368	\$ —	\$ 2,020	\$ 13,388	
Net income	—	—	1,311	1,311	—	123	1,434	
Other comprehensive income	—	3	—	3	—	—	3	
Common stock dividends declared (\$1.9825 per share)	—	—	(646)	(646)	—	—	(646)	
Dividends and distributions to noncontrolling interests and other	—	—	—	—	—	(123)	(123)	
Stock-based compensation and other	(1)	—	(59)	(60)	—	—	(60)	
Noncash stock-based compensation and other	22	—	—	22	—	—	22	
Issuance of preference stock	—	—	—	—	—	294	294	
Redemption of preference stock	—	—	(2)	(2)	—	(123)	(125)	
<b>Balance at December 31, 2016</b>	\$ 2,505	\$ (53)	\$ 9,544	\$ 11,996	\$ —	\$ 2,191	\$ 14,187	
Net income	—	—	565	565	(18)	124	671	
Other comprehensive income	—	10	—	10	—	—	10	
Contribution from tax equity investor	—	—	—	—	20	—	20	
Common stock dividends declared (\$2.2325 per share)	—	—	(727)	(727)	—	—	(727)	
Dividends and distributions to noncontrolling interests and other	—	—	—	—	—	(124)	(124)	
Stock-based compensation and other	—	—	(179)	(179)	—	—	(179)	
Noncash stock-based compensation and other	21	—	—	21	—	—	21	
Issuance of preference stock	—	—	—	—	—	462	462	
Redemption of preference stock	—	—	(15)	(15)	—	(460)	(475)	
<b>Balance at December 31, 2017</b>	\$ 2,526	\$ (43)	\$ 9,188	\$ 11,671	\$ 2	\$ 2,193	\$ 13,866	

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

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

(in millions)	Years ended December 31,		
	2017	2016	2015
<b>Operating revenue</b>	\$ 12,254	\$ 11,830	\$ 11,485
Purchased power and fuel	4,873	4,527	4,266
Operation and maintenance	2,671	2,737	2,890
Depreciation and amortization	2,032	1,998	1,915
Property and other taxes	372	351	334
Impairment and other charges	716	—	—
Other operating income	(8)	—	—
<b>Total operating expenses</b>	10,656	9,613	9,405
<b>Operating income</b>	1,598	2,217	2,080
Interest and other income	145	123	123
Interest expense	(589)	(541)	(526)
Other expenses	(48)	(44)	(59)
<b>Income before income taxes</b>	1,106	1,755	1,618
Income tax expense	(30)	256	507
<b>Net income</b>	1,136	1,499	1,111
Less: Preferred and preference stock dividend requirements	124	123	113
<b>Net income available for common stock</b>	\$ 1,012	\$ 1,376	\$ 998

**Consolidated Statements of Comprehensive Income**

(in millions)	Years ended December 31,		
	2017	2016	2015
<b>Net income</b>	\$ 1,136	\$ 1,499	\$ 1,111
Other comprehensive income, net of tax:			
Pension and postretirement benefits other than pensions:			
Net loss arising during period plus amortization included in net income	1	1	5
Prior service cost arising during the period plus amortization included in net income	—	—	1
Other	—	1	—
<b>Other comprehensive income, net of tax</b>	1	2	6
<b>Comprehensive income</b>	\$ 1,137	\$ 1,501	\$ 1,117

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

## Consolidated Balance Sheets

## Southern California Edison Company

(in millions)	December 31,	
	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 515	\$ 39
Receivables, less allowances of \$53 and \$61 for uncollectible accounts at respective dates	693	699
Accrued unbilled revenue	212	369
Inventory	242	239
Income tax receivables	229	16
Prepaid expenses	228	98
Derivative assets	105	73
Regulatory assets	703	350
Other current assets	160	148
<b>Total current assets</b>	<b>3,087</b>	<b>2,031</b>
Nuclear decommissioning trusts	4,440	4,242
Other investments	52	50
<b>Total investments</b>	<b>4,492</b>	<b>4,292</b>
Utility property, plant and equipment, less accumulated depreciation and amortization of \$9,355 and \$9,000 at respective dates	38,708	36,806
Nonutility property, plant and equipment, less accumulated depreciation of \$97 and \$89 at respective dates	77	75
<b>Total property, plant and equipment</b>	<b>38,785</b>	<b>36,881</b>
Regulatory assets	4,914	7,455
Other long-term assets	237	232
<b>Total long-term assets</b>	<b>5,151</b>	<b>7,687</b>
<b>Total assets</b>	<b>\$ 51,515</b>	<b>\$ 50,891</b>

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

## Consolidated Balance Sheets

## Southern California Edison Company

(in millions, except share amounts)	December 31,	
	2017	2016
<b>LIABILITIES AND EQUITY</b>		
Short-term debt	\$ 1,238	\$ 769
Current portion of long-term debt	479	579
Accounts payable	1,519	1,344
Accrued taxes	24	45
Customer deposits	281	269
Derivative liabilities	1	216
Regulatory liabilities	1,121	756
Other current liabilities	1,224	729
<b>Total current liabilities</b>	<b>5,887</b>	<b>4,707</b>
<b>Long-term debt</b>	<b>10,428</b>	<b>9,754</b>
Deferred income taxes and credits	5,890	9,886
Derivative liabilities	—	941
Pensions and benefits	483	896
Asset retirement obligations	2,892	2,586
Regulatory liabilities	8,614	5,726
Other deferred credits and other long-term liabilities	2,649	1,912
<b>Total deferred credits and other liabilities</b>	<b>20,528</b>	<b>21,947</b>
<b>Total liabilities</b>	<b>36,843</b>	<b>36,408</b>
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	671	657
Accumulated other comprehensive loss	(19)	(20)
Retained earnings	9,607	9,433
<b>Total common shareholder's equity</b>	<b>12,427</b>	<b>12,238</b>
Preferred and preference stock	2,245	2,245
<b>Total equity</b>	<b>14,672</b>	<b>14,483</b>
<b>Total liabilities and equity</b>	<b>\$ 51,515</b>	<b>\$ 50,891</b>

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

(in millions)	Southern California Edison Company		
	Years ended December 31,		
	2017	2016	2015
<b>Consolidated Statements of Cash Flows</b>			
<b>Cash flows from operating activities:</b>			
Net income	\$ 1,136	\$ 1,499	\$ 1,111
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	2,101	2,085	1,996
Allowance for equity during construction	(87)	(74)	(87)
Impairment and other charges	716	—	—
Deferred income taxes and investment tax credits	304	88	308
Other	12	9	14
Nuclear decommissioning trusts	(197)	(179)	(428)
Changes in operating assets and liabilities:			
Receivables	6	25	25
Inventory	(11)	(3)	19
Accounts payable	50	45	30
Tax receivables and payables	(234)	(16)	(16)
Other current assets and liabilities	69	185	(42)
Derivative assets and liabilities, net	(28)	13	45
Regulatory assets and liabilities, net	4	(292)	1,729
Other noncurrent assets and liabilities	(116)	138	(80)
<b>Net cash provided by operating activities</b>	<b>3,725</b>	<b>3,523</b>	<b>4,624</b>
<b>Cash flows from financing activities:</b>			
Long-term debt issued or remarketed, net of premium, discount and issuance costs of \$10 and \$(17) for the years ended 2017 and 2015, respectively	1,445	—	1,413
Long-term debt matured or repurchased	(882)	(217)	(761)
Preference stock issued, net	462	294	319
Preference stock redeemed	(475)	(125)	(325)
Short-term debt financing, net	469	719	(619)
Payments for stock-based compensation	(86)	(127)	(78)
Receipts from stock option exercises	48	76	68
Dividends paid	(697)	(824)	(874)
Other	(41)	(15)	45
<b>Net cash provided by (used in) financing activities</b>	<b>243</b>	<b>(219)</b>	<b>(812)</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(3,740)	(3,633)	(4,210)
Proceeds from sale of nuclear decommissioning trust investments	5,239	3,212	3,506
Purchases of nuclear decommissioning trust investments	(5,042)	(3,033)	(3,132)
Life insurance policy loans proceeds	26	140	—
Other	25	23	12
<b>Net cash used in investing activities</b>	<b>(3,492)</b>	<b>(3,291)</b>	<b>(3,824)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>476</b>	<b>13</b>	<b>(12)</b>
Cash and cash equivalents, beginning of year	39	26	38
<b>Cash and cash equivalents, end of year</b>	<b>\$ 515</b>	<b>\$ 39</b>	<b>\$ 26</b>

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



**Consolidated Statements of Changes in Equity**
**Southern California Edison Company**

(in millions)	Equity Attributable to Edison International					Total Equity
	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Preferred and Preference Stock	
<b>Balance at December 31, 2014</b>	\$ 2,168	\$ 618	\$ (28)	\$ 8,454	\$ 2,070	\$ 13,282
Net income	—	—	—	1,111	—	1,111
Other comprehensive loss	—	—	6	—	—	6
Dividends declared on common stock	—	—	—	(611)	—	(611)
Dividends declared on preferred and preference stock	—	—	—	(113)	—	(113)
Stock-based compensation	—	23	—	(33)	—	(10)
Noncash stock-based compensation	—	13	—	—	—	13
Issuance of preference stock	—	(6)	—	—	325	319
Redemption of preference stock	—	4	—	(4)	(325)	(325)
<b>Balance at December 31, 2015</b>	\$ 2,168	\$ 652	\$ (22)	\$ 8,804	\$ 2,070	\$ 13,672
Net income	—	—	—	1,499	—	1,499
Other comprehensive income	—	—	2	—	—	2
Dividends declared on common stock	—	—	—	(701)	—	(701)
Dividends declared on preferred and preference stock	—	—	—	(123)	—	(123)
Stock-based compensation	—	—	—	(44)	—	(44)
Noncash stock-based compensation	—	9	—	—	—	9
Issuance of preference stock	—	(6)	—	—	300	294
Redemption of preference stock	—	2	—	(2)	(125)	(125)
<b>Balance at December 31, 2016</b>	\$ 2,168	\$ 657	\$ (20)	\$ 9,433	\$ 2,245	\$ 14,483
Net income	—	—	—	1,136	—	1,136
Other comprehensive income	—	—	1	—	—	1
Dividends declared on common stock	—	—	—	(785)	—	(785)
Dividends declared on preferred and preference stock	—	—	—	(124)	—	(124)
Stock-based compensation	—	—	—	(38)	—	(38)
Noncash stock-based compensation	—	12	—	—	—	12
Issuance of preference stock	—	(13)	—	—	475	462
Redemption of preference stock	—	15	—	(15)	(475)	(475)
<b>Balance at December 31, 2017</b>	\$ 2,168	\$ 671	\$ (19)	\$ 9,607	\$ 2,245	\$ 14,672

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Summary of Significant Accounting Policies

#### Organization and Basis of Presentation

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

Edison International's and SCE's accounting policies conform to accounting principles generally accepted in the United States of America, including the accounting principles for rate-regulated enterprises, which reflect the ratemaking policies of the California Public Utility Commission ("CPUC") and the Federal Energy Regulatory Commission ("FERC"). SCE applies authoritative guidance for rate-regulated enterprises to the portion of its operations in which regulators set rates at levels intended to recover the estimated costs of providing service, plus a return on net investments in assets, or rate base. Regulators may also impose certain penalties or grant certain incentives. Due to timing and other differences in the collection of electric utility revenue, these principles require an incurred cost that would otherwise be charged to expense by a non-regulated entity to be capitalized as a regulatory asset if it is probable that the cost is recoverable through future rates; and conversely the principles require recording of a regulatory liability for amounts collected in rates to recover costs expected to be incurred in the future or amounts collected in excess of costs incurred and refundable to customers. In addition, SCE recognizes revenue and regulatory assets from alternative revenue programs, which enables the utility to adjust future rates in response to past activities or completed events, if certain criteria are met, even for programs that do not qualify for recognition of "traditional" regulatory assets and liabilities. SCE assesses, at the end of each reporting period, whether regulatory assets are probable of future recovery. See Note 10 for composition of regulatory assets and liabilities.

The preparation of financial statements in conformity with United States generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

#### Cash Equivalents

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

(in millions)	Edison International		SCE	
	December 31,			
	2017	2016	2017	2016
Money market funds	\$ 1,024	\$ 41	\$ 483	\$ 18

Cash is temporarily invested until required for check clearing. Checks issued, but not yet paid by the financial institution, are reclassified from cash to accounts payable at the end of each reporting period as follows:

(in millions)	Edison International		SCE	
	December 31,			
	2017	2016	2017	2016
Book balances reclassified to accounts payable	\$ 64	\$ 138	\$ 63	\$ 136

### **Restricted Cash**

Edison International's restricted cash at December 31, 2017 and 2016 were \$41 million and \$18 million, respectively. Restricted cash primarily relates to funds held by SoCore Energy and its consolidated affiliates pursuant to project financing or purchase agreements; most of which are expected to lapse by the end of 2018.

### **Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts are provided based upon a variety of factors, including historical amounts written-off, current economic conditions and assessment of customer collectability.

### **Inventory**

SCE's inventory is primarily composed of materials, supplies and spare parts, and generally stated at average cost.

### **Emission Allowances**

SCE is allocated greenhouse gas ("GHG") allowances annually which it is then required to sell into quarterly auctions. GHG proceeds from the auctions are recorded as a regulatory liability to be refunded to customers. SCE purchases GHG allowances in quarterly auctions or from counterparties to satisfy its GHG emission compliance obligations and recovers such costs of GHG allowances from customers. GHG allowances held for use are classified as "Other current assets" on the consolidated balance sheets and are stated, similar to an inventory method, at the lower of weighted-average cost or market. SCE had GHG allowances of \$127 million and \$113 million at December 31, 2017 and 2016, respectively. GHG emission obligations were \$129 million and \$95 million at December 31, 2017 and 2016, respectively, and are classified as "Other current liabilities" on the consolidated balance sheets.

### **Property, Plant and Equipment**

SCE plant additions, including replacements and betterments, are capitalized. Direct material and labor and indirect costs such as construction overhead, administrative and general costs, pension and benefits, and property taxes are capitalized as part of plant additions. The CPUC authorizes a capitalization rate for each of the indirect costs which are allocated to each project based on either labor or total costs.

Estimated useful lives (authorized by the CPUC) and weighted-average useful lives of SCE's property, plant and equipment, are as follows:

	Estimated Useful Lives	Weighted-Average Useful Lives
Generation plant	10 years to 55 years	37 years
Distribution plant	20 years to 60 years	43 years
Transmission plant	40 years to 65 years	52 years
General plant and other	5 years to 60 years	22 years

Depreciation of utility property, plant and equipment is computed on a straight-line, remaining-life basis. Depreciation expense was \$1.61 billion, \$1.52 billion and \$1.42 billion for 2017, 2016 and 2015, respectively. Depreciation expense stated as a percent of average original cost of depreciable utility plant was, on a composite basis, 3.8%, 3.8% and 3.9% for 2017, 2016 and 2015, respectively. The original costs of retired property is charged to accumulated depreciation.

Nuclear fuel for the Palo Verde Nuclear Generating Station ("Palo Verde") is recorded as utility plant (nuclear fuel in the fabrication and installation phase is recorded as construction in progress) in accordance with CPUC ratemaking procedures. Palo Verde nuclear fuel is amortized using the units of production method.

Allowance for funds used during construction ("AFUDC") represents the estimated cost of debt and equity funds that finance utility-plant construction and is capitalized during certain plant construction. AFUDC is recovered in rates through depreciation expense over the useful life of the related asset. AFUDC equity represents a method to compensate SCE for the estimated cost of equity used to finance utility plant additions and is recorded as part of construction in progress. AFUDC equity was \$87 million, \$74 million and \$87 million in 2017, 2016 and 2015, respectively, and is reflected in "Interest and other income." AFUDC debt was \$28 million, \$23 million and \$31 million in 2017, 2016 and 2015, respectively and is reflected as a reduction of "Interest expense."

### Major Maintenance

Major maintenance costs for SCE's power plant facilities and equipment are expensed as incurred.

### Impairment of Long-Lived Assets

Impairments of long-lived assets are evaluated based on a review of estimated future cash flows expected to be generated whenever events or changes in circumstances indicate that the carrying amount of such investments or assets may not be recoverable. If the carrying amount of a long-lived asset exceeds expected future cash flows, undiscounted and without interest charges, an impairment loss is recognized in the amount of the excess of fair value over the carrying amount. Fair value is determined via market, cost and income based valuation techniques, as appropriate.

### Goodwill

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

The fair value of the Edison Energy and SoCore Energy reporting units exceeded their carrying values at the date of the impairment analysis. As of December 31, 2017 and 2016, goodwill is comprised of \$78 million at each year end at the Edison Energy reporting unit and \$5 million and \$22 million, respectively, at the SoCore Energy reporting unit.

### Nuclear Decommissioning and Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation ("ARO") is recorded in the period in which it is incurred, including a liability for the fair value of a conditional ARO, if the fair value can be reasonably estimated even though uncertainty exists about the timing and/or method of settlement. When an ARO liability is initially recorded, SCE capitalizes the cost by increasing the carrying amount of the related long-lived asset. For each subsequent period, the liability is increased for accretion expense and the capitalized cost is depreciated over the useful life of the related asset.

AROs related to decommissioning of SCE's nuclear power facilities are based on site-specific studies conducted as part of each Nuclear Decommissioning Cost Triennial Proceeding ("NDCTP") conducted before the CPUC. Revisions of an ARO are established for updated site-specific decommissioning cost estimates.

SCE adjusts its nuclear decommissioning obligation into a nuclear-related ARO regulatory asset and also records an ARO regulatory liability as a result of timing differences between the recognition of costs and the recovery of costs through the ratemaking process. For further information, see Notes 9 and 10.

SCE has not recorded an asset retirement obligation for assets that are expected to operate indefinitely or where SCE cannot estimate a settlement date (or range of potential settlement dates). As such, ARO liabilities are not recorded for certain retirement activities, including certain hydroelectric facilities.

The following table summarizes the changes in SCE's ARO liability, including San Onofre Nuclear Generating Station ("San Onofre") and Palo Verde:

(in millions)	December 31,	
	2017	2016
Beginning balance	\$ 2,586	\$ 2,762
Accretion <sup>1</sup>	166	157
Revisions	376	(165)
Liabilities settled	(236)	(168)
Ending balance	\$ 2,892	\$ 2,586

<sup>1</sup> An ARO represents the present value of a future obligation. Accretion is an increase in the liability to account for the time value of money resulting from discounting.

The recorded liability to decommission SCE's nuclear power facilities (included in the table above) is \$2.6 billion as of December 31, 2017. In 2016, SCE updated the recorded liability for Palo Verde and San Onofre Unit 1 based on the 2013 decommissioning study performed for Palo Verde and the 2014 study for San Onofre Unit 1. In 2017, SCE further revised the recorded liability for Palo Verde and San Onofre Units 2 and 3 based on updated cost estimates, including changes related to onboarding the general contractor. The final site specific study for San Onofre Units 2 and 3 is expected to be filed in March 2018 as part of the 2018 NDCTP which may result in additional changes to the ARO estimate.

Decommissioning costs, which are recovered through customer rates over the term of each nuclear facility's operating license, are recorded as a component of depreciation expense, with a corresponding credit to the ARO regulatory liability. Amortization of the ARO asset (included within the unamortized nuclear investment) and accretion of the ARO liability are deferred as increases to the ARO regulatory liability account, resulting in no impact on earnings.

SCE has collected in rates amounts for the future decommissioning of its nuclear assets, and has placed those amounts in independent trusts. Amounts collected in rates in excess of the ARO liability are classified as regulatory liabilities.

Changes in the estimated costs, timing of decommissioning or the assumptions underlying these estimates could cause material revisions to the estimated total cost to decommission. SCE currently estimates that it will spend approximately \$7.2 billion through 2079 to decommission its nuclear facilities. This estimate is based on SCE's decommissioning cost methodology used for ratemaking purposes, escalated at rates ranging from 1.6% to 7.5% (depending on the cost element) annually. These costs are expected to be funded from independent decommissioning trusts. SCE estimates annual after-tax earnings on the decommissioning funds of 2.4% to 3.8%. Future decommissioning costs related to SCE's nuclear assets are expected to be funded from independent decommissioning trusts. If the assumed return on trust assets is not earned or costs escalate at higher rates, SCE expects that additional funds needed for decommissioning will be recoverable through future rates. See Note 9 for further information.

Due to regulatory recovery of SCE's nuclear decommissioning expense, prudently incurred costs for nuclear decommissioning activities do not affect SCE's earnings. SCE's nuclear decommissioning costs are subject to CPUC review through the triennial regulatory proceeding. SCE's nuclear decommissioning trust investments primarily consist of fixed income and equity investments that are classified as available-for-sale. Due to regulatory mechanisms, earnings and realized gains and losses (including other-than-temporary impairments) have no impact on earnings. Unrealized gains and losses on decommissioning trust funds increase or decrease the trust assets and the related regulatory asset or liability and have no impact on electric utility revenue or decommissioning expense. SCE reviews each security for other-than-temporary impairment on the last day of each month. If the fair value on the last day of two consecutive months is less than the cost for that security, SCE recognizes a loss for the other-than-temporary impairment. If the fair value is greater or less than the carrying value for that security at the time of sale, SCE recognizes a related realized gain or loss, respectively.

#### ***Deferred Financing Costs***

Debt premium, discount and issuance expenses incurred in connection with obtaining financing are deferred and amortized on a straight-line basis. Under CPUC ratemaking procedures, SCE's debt reacquisition expenses are amortized over the remaining life of the reacquired debt or, if refinanced, the life of the new debt. SCE had unamortized losses on reacquired debt of \$168 million and \$184 million at December 31, 2017 and 2016, respectively, reflected as long-term "Regulatory assets" in the consolidated balance sheets. Edison International and SCE had unamortized debt issuance costs related to issuances under the credit facilities of \$15 million and \$7 million at December 31, 2017, respectively, and \$10 million and \$7 million at December 31, 2016, respectively, reflected in "Other long-term assets" on the consolidated balance sheets. In addition, Edison International and SCE had debt issuance costs related to issuances of long-term debt of \$88 million and \$77 million at December 31, 2017, respectively, and \$81 million and \$71 million at December 31, 2016, respectively, reflected as a reduction of "Long-term debt" on the consolidated balance sheets.

Amortization of deferred financing costs charged to interest expense is as follows:

(in millions)	Edison International			SCE		
	Years ended December 31,					
	2017	2016	2015	2017	2016	2015
Amortization of deferred financing costs charged to interest expense	\$ 30	\$ 31	\$ 33	\$ 27	\$ 27	\$ 28

### ***Revenue Recognition***

Revenue is recognized when electricity is delivered and includes amounts for services rendered but unbilled at the end of each reporting period as reflected in "Operating revenue" on the consolidated statements of income. Rates charged to customers are based on CPUC- and FERC-authorized revenue requirements. CPUC rates are implemented subsequent to final approval.

CPUC rates decouple authorized revenue from the volume of electricity sales. Differences between amounts collected and authorized levels are either collected from or refunded to customers, and therefore, SCE earns revenue equal to amounts authorized. FERC rates also decouple revenue from volume of electricity sales. In November 2013, the FERC approved a formula rate effective January 1, 2012 to determine SCE's FERC transmission revenue requirement, including its construction work in progress ("CWIP") revenue requirement. Under operation of the formula rate, transmission revenue will be updated to actual cost of service annually. Differences between amounts collected and determined under the formula rate are either collected from or refunded to customers, and therefore, SCE earns revenue based on estimates of recorded rate base costs under the FERC formula rate.

SCE bills certain sales and use taxes levied by state or local governments to its customers. Included in these sales and use taxes are franchise fees, which SCE pays to various municipalities (based on contracts with these municipalities) in order to operate within the limits of the municipality. SCE bills these franchise fees to its customers based on a CPUC-authorized rate. These franchise fees, which are required to be paid regardless of SCE's ability to collect from the customer, are accounted for on a gross basis and reflected in electric utility revenue and other operation and maintenance expense. SCE's franchise fees billed to customers and recorded as revenue were \$133 million, \$111 million and \$138 million in 2017, 2016 and 2015, respectively. When SCE acts as an agent, the taxes are accounted for on a net basis. Amounts billed to and collected from customers for these taxes are remitted to the taxing authorities and are not recognized as electric utility revenue.

### ***Power Purchase Agreements***

SCE enters into power purchase agreements in the normal course of business. A power purchase agreement may be considered a variable interest in a variable interest entity ("VIE"). If SCE is the primary beneficiary in the VIE, SCE should consolidate the VIE. None of SCE's power purchase agreements resulted in consolidation of a VIE at December 31, 2017 and 2016. See Note 3 for further discussion of power purchase agreements that are considered variable interests.

A power purchase agreement may also contain a lease for accounting purposes. This generally occurs when a power purchase agreement designates a specific power plant in which the buyer purchases substantially all of the output and does not otherwise meet a fixed price per unit of output exception. SCE has a number of power purchase agreements that contain leases. SCE's recognition of lease expense conforms to the ratemaking treatment for SCE's recovery of the cost of electricity and is recorded in "Purchased power and fuel" on the consolidated statements of income. See Note 11 for further discussion of SCE's power purchase agreements, including agreements that are classified as operating and capital leases for accounting purposes.

A power purchase agreement that does not contain a lease may be classified as a derivative which is recorded at fair value on the consolidated balance sheets. These power purchase agreements may be eligible for an election to designate as a normal purchase and sale, which is accounted for on an accrual basis as an executory contract. See Note 6 for further information on derivative instruments.

Power purchase agreements that do not meet the above classifications are accounted for on an accrual basis.

### ***Derivative Instruments***

SCE records derivative instruments on its consolidated balance sheets as either assets or liabilities measured at fair value unless otherwise exempted from derivative treatment as normal purchases or sales. The normal purchases and sales exception requires, among other things, physical delivery in quantities expected to be used or sold over a reasonable period in the normal course of business. During the third quarter of 2017, SCE designated certain derivative contracts as normal purchase and normal sale contracts, which resulted in a reclassification of \$914 million from derivative liabilities to other liabilities. These liabilities will be amortized over the remaining contract terms.

Realized gains and losses from SCE's derivative instruments are expected to be recovered from or refunded to customers through regulatory mechanisms and, therefore, SCE's fair value changes have no impact on purchased-power expense or earnings. SCE does not use hedge accounting for derivative transactions due to regulatory accounting treatment.

Where SCE's derivative instruments are subject to a master netting agreement and certain criteria are met, SCE presents its derivative assets and liabilities on a net basis on its consolidated balance sheets. In addition, derivative positions are offset

against margin and cash collateral deposits. The results of derivative activities are recorded as part of cash flows from operating activities on the consolidated statements of cash flows. See Note 6 for further information on derivative instruments.

### ***Leases***

SCE enters into power purchase agreements that may contain leases, as discussed under "Power Purchase Agreements" above. SCE also enters into a number of agreements to lease property and equipment in the normal course of business. Minimum lease payments under SCE's operating leases for property and equipment are reflected in "Operation and maintenance" on the consolidated statements of income.

### ***Stock-Based Compensation***

Stock options, performance shares, deferred stock units and restricted stock units have been granted under Edison International's long-term incentive compensation programs. Generally, Edison International does not issue new common stock for settlement of equity awards, which are recorded as part of retained earnings. Rather, a third party is used to purchase shares from the market and deliver such shares for the settlement of option exercises, performance shares, deferred stock units and restricted stock units. The performance shares awarded that are earned are settled solely in cash. Deferred stock units and restricted stock units are settled in common stock; however, Edison International will substitute cash awards to the extent necessary to pay tax withholding or any government levies.

Stock-based compensation expense is recognized on a straight-line basis over the requisite service period and is based on the number of awards that are expected to vest. Edison International and SCE estimate the number of awards that are expected to vest rather than account for forfeitures when they occur. For awards granted to retirement-eligible participants, stock compensation expenses are recognized on a prorated basis over the initial year. For awards granted to participants who become eligible for retirement during the requisite service period, stock compensation expenses are recognized over the period between the date of grant and the date the participant first becomes eligible for retirement. Under new accounting guidance adopted in 2016, share-based payments may create a permanent difference between the amount of compensation expense recognized for book and tax purposes. The tax impact of this permanent difference is recognized in earnings in the period it is created. Effective January 1, 2016, the excess tax benefits are classified as an operating activity along with other income tax cash flows on the statement of cash flows.

### ***SCE Dividend Restrictions***

The CPUC regulates SCE's capital structure which limits the dividends it may pay Edison International. Under CPUC regulations, 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 average basis, or otherwise satisfies the CPUC requirements.

If the Revised San Onofre Settlement Agreement is approved by the CPUC, SCE may exclude the \$448 million after-tax charge resulting from the implementation of the Revised San Onofre Settlement Agreement from its ratemaking capital structure. See Note 11 for discussion of the Revised San Onofre Settlement Agreement.

At December 31, 2017, without excluding the \$448 million after-tax charge, SCE's 13-month average common equity component of total capitalization was 50.0% and the maximum additional dividend that SCE could pay to Edison International under this limitation was approximately \$511 million, resulting in a restriction on net assets of approximately \$14.2 billion. If the Revised San Onofre Settlement Agreement had been approved by the CPUC at December 31, 2017, the common equity component of SCE's capital structure would have been 50.1% on a 13-month average basis.

## 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. Performance shares awarded prior to 2015 that are earned are settled half in common shares and half in cash, while the performance shares awarded on or after 2015 that are earned are settled solely in cash. For further information, see Note 8. EPS attributable to Edison International common shareholders was computed as follows:

(in millions, except per-share amounts)	Years ended December 31,		
	2017	2016	2015
<b>Basic earnings per share – continuing operations:</b>			
Income from continuing operations attributable to common shareholders	\$ 565	\$ 1,299	\$ 985
Participating securities dividends	—	—	(1)
Income from continuing operations available to common shareholders	\$ 565	\$ 1,299	\$ 984
Weighted average common shares outstanding	326	326	326
Basic earnings per share – continuing operations	\$ 1.73	\$ 3.99	\$ 3.02
<b>Diluted earnings per share – continuing operations:</b>			
Income from continuing operations attributable to common shareholders	\$ 565	\$ 1,299	\$ 985
Participating securities dividends	—	—	(1)
Income from continuing operations available to common shareholders	\$ 565	\$ 1,299	\$ 984
Income impact of assumed conversions	—	1	1
Income from continuing operations available to common shareholders and assumed conversions	\$ 565	\$ 1,300	\$ 985
Weighted average common shares outstanding	326	326	326
Incremental shares from assumed conversions	2	4	3
Adjusted weighted average shares – diluted	328	330	329
Diluted earnings per share – continuing operations	\$ 1.72	\$ 3.94	\$ 2.99

In addition to the participating securities discussed above, Edison International also may award stock options which are payable in common shares and are included in the diluted earnings per share calculation. Stock option awards to purchase 1,334,451, 167,795 and 2,046,045 shares of common stock for the years ended December 31, 2017, 2016 and 2015, respectively, were outstanding, but were not included in the computation of diluted earnings per share because the effect would have been antidilutive.

## Income Taxes

Edison International and SCE estimate their income taxes for each jurisdiction in which they operate. This involves estimating current period tax expense along with assessing temporary differences resulting from differing treatment of items (such as depreciation) for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheets. In December 2017, the Tax Cuts and Jobs Act ("Tax Reform") was signed into law. This comprehensive reform of tax law reduces the federal corporate income tax rate from 35% to 21% which resulted in the re-measurement of deferred taxes using the new tax rate. See Note 7 for further information.

Income tax expense includes the current tax liability from operations and the change in deferred income taxes during the year. Investment tax credits are deferred and amortized to income tax expense over the lives of the properties or the term of the power purchase agreement of the respective project.

Interest income, interest expense and penalties associated with income taxes are reflected in "Income tax expense" on the consolidated statements of income.

Edison International's eligible subsidiaries are included in Edison International's consolidated federal income tax and combined state tax returns. Edison International has tax-allocation and payment agreements with certain of its subsidiaries.



Pursuant to an income tax-allocation agreement approved by the CPUC, SCE's tax liability is computed as if it filed its federal and state income tax returns on a separate return basis.

### ***Noncontrolling Interest***

Noncontrolling interest represents the portion of equity ownership in an entity that is not attributable to the equity holders of Edison International. Noncontrolling interests held by third parties that have rights to put their ownership back to a subsidiary of Edison International are classified outside shareholders' equity as redeemable noncontrolling interest. Noncontrolling interest is initially recorded at fair value and is subsequently adjusted for income allocated to the noncontrolling interest and any distributions paid to the noncontrolling interest.

Certain solar projects for commercial customers are organized as limited liability companies and have noncontrolling equity investors (referred to as tax equity investors) which are entitled to allocations of earnings, tax attributes and cash flows in accordance with contractual agreements that vary over time. These entities are consolidated for financial reporting purposes but are not subject to income taxes as the taxable income (loss) and investment tax credits are allocated to the respective owners. The total consolidated assets and liabilities of these entities were \$299 million and \$41 million, respectively, at December 31, 2017 and \$74 million and \$23 million, respectively, at December 31, 2016. Income (loss) of these entities is allocated to the noncontrolling interest based on the hypothetical liquidation at book value ("HLBV") accounting method. The HLBV accounting method is an approach that calculates the change in the claims of each member on the net assets of the investment at the beginning and end of each period. Each member's claim is equal to the amount each party would receive or pay if the net assets of the investment were to liquidate at book value. Under the contract provisions, the tax equity investors' claim on net assets decreases rapidly in early years due to allocation of tax benefits resulting in additional non-operating income allocated to Edison International (\$21 million, \$9 million and \$16 million in 2017, 2016 and 2015, respectively).

### ***New Accounting Guidance***

#### *Accounting Guidance Not Yet Adopted*

In May 2014, the FASB issued an accounting standards update on revenue recognition and further amended the standard in 2016 and 2017. Under the new standard, revenue from contracts with customers is recognized when (or as) a good or service is transferred to the customer and the customer obtains control of the good or service. For the year ended December 31, 2017, approximately 95% of total operating revenue arises from SCE's tariff offerings that provide electricity to customers. For such arrangements, revenue from contracts with customers will be equivalent to the electricity supplied and billed in that period (including estimated billings). As such, there will not be a change in the timing or pattern of revenue recognition for such sales. Edison International and SCE have implemented process changes necessary to comply with this standard's enhanced disclosure requirements. SCE will disaggregate customer contract revenue between revenue from earnings activities and revenue from cost-recovery activities. Some revenue arrangements, such as alternative revenue programs which include balancing account overcollections and undercollections, are excluded from the scope of the new standard and, therefore, will be accounted for and presented separately from revenue recognized from contracts with customers in the disclosures. Edison International and SCE will adopt the standard by using the modified retrospective method. Edison International will recognize an immaterial cumulative effect adjustment to the opening balance of retained earnings on January 1, 2018.

In January 2016, the FASB issued an accounting standards update that amends the guidance on the classification and measurement of financial instruments. The amendments require equity investments (excluding those accounted for under the equity method or those that result in consolidation) to be measured at fair value, with changes in fair value through net income. It also amends certain disclosure requirements associated with the fair value of financial instruments. In addition, the new guidance requires financial assets and financial liabilities to be presented separately in the notes to the financial statements, grouped by measurement category and form of financial assets. Edison International and SCE will adopt this guidance effective January 1, 2018. SCE's nuclear decommissioning trust investments contain equity investments that are classified as available-for-sale. Due to regulatory mechanisms, the change in fair value of these investments has no impact on net income and, therefore, the adoption of this standard will not have a material impact on Edison International's and SCE's consolidated financial statements.

In February 2016, the FASB issued an accounting standards update related to lease accounting, effective January 1, 2019. Under the new standard, a lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified assets for a period of time in exchange for consideration. Lessees will need to recognize leases on the balance sheet as a right-of-use asset and a related lease liability, and classify the leases as either operating or finance. The liability will be equal to the present value of lease payments. The asset will be based on the liability, subject to adjustments, such as initial direct costs. Edison International operating leases will result in straight-line expense while finance leases will result in a

higher initial expense pattern due to the interest component. SCE, as a regulated entity, is permitted to continue to recognize expense using the timing that conforms to the regulatory rate treatment. Lessees can elect to exclude from the balance sheet short-term contracts of one year or less. The standard requires retrospective application to previously issued financial statements for 2018 and 2017. Although permitted, Edison and SCE will not elect to adopt this standard prior to January 1, 2019. The standard will provide entities with an optional transition method to apply the new requirements in the period of adoption without retrospective application to previous periods. Edison International and SCE are evaluating whether to elect this optional transition method. The adoption of this standard will increase right-of-use assets and lease liabilities in Edison International's and SCE's consolidated balance sheets. Edison International and SCE are currently implementing a new lease accounting system and are evaluating the impact this standard will have on the consolidated balance sheets and lease disclosures.

The FASB issued an accounting standards update related to the impairment of financial instruments, effective January 1, 2020. The new guidance provides an impairment model, known as the current expected credit loss model, which is based on expected credit losses rather than incurred losses. Edison International and SCE are currently evaluating the impact of this new guidance.

The FASB issued two accounting standards updates related to the statement of cash flows. One standards update clarifies the presentation and classification of certain cash receipts and payments in the statement of cash flows and the other requires restricted cash to be presented with cash and cash equivalents in the statement of cash flows. These standards are effective January 1, 2018 and require retrospective application. Restricted cash as of December 31, 2017 was \$41 million at Edison International and was less than \$1 million at SCE. Currently, the changes in restricted cash balances are reflected as operating or investing activities dependent on the nature of the activities.

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

In March 2017, the FASB issued an accounting standards update which amends the current requirements related to the presentation of the components of net periodic benefit cost for an entity's defined benefit pension and other postretirement plans. The adoption of this standard is not expected to have a material impact on Edison International's and SCE's financial position or results of operations, but will result in the separate presentation of service costs as an operating expense and non-service costs within other income and expense and limit the capitalization of benefit costs to the service cost component. For the year ended December 31, 2017, service costs totaled \$169 million for Edison International and \$164 million for SCE and the non-service component of net periodic benefit cost was income of \$72 million for Edison International and \$84 million for SCE. The new standards update is effective on January 1, 2018 and is required to be adopted retrospectively with respect to the income statement presentation requirement and prospectively for the capitalization requirement.

## Note 2. Property, Plant and Equipment

SCE's property, plant and equipment included in the consolidated balance sheets is composed of the following:

(in millions)	December 31,	
	2017	2016
Distribution	\$ 23,633	\$ 22,332
Transmission	13,127	12,549
Generation	3,468	3,376
General plant and other	4,534	4,633
Accumulated depreciation	(9,355)	(9,000)
	35,407	33,890
Construction work in progress	3,175	2,790
Nuclear fuel, at amortized cost	126	126
Total utility property, plant and equipment	\$ 38,708	\$ 36,806

### Capitalized Software Costs

SCE capitalizes costs incurred during the application development stage of internal use software projects to property, plant, and equipment. SCE amortizes capitalized software costs ratably over the expected lives of the software, primarily ranging from 5 to 10 years and commencing upon operational use. Capitalized software costs, included in general plant and other above, were \$1.1 billion and \$1.4 billion at December 31, 2017 and 2016, respectively, and accumulated amortization was \$0.6 billion and \$0.8 billion, at December 31, 2017 and 2016, respectively. Amortization expense for capitalized software was \$233 million, \$249 million and \$268 million in 2017, 2016 and 2015, respectively. At December 31, 2017, amortization expense is estimated to be \$176 million, \$127 million, \$92 million, \$62 million and \$26 million for 2018 through 2022, respectively.

### Jointly Owned Utility Projects

SCE owns undivided interests in several generating assets for which each participant provides its own financing. SCE's proportionate share of these assets is reflected in the consolidated balance sheets and included in the above table. SCE's proportionate share of expenses for each project is reflected in the consolidated statements of income. A portion of the investments in Palo Verde generating stations is included in regulatory assets on the consolidated balance sheets. For further information, see Note 10.

The following is SCE's investment in each asset as of December 31, 2017:

(in millions)	Plant in Service	Construction Work in Progress	Accumulated Depreciation	Nuclear Fuel (at amortized cost)	Net Book Value	Ownership Interest
Transmission systems:						
Eldorado	\$ 237	\$ 14	\$ 24	\$ —	\$ 227	59%
Pacific Intertie	192	41	78	—	155	50%
Generating station:						
Palo Verde (nuclear)	2,001	52	1,557	126	622	16%
Total	\$ 2,430	\$ 107	\$ 1,659	\$ 126	\$ 1,004	

In addition, SCE has ownership interests in jointly owned power poles with other companies.

### Note 3. Variable Interest Entities

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

#### Variable Interest in VIEs that are not Consolidated

##### Power Purchase Agreements

SCE has power purchase agreements ("PPAs") that are classified as variable interests in VIEs, including tolling agreements through which SCE provides the natural gas to fuel the plants and contracts with qualifying facilities ("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. Under these contracts, SCE recovers the costs incurred

through demonstration of compliance with its California Public Utilities Commission ("CPUC")-approved long-term power procurement plans. SCE has no residual interest in the entities and has not provided or guaranteed any debt or equity support, liquidity arrangements, performance guarantees or other commitments associated with these contracts other than the purchase commitments described in Note 11. 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 4,898 megawatts ("MW") and 4,353 MW at December 31, 2017 and 2016, respectively, and the amounts that SCE paid to these projects were \$767 million and \$788 million for the years ended December 31, 2017 and 2016, respectively. These amounts are recoverable in customer rates, subject to reasonableness review.

#### *Unconsolidated Trusts of SCE*

SCE Trust I, Trust II, Trust III, Trust IV, Trust V and Trust VI were formed in 2012, 2013, 2014, 2015, 2016 and 2017, respectively, for the exclusive purpose of issuing the 5.625%, 5.10%, 5.75%, 5.375%, 5.45% and 5.00% trust preference securities, respectively ("trust securities"). The trusts are VIEs. SCE has concluded that it is not the primary beneficiary of these VIEs as it does not have the obligation to absorb the expected losses or the right to receive the expected residual returns of the trusts. SCE Trust I, Trust II, Trust III, Trust IV, Trust V and Trust VI issued to the public trust securities in the face amounts of \$475 million, \$400 million, \$275 million, \$325 million, \$300 million, and \$475 million (cumulative, liquidation amounts of \$25 per share), respectively, and \$10,000 of common stock each to SCE. The trusts invested the proceeds of these trust securities in Series F, Series G, Series H, Series J, Series K and Series L Preference Stock issued by SCE in the principal amounts of \$475 million, \$400 million, \$275 million, \$325 million, \$300 million, and \$475 million (cumulative, \$2,500 per share liquidation values), respectively, which have substantially the same payment terms as the respective trust securities.

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

In July 2017, SCE Trust I redeemed \$475 million of trust securities from the public and \$10,000 of common stock from SCE. As a result in September 2017, SCE Trust I was terminated. The Trust II, Trust III, Trust IV, and Trust V balance sheets as of December 31, 2017 and 2016, consisted of investments of \$400 million, \$275 million, \$325 million, and \$300 million in the Series G, Series H, Series J, and Series K Preference Stock, respectively, \$400 million, \$275 million, \$325 million, and \$300 million of trust securities, respectively, and \$10,000 each of common stock. The Trust VI balance sheet as of December 31, 2017 consisted of investments of \$475 million in the Series L Preference Stock, \$475 million of trust securities, and \$10,000 of common stock.

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

(in millions)	Years ended December 31,					
	Trust I	Trust II	Trust III	Trust IV	Trust V	Trust VI
<b>2017</b>						
Dividend income	\$ 14	\$ 20	\$ 16	\$ 17	\$ 16	\$ 12
Dividend distributions	14	20	16	17	16	12
<b>2016</b>						
Dividend income	\$ 27	\$ 20	\$ 16	\$ 17	\$ 13	*
Dividend distributions	27	20	16	17	13	*
<b>2015</b>						
Dividend income	\$ 27	\$ 20	\$ 16	\$ 6	*	*
Dividend distributions	27	20	16	6	*	*

\* 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 December 31, 2017 and 2016, nonperformance risk was not material for Edison International and SCE.

Assets and liabilities are categorized into a three-level fair value hierarchy based on valuation inputs used to determine fair value.

Level 1 – The fair value of Edison International's and SCE's Level 1 assets and liabilities is determined using unadjusted quoted prices in active markets that are available at the measurement date for identical assets and liabilities. This level includes exchange-traded equity securities, U.S. treasury securities, mutual funds and money market funds.

Level 2 – Edison International's and SCE's Level 2 assets and liabilities include fixed income securities, primarily consisting of U.S. government and agency bonds, municipal bonds and corporate bonds, and over-the-counter derivatives. The fair value of fixed income securities is determined using a market approach by obtaining quoted prices for similar assets and liabilities in active markets and inputs that are observable, either directly or indirectly, for substantially the full term of the instrument.

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

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

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

## SCE

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

(in millions)	December 31, 2017				
	Level 1	Level 2	Level 3	Netting and Collateral <sup>1</sup>	Total
<b>Assets at fair value</b>					
Derivative contracts	\$ —	\$ 9	\$ 102	\$ (1)	\$ 110
Money market funds and other	495	—	—	—	495
<b>Nuclear decommissioning trusts:</b>					
Stocks <sup>2</sup>	1,596	—	—	—	1,596
Fixed Income <sup>3</sup>	1,065	1,665	—	—	2,730
Short-term investments, primarily cash equivalents	101	72	—	—	173
Subtotal of nuclear decommissioning trusts <sup>4</sup>	2,762	1,737	—	—	4,499
<b>Total assets</b>	<b>3,257</b>	<b>1,746</b>	<b>102</b>	<b>(1)</b>	<b>5,104</b>
<b>Liabilities at fair value</b>					
Derivative contracts	—	2	1	(2)	1
<b>Total liabilities</b>	<b>—</b>	<b>2</b>	<b>1</b>	<b>(2)</b>	<b>1</b>
<b>Net assets</b>	<b>\$ 3,257</b>	<b>\$ 1,744</b>	<b>\$ 101</b>	<b>\$ 1</b>	<b>\$ 5,103</b>

(in millions)	December 31, 2016				
	Level 1	Level 2	Level 3	Netting and Collateral <sup>1</sup>	Total
<b>Assets at fair value</b>					
Derivative contracts	\$ —	\$ 6	\$ 68	\$ —	\$ 74
Other	33	—	—	—	33
<b>Nuclear decommissioning trusts:</b>					
Stocks <sup>2</sup>	1,547	—	—	—	1,547
Fixed Income <sup>3</sup>	865	1,751	—	—	2,616
Short-term investments, primarily cash equivalents	36	170	—	—	206
Subtotal of nuclear decommissioning trusts <sup>4</sup>	2,448	1,921	—	—	4,369
<b>Total assets</b>	<b>2,481</b>	<b>1,927</b>	<b>68</b>	<b>—</b>	<b>4,476</b>
<b>Liabilities at fair value</b>					
Derivative contracts	—	—	1,157	—	1,157
<b>Total liabilities</b>	<b>—</b>	<b>—</b>	<b>1,157</b>	<b>—</b>	<b>1,157</b>
<b>Net assets (liabilities)</b>	<b>\$ 2,481</b>	<b>\$ 1,927</b>	<b>\$ (1,089)</b>	<b>\$ —</b>	<b>\$ 3,319</b>

<sup>1</sup> 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.

<sup>2</sup> Approximately 69% and 70% of SCE's equity investments were located in the United States at December 31, 2017 and 2016, respectively.

<sup>3</sup> Includes corporate bonds, which were diversified and included collateralized mortgage obligations and other asset backed securities of \$102 million and \$79 million at December 31, 2017 and 2016, respectively.

<sup>4</sup> Excludes net payables of \$59 million and \$127 million at December 31, 2017 and 2016, which consist of interest and dividend receivables as well as receivables and payables related to SCE's pending securities sales and purchases.

*Edison International Parent and Other*

Edison International Parent and Other assets measured at fair value consisted of money market funds of \$541 million and \$23 million at December 31, 2017 and 2016, respectively, classified as Level 1.

*SCE Fair Value of Level 3*

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

(in millions)	December 31,	
	2017	2016
Fair value of net liabilities at beginning of period	\$ (1,089)	\$ (1,148)
Total realized/unrealized gains:		
Included in regulatory assets and liabilities <sup>1</sup>	133	59
Contract amendment <sup>2</sup>	143	—
Normal purchase and normal sale designation <sup>3</sup>	914	—
Fair value of net assets (liabilities) at end of period	\$ 101	\$ (1,089)
Change during the period in unrealized gains and losses related to assets and liabilities held at the end of the period	\$ 100	\$ (70)

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

<sup>2</sup> Represents a tolling contract that was amended during the second quarter of 2017, which is no longer accounted for as a derivative as of December 31, 2017.

<sup>3</sup> During the third quarter of 2017, SCE designated certain derivative contracts as normal purchase and normal sale contracts, which resulted in a reclassification of \$914 million from derivative liabilities to other liabilities. These liabilities will be amortized over the remaining contract terms.

Edison International and SCE recognize the fair value for transfers in and transfers out of each level at the end of each reporting period. There were no material transfers between any levels during 2017 and 2016.

*Valuation Techniques Used to Determine Fair Value*

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

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

	Fair Value (in millions)		Valuation Technique(s)	Significant	Range
	Assets	Liabilities		Unobservable Input	
<b>Congestion revenue rights</b>					
December 31, 2017	\$ 102	\$ —	Market simulation model and auction prices	Load forecast	5,002 MW - 22,970 MW
				Power prices <sup>1</sup>	\$(15.00) - \$120.00
				Gas prices <sup>2</sup>	\$2.46 - \$4.37
				CAISO CRR auction clearing prices	\$(9.41) - \$8.66
December 31, 2016	67	—	Market simulation model and auction prices	Load forecast	3,708 MW - 22,840 MW
				Power prices <sup>1</sup>	\$3.65 - \$99.58
				Gas prices <sup>2</sup>	\$2.51 - \$4.87
<b>Tolling<sup>3</sup></b>					
December 31, 2016	—	1,154	Option model	Volatility of gas prices	15% - 48%
				Volatility of power prices	29% - 71%
				Power prices	\$23.40 - \$51.24

<sup>1</sup> Prices are in dollars per megawatt-hour.

<sup>2</sup> Prices are in dollars per million British thermal units.

<sup>3</sup> During the third quarter of 2017, SCE designated certain derivative contracts as normal purchase and normal sale contracts, which resulted in a reclassification of \$914 million from derivative liabilities to other liabilities. These liabilities will be amortized over the remaining contract terms.

#### 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.

##### Nuclear Decommissioning Trusts

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

SCE's investment policies and CPUC requirements place limitations on the types and investment grade ratings of the securities that may be held by the nuclear decommissioning trust funds. These policies restrict the trust funds from holding alternative investments and limit the trust funds' exposures to investments in highly illiquid markets. With respect to equity and fixed income securities, the trustee obtains prices from third-party pricing services which SCE is able to independently corroborate as described below. The trustee monitors prices supplied by pricing services, including reviewing prices against defined parameters' tolerances and performs research and resolves variances beyond the set parameters. SCE corroborates the fair values of securities by comparison to other market-based price sources obtained by SCE's investment managers. Differences outside established thresholds are followed-up with the trustee and resolved. For each reporting period, SCE reviews the trustee determined fair value hierarchy and overrides the trustee level classification when appropriate.



### ***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)	December 31, 2017		December 31, 2016	
	Carrying Value <sup>1</sup>	Fair Value	Carrying Value <sup>1</sup>	Fair Value
Edison International	\$ 12,123	\$ 13,760	\$ 11,156	\$ 12,368
SCE	10,907	12,547	10,333	11,539

<sup>1</sup> Carrying value is net of debt issuance costs.

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

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

### **Note 5. Debt and Credit Agreements**

#### ***Long-Term Debt***

The following table summarizes long-term debt (rates and terms are as of December 31, 2017) of Edison International and SCE:

(in millions)	December 31,	
	2017	2016
<b>Edison International Parent and Other:</b>		
Debtentures and notes:		
2020 – 2023 (2.125% to 2.95%)	\$ 1,200	\$ 800
Other long-term debt	29	32
Current portion of long-term debt	(2)	(402)
Unamortized debt discount and issuance costs, net	(13)	(9)
<b>Total Edison International Parent and Other</b>	<b>1,214</b>	<b>421</b>
<b>SCE:</b>		
First and refunding mortgage bonds:		
2018 – 2047 (1.845% to 6.05%)	9,779	9,357
Pollution-control bonds:		
2028 – 2035 (1.375% to 5.0%) <sup>1</sup>	909	774
Debtentures and notes:		
2029 – 2053 (5.06% to 6.65%)	307	307
Current portion of long-term debt	(479)	(579)
Unamortized debt discount and issuance costs, net	(88)	(105)
<b>Total SCE</b>	<b>10,428</b>	<b>9,754</b>
<b>Total Edison International</b>	<b>\$ 11,642</b>	<b>\$ 10,175</b>

<sup>1</sup> Excludes outstanding bonds that have not been retired and may be remarketed to investors in the future. These bonds have variable rates and are due in 2031 at December 31, 2017 and 2031 and 2033 at December 31, 2016.

Edison International and SCE long-term debt maturities over the next five years are the following:

(in millions)	Edison International		SCE
2018	\$	481	\$ 479
2019		81	79
2020		481	79
2021		580	579
2022		777	364

#### *Project Financings*

As of December 31, 2017 and 2016, indirect subsidiaries of Edison Energy Group owning solar projects had approximately \$31 million (includes short-term debt of \$16 million) and \$22 million outstanding project debt financings with maturity dates to 2022 with weighted average interest rates of 4.50% and 4.86%. Remaining borrowings available under these agreements are approximately \$67 million.

Under two of the tax equity financings, tax equity investors in related solar projects receive 99% of taxable profits and losses and tax credits of the projects as determined for federal income tax purposes for a 6-year period following the completion of the portfolio of projects and receive a priority return of 2% of their investment per year. After the 6-year period, the tax equity investors receive 5% of the taxable profits and losses and cash flow. A subsidiary of Edison Energy Group has a call option for a 9-month period following 5 years after completion of the portfolio of projects to purchase the tax equity investors interest and each tax equity investor has the right to put its ownership interest to such subsidiary in the event that the call option is not exercised. Remaining tax equity financings under these agreements are approximately \$21 million.

Under a third tax equity financing completed in 2017, the tax equity investor in the related solar projects will receive an initial allocation of 99% of taxable losses and tax credits, followed by 67% of taxable income and losses after the initial period and 28.4% of cash flows until certain conditions are met, including attaining a specified rate of return. A subsidiary of Edison Energy Group has the option after certain conditions are met to purchase the tax equity investor's interest at the higher of fair value or the after-tax amount necessary to achieve a specified 20-year rate of return. Remaining tax equity financings under these agreements are approximately \$38 million.

An indirect subsidiary of Edison Energy Group also entered into a non-recourse debt financing to support equity contributions in certain solar projects. The maturity date of the borrowings under this agreement is December 31, 2036. As of December 31, 2017 and 2016, there was \$10 million outstanding under this agreement at a weighted average interest rate of 9%.

#### *Liens and Security Interests*

Almost all of SCE's properties are subject to a trust indenture lien. SCE has pledged first and refunding mortgage bonds as collateral for borrowed funds obtained from pollution-control bonds issued by government agencies. SCE has a debt covenant that requires a debt to total capitalization ratio be met. At December 31, 2017, SCE was in compliance with this debt covenant and all other financial covenants that affect access to capital.

All of the properties subject to the Edison Energy Group project financings discussed above are subject to a lien.

#### *Credit Agreements and Short-Term Debt*

The following table summarizes the status of the credit facilities at December 31, 2017:

(in millions)	Edison International Parent		SCE
Commitment	\$	1,250	\$ 2,750
Outstanding borrowings		(1,139)	(1,238)
Outstanding letters of credit		—	(99)
Amount available	\$	111	\$ 1,413

SCE and Edison International Parent have multi-year revolving credit facilities of \$2.75 billion and \$1.25 billion, respectively, with both maturing in July 2022. 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 December 31, 2017, commercial paper supported by SCE's credit facility, net of discount, was \$738 million at a weighted-average interest rate of 1.75%. In December 2017, SCE borrowed \$500 million from the credit facility which had an interest rate of 2.46% on December 31, 2017. In January 2018, SCE repaid its \$500 million borrowings with cash on hand.

At December 31, 2017, letters of credit issued under SCE's credit facility aggregated \$99 million and are scheduled to expire in twelve months or less. At December 31, 2016, the outstanding commercial paper, net of discount, was \$769 million at a weighted-average interest rate of 0.9%.

At December 31, 2017, Edison International Parent's outstanding commercial paper, net of discount, was \$639 million at a weighted-average interest rate of 1.70%. This commercial paper was supported by the \$1.25 billion multi-year revolving credit facility. In December 2017, Edison International borrowed \$500 million from the credit facility which had an interest rate of 2.56% on December 31, 2017. In January 2018, Edison International repaid its \$500 million borrowings with cash on hand. At December 31, 2016, the outstanding commercial paper, net of discount, was \$538 million at a weighted-average interest rate of 0.97%.

#### ***Debt Financing Subsequent to December 31, 2017***

In January 2018, Edison International Parent borrowed \$500 million under a Term Loan Agreement due in January 2019, with a variable interest rate based on the London Interbank Offered Rate plus 60 basis points. The proceeds were used to repay Edison International Parent's commercial paper borrowings discussed above.

#### **Note 6. Derivative Instruments**

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

##### ***Commodity Price Risk***

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

##### ***Credit and Default Risk***

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

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

Certain power 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 \$1 million and \$12 million as of December 31, 2017 and 2016, respectively, for which SCE has posted collateral of less than \$1 million and \$12 million collateral 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 December 31, 2017, SCE would be required to post \$20 million of additional collateral of which \$19 million is related to outstanding payables that are net of collateral already posted.

### **Fair Value of Derivative Instruments**

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

(in millions)	December 31, 2017							Net Asset
	Derivative Assets			Derivative Liabilities				
	Short-Term	Long-Term	Subtotal	Short-Term	Long-Term	Subtotal <sup>2</sup>		
<b>Commodity derivative contracts</b>								
Gross amounts recognized	\$ 106	\$ 5	\$ 111	\$ 3	\$ —	\$ 3	\$ 108	
Gross amounts offset in the consolidated balance sheets	(1)	—	(1)	(1)	—	(1)	—	
Cash collateral posted <sup>1</sup>	—	—	—	(1)	—	(1)	1	
<b>Net amounts presented in the consolidated balance sheets</b>	<b>\$ 105</b>	<b>\$ 5</b>	<b>\$ 110</b>	<b>\$ 1</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ 109</b>	

(in millions)	December 31, 2016							Net Liability
	Derivative Assets			Derivative Liabilities				
	Short-Term	Long-Term	Subtotal	Short-Term	Long-Term	Subtotal		
<b>Commodity derivative contracts</b>								
Gross amounts recognized	\$ 74	\$ 1	\$ 75	\$ 217	\$ 941	\$ 1,158	\$ 1,083	
Gross amounts offset in the consolidated balance sheets	(1)	—	(1)	(1)	—	(1)	—	
Cash collateral posted <sup>1</sup>	—	—	—	—	—	—	—	
<b>Net amounts presented in the consolidated balance sheets</b>	<b>\$ 73</b>	<b>\$ 1</b>	<b>\$ 74</b>	<b>\$ 216</b>	<b>\$ 941</b>	<b>\$ 1,157</b>	<b>\$ 1,083</b>	

<sup>1</sup> At December 31, 2016, SCE had received \$2 million of cash collateral that is not offset against derivative assets and is reflected in "Other current liabilities" on the consolidated balance sheets.

<sup>2</sup> During the third quarter of 2017, SCE designated certain derivative contracts as normal purchase and normal sale contracts, which resulted in a reclassification of \$914 million from derivative liabilities to other liabilities. These liabilities will be amortized over the remaining contract terms.

### **Income Statement Impact of Derivative Instruments**

SCE recognizes realized gains and losses on derivative instruments as purchased power expense and expects that such gains or losses will be part of the purchased power costs recovered from customers. As a result, realized gains and losses do not affect earnings, but may temporarily affect cash flows. Due to expected future recovery from customers, unrealized gains and losses are recorded as regulatory assets and liabilities and therefore also do not affect earnings. The remaining effects of derivative activities and related regulatory offsets are reported in cash flows from operating activities in the consolidated statements of cash flows.

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

(in millions)	Years ended December 31,		
	2017	2016	2015
Realized losses	\$ (14)	\$ (59)	\$ (148)
Unrealized gains (losses)	106	84	(182)

#### **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	
		December 31,	
		2017	2016
Electricity options, swaps and forwards	GWh	475	1,816
Natural gas options, swaps and forwards	Bcf	143	36
Congestion revenue rights	GWh	78,765	93,319
Tolling arrangements	GWh	—	61,093

#### **Note 7. Income Taxes**

##### **Current and Deferred Taxes**

Edison International's sources of income before income taxes are:

(in millions)	Years ended December 31,		
	2017	2016	2015
Income from continuing operations before income taxes	\$ 949	\$ 1,590	\$ 1,568
Income from discontinued operations before income taxes	—	1	15
Income before income tax	\$ 949	\$ 1,591	\$ 1,583

The components of income tax expense (benefit) by location of taxing jurisdiction are:

(in millions)	Edison International			SCE		
	Years ended December 31,					
	2017	2016	2015	2017	2016	2015
<b>Current:</b>						
Federal	\$ (221)	\$ (46)	\$ 18	\$ (253)	\$ 75	\$ 72
State	4	33	19	(81)	93	127
	(217)	(13)	37	(334)	168	199
<b>Deferred:</b>						
Federal	570	176	340	265	112	298
State	(72)	14	109	39	(24)	10
	498	190	449	304	88	308
Total continuing operations	281	177	486	(30)	256	507
Discontinued operations	—	(11)	(21)	—	—	—
Total	\$ 281	\$ 166	\$ 465	\$ (30)	\$ 256	\$ 507

The components of net accumulated deferred income tax liability are:

(in millions)	Edison International		SCE	
	December 31,			
	2017	2016	2017	2016
<b>Deferred tax assets:</b>				
Property and software related	\$ 358	\$ 549	\$ 357	\$ 548
Nuclear decommissioning trust assets in excess of nuclear ARO liability	404	348	404	348
Loss and credit carryforwards <sup>1</sup>	1,346	1,418	150	—
Regulatory asset <sup>2</sup>	812	15	812	15
Pension and postretirement benefits other than pensions	214	300	86	93
Other	277	419	236	408
Sub-total	3,411	3,049	2,045	1,412
Less valuation allowance	28	24	—	—
Total	3,383	3,025	2,045	1,412
<b>Deferred tax liabilities:</b>				
Property-related	6,970	10,330	6,962	10,330
Capitalized software costs	160	237	160	237
Regulatory liability	158	134	158	134
Nuclear decommissioning trust assets	404	348	404	348
Postretirement benefits other than pensions	36	13	36	13
Other	140	202	133	148
Total	7,868	11,264	7,853	11,210
Accumulated deferred income tax liability, net <sup>3</sup>	\$ 4,485	\$ 8,239	\$ 5,808	\$ 9,798

<sup>1</sup> As of December 31, 2017, Edison International has recorded a valuation allowance of \$28 million for non-California state net operating loss carryforwards estimated to expire unused. In addition, as of December 31, 2017, deferred tax assets for net operating loss and tax credit carryforwards are reduced by unrecognized tax benefits of \$77 million and \$75 million for Edison International and SCE, respectively.

<sup>2</sup> Includes an \$809 million deferred tax asset, related to certain regulatory liabilities established as part of Tax Reform discussed below.

<sup>3</sup> Included in deferred income taxes and credits on the consolidated balance sheets.

On December 22, 2017, Tax Reform was signed into law. This comprehensive reform of tax law reduces the federal corporate income tax rate from 35% to 21% and is generally effective beginning January 1, 2018. US GAAP requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. At the date of enactment, Edison International and SCE's deferred taxes were re-measured based upon the new tax rate. Accumulated deferred income tax liabilities, net, were reduced by \$4.5 billion and \$5.0 billion at Edison International and SCE, respectively. Edison International recorded income tax expense of \$466 million at December 31, 2017, primarily related to the re-measurement of the federal net operating loss carryforwards (see below for more information). SCE's re-measurement of deferred taxes was recorded against regulatory assets and liabilities when the pre-tax amounts giving rise to the deferred taxes were created through ratemaking activities. SCE also had shareholder-funded pre-tax amounts that gave rise to the deferred tax assets resulting in income tax expense of \$33 million.

For property acquired and placed in service by regulated utilities after September 27, 2017, Tax Reform repeals 50% bonus depreciation. As a result, SCE is required to evaluate the contractual terms of its fourth quarter 2017 capital additions to determine whether they still qualify for the prior tax law's 50% bonus depreciation, as compared to no bonus depreciation pursuant to Tax Reform. As of December 31, 2017, SCE has not completed this analysis, but recorded a reasonable estimate of the effects of these changes. SCE expects to complete this analysis during 2018.

### Net Operating Loss and Tax Credit Carryforwards

The amounts of net operating loss and tax credit carryforwards (after-tax) are as follows:

(in millions)	Edison International		SCE	
	December 31, 2017			
	Loss Carryforwards	Credit Carryforwards	Loss Carryforwards	Credit Carryforwards
Expire between 2018 to 2036	\$ 901	\$ 451	\$ 162	\$ 25
No expiration date	—	71	—	38
<b>Total<sup>1</sup></b>	<b>\$ 901</b>	<b>\$ 522</b>	<b>\$ 162</b>	<b>\$ 63</b>

As a result of Tax Reform, Edison International and SCE's federal net operating losses were re-measured at 21%. The reduction in the federal corporate income tax rate does not change the gross dollar value of taxable income that may be offset by NOLs, however that taxable income will only be taxable at 21% in future periods, thus reducing the value of NOLs utilized after 2017. Tax Reform did not impact the valuation of tax credit carryforwards, which directly offset taxes due.

Edison International consolidates for federal income tax purposes, but not for financial accounting purposes, a group of wind projects referred to as Capistrano Wind. As a result of Tax Reform, the amount of net operating loss and tax credit carryforwards recognized as part of deferred income taxes was re-measured (\$199 million and \$242 million related to Capistrano Wind at December 31, 2017 and 2016, respectively). Under a tax allocation agreement, Edison International has recorded a corresponding liability, which was also re-measured, as part of other long-term liabilities related to its obligation to make payments to Capistrano Wind of these tax benefits when realized.

### 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)	Edison International			SCE		
	Years ended December 31,					
	2017	2016	2015	2017	2016	2015
Income from continuing operations before income taxes	\$ 949	\$ 1,590	\$ 1,568	\$ 1,106	\$ 1,755	\$ 1,618
Provision for income tax at federal statutory rate of 35%	332	556	549	387	614	566
Increase in income tax from:						
Items presented with related state income tax, net:						
Regulatory asset write-off <sup>1</sup>	—	—	382	—	—	382
State tax, net of federal benefit	2	29	5	8	43	34
Property-related <sup>2</sup>	(439)	(362)	(341)	(439)	(362)	(341)
Change related to uncertain tax positions	(18)	(4)	(67)	(13)	(8)	(94)
Revised San Onofre Settlement Agreement <sup>3</sup>	25	—	—	25	—	—
Share-based compensation <sup>4</sup>	(55)	(28)	—	(11)	(13)	—
Deferred tax re-measurement <sup>5</sup>	466	—	—	33	—	—
Other	(32)	(14)	(42)	(20)	(18)	(40)
Total income tax expense (income) from continuing operations	\$ 281	\$ 177	\$ 486	\$ (30)	\$ 256	\$ 507
Effective tax rate	29.6%	11.1%	31.0%	(2.7)%	14.6%	31.3%

<sup>1</sup> Includes federal and state.

<sup>2</sup> Includes incremental repair benefits. See discussion of repair deductions below. In addition, during 2017, SCE recorded \$80 million (\$135 million pre-tax) of tax benefits related to tax accounting method changes resulting from the filing of SCE's 2016 tax returns.

<sup>3</sup> Includes the write-off of an unrecovered tax regulatory asset related to the Revised San Onofre Settlement Agreement. See Note 11 for further information.

<sup>4</sup> Includes state taxes of \$(11) million and \$(2) million for Edison International and SCE, respectively, for the year ended December 31, 2017. Includes state taxes of \$(4) million and \$(1) million for Edison International and SCE, respectively, for the year ended December 31, 2016. Refer to Note 1 for further information.

<sup>5</sup> In 2017, Edison International and SCE recorded a charge to earnings related to the re-measurement of deferred taxes resulting from Tax Reform. See further discussion above.

The CPUC requires flow-through ratemaking treatment for the current tax benefit arising from certain property-related and other temporary differences which reverse over time. Flow-through items reduce current authorized revenue requirements in SCE's rate cases and result in a regulatory asset for recovery of deferred income taxes in future periods. The difference between the authorized amounts as determined in SCE's rate cases, adjusted for balancing and memorandum account activities, and the recorded flow-through items also result in increases or decreases in regulatory assets with a corresponding impact on the effective tax rate to the extent that recorded deferred amounts are expected to be recovered in future rates. For further information, see Note 10.

#### ***Repair Deductions***

Edison International made voluntary elections in 2009 and 2011 to change its tax accounting method for certain tax repair costs incurred on SCE's transmission, distribution and generation assets. Incremental repair deductions represent amounts recognized for regulatory accounting purposes in excess of amounts included in the authorized revenue requirements through the general rate case ("GRC") proceedings.

As part of the final decision in SCE's 2015 GRC, the CPUC adopted a rate base offset associated with the incremental tax repair deductions during 2012 – 2014. The 2015 rate base offset is \$324 million and amortizes on a straight line basis over 27 years. As a result of the rate base offset included in the final decision, SCE recorded an after tax charge of \$382 million in 2015 to write down the net regulatory asset for recovery of deferred income taxes related to 2012 – 2014 incremental tax repair deductions which is reflected in "Income tax expense" on the consolidated statements of income. The amount of tax repair deductions the CPUC used to establish the rate base offset was based on SCE's forecast of 2012 – 2014 tax repair deductions from the Notice of Intent filed in the 2015 GRC. The amount of tax repair deductions included in the Notice of Intent was less than the actual tax repair deductions SCE reported on its 2012 through 2014 income tax returns. In April 2016, the CPUC granted SCE's request to reduce SCE's base revenue requirement balancing account ("BRRBA") by \$234 million in future periods subject to the timing and final outcome of audits that may be conducted by tax authorities. The refunds resulted in flowing incremental tax benefits for 2012 – 2014 to customers. SCE refunded \$133 million (\$79 million after-tax) during the second quarter of 2016. SCE did not record a gain or loss from this reduction. Regulatory assets recorded from flow through tax benefits are recovered through SCE's GRC proceedings.

#### ***Accounting for Uncertainty in Income Taxes***

Authoritative guidance related to accounting for uncertainty in income taxes requires an enterprise to recognize, in its financial statements, the best estimate of the impact of a tax position by determining if the weight of the available evidence indicates it is more likely than not, based solely on the technical merits, that the position will be sustained upon examination. The guidance requires the disclosure of all unrecognized tax benefits, which includes both the reserves recorded for tax positions on filed tax returns and the unrecognized portion of affirmative claims.



### Unrecognized Tax Benefits

The following table provides a reconciliation of unrecognized tax benefits for continuing and discontinued operations:

(in millions)	Edison International			SCE		
	December 31,					
	2017	2016	2015	2017	2016	2015
Balance at January 1,	\$ 471	\$ 529	\$ 576	\$ 371	\$ 353	\$ 441
Tax positions taken during the current year:						
Increases	51	36	54	51	36	48
Tax positions taken during a prior year:						
Increases	—	2	66	—	—	23
Decreases <sup>1</sup>	(7)	(96)	(165)	(13)	(18)	(159)
Decreases for settlements during the period <sup>2</sup>	(83)	—	(2)	(78)	—	—
Balance at December 31,	\$ 432	\$ 471	\$ 529	\$ 331	\$ 371	\$ 353

<sup>1</sup> Decreases in prior year tax positions for 2016 relate to state tax receivables on various claims. Due to the tax risks associated with these claims, the tax benefits were fully reserved at the time the asset was recorded. During 2016, the Company has determined that it will not recognize these assets so the tax benefit and related tax reserve were written off. Decreases in tax positions for 2015 relate primarily to re-measurement of uncertain tax positions in connection with receipt of the Internal Revenue Service ("IRS") Revenue Agent Report in June 2015. See discussions in Tax Disputes below.

<sup>2</sup> In the first quarter of 2017, Edison International settled all open tax positions with the IRS for taxable years 2007 through 2012.

As of December 31, 2017 and 2016, if recognized, \$308 million and \$347 million, respectively, of the unrecognized tax benefits would impact Edison International's effective tax rate; and \$167 million and \$243 million, respectively, of the unrecognized tax benefits would impact SCE's effective tax rate.

### Tax Disputes

In the first quarter of 2017, Edison International resolved all open tax positions with the IRS for taxable years 2007 through 2012. Edison International has previously made cash deposits to cover the estimated tax and interest liability from this audit cycle and expects a \$7 million refund of this deposited amount.

Tax years that remain open for examination by the IRS and the California Franchise Tax Board are 2014 – 2016 and 2010 – 2016 respectively. Edison International has settled all open tax position with the IRS for taxable years prior to 2013.

Tax years 1994 – 2006 are currently in settlement negotiations with the California Franchise Tax Board. While we expect to resolve these tax years within the next twelve months, the impacts cannot be reasonably estimated until further progress has been made. Tax years 2007 – 2009 are currently under protest with the California Franchise Tax Board.

### ***Accrued Interest and Penalties***

The total amount of accrued interest and penalties related to income tax liabilities for continuing and discontinued operations are:

(in millions)	Edison International		SCE	
	Years ended December 31,			
	2017	2016	2017	2016
Accrued interest and penalties	\$ 115	\$ 128	\$ 41	\$ 41

The net after-tax interest and penalties recognized in income tax expense for continuing and discontinued operations are:

(in millions)	Edison International			SCE		
	December 31,					
	2017	2016	2015	2017	2016	2015
Net after-tax interest and penalties tax expense (benefit)	\$ 6	\$ 6	\$ (9)	\$ 4	\$ 2	\$ (14)

### **Note 8. Compensation and Benefit Plans**

#### ***Employee Savings Plan***

The 401(k) defined contribution savings plan is designed to supplement employees' retirement income. The following employer contributions were made for continuing operations:

(in millions)	Edison International		SCE	
	Years ended December 31,			
	2017	2016	2017	2016
	\$ 70	\$ 69	\$ 69	\$ 68
	70	69	73	72

#### ***Pension Plans and Postretirement Benefits Other Than Pensions***

##### ***Pension Plans***

Noncontributory defined benefit pension plans (some with cash balance features) cover most employees meeting minimum service requirements. SCE recognizes pension expense for its nonexecutive plan as calculated by the actuarial method used for ratemaking. The expected contributions (all by the employer) for Edison International and SCE are approximately \$66 million and \$50 million, respectively, for the year ending December 31, 2018. Annual contributions made by SCE to most of SCE's pension plans are anticipated to be recovered through CPUC-approved regulatory mechanisms.

The funded position of Edison International's pension is sensitive to changes in market conditions. Changes in overall interest rate levels significantly affect the company's liabilities, while assets held in the various trusts established to fund Edison International's pension are affected by movements in the equity and bond markets. Due to SCE's regulatory recovery treatment, a regulatory asset has been recorded equal to the unfunded status (See Note 10).

Information on pension plan assets and benefit obligations for continuing and discontinued operations is shown below.

(in millions)	Edison International		SCE	
	Years ended December 31,			
	2017	2016	2017	2016
<b>Change in projected benefit obligation</b>				
Projected benefit obligation at beginning of year	\$ 4,284	\$ 4,374	\$ 3,791	\$ 3,878
Service cost	137	139	129	132
Interest cost	164	171	144	150
Actuarial gain	(46)	(125)	(74)	(140)
Benefits paid	(360)	(275)	(288)	(229)
Projected benefit obligation at end of year	\$ 4,179	\$ 4,284	\$ 3,702	\$ 3,791
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 3,388	\$ 3,298	\$ 3,172	\$ 3,080
Actual return on plan assets	483	262	442	239
Employer contributions	105	103	64	82
Benefits paid	(360)	(275)	(288)	(229)
Fair value of plan assets at end of year	\$ 3,616	\$ 3,388	\$ 3,390	\$ 3,172
Funded status at end of year	\$ (563)	\$ (896)	\$ (312)	\$ (619)
<b>Amounts recognized in the consolidated balance sheets consist of<sup>1</sup>:</b>				
Long-term assets	\$ 7	\$ 2	\$ —	\$ —
Current liabilities	(17)	(50)	(4)	(4)
Long-term liabilities	(553)	(848)	(308)	(615)
	\$ (563)	\$ (896)	\$ (312)	\$ (619)
<b>Amounts recognized in accumulated other comprehensive loss consist of:</b>				
Prior service cost	\$ (1)	\$ (1)	\$ —	\$ —
Net loss <sup>1</sup>	77	93	21	24
	\$ 76	\$ 92	\$ 21	\$ 24
Amounts recognized as a regulatory asset	\$ 271	\$ 574	\$ 271	\$ 574
Total not yet recognized as expense	\$ 347	\$ 666	\$ 292	\$ 598
Accumulated benefit obligation at end of year	\$ 4,022	\$ 4,138	\$ 3,585	\$ 3,683
<b>Pension plans with an accumulated benefit obligation in excess of plan assets:</b>				
Projected benefit obligation	\$ 4,179	\$ 4,284	\$ 3,702	\$ 3,791
Accumulated benefit obligation	4,022	4,138	3,585	3,683
Fair value of plan assets	3,616	3,388	3,390	3,172
<b>Weighted-average assumptions used to determine obligations at end of year:</b>				
Discount rate	3.46%	3.94%	3.46%	3.94%
Rate of compensation increase	4.10%	4.00%	4.10%	4.00%

<sup>1</sup> The SCE liability excludes a long-term payable due to Edison International Parent of \$114 million and \$124 million at December 31, 2017 and 2016, respectively, related to certain SCE postretirement benefit obligations transferred to Edison International Parent. SCE's accumulated other comprehensive loss of \$21 million and \$24 million at December 31, 2017 and 2016, respectively, excludes net loss of \$19 million and \$20 million related to these benefits.

Net periodic pension expense components for continuing operations are:

(in millions)	Edison International			SCE		
	Years ended December 31,					
	2017	2016	2015	2017	2016	2015
Service cost	\$ 138	\$ 139	\$ 142	\$ 133	\$ 136	\$ 139
Interest cost	164	172	170	149	156	155
Expected return on plan assets	(212)	(220)	(233)	(199)	(205)	(217)
Settlement costs <sup>1</sup>	6	—	—	—	—	—
Amortization of prior service cost	3	4	5	3	4	5
Amortization of net loss <sup>2</sup>	21	27	40	17	23	35
Expense under accounting standards	120	122	124	103	114	117
Regulatory adjustment (deferred)	(28)	(21)	(6)	(28)	(21)	(6)
Total expense recognized	\$ 92	\$ 101	\$ 118	\$ 75	\$ 93	\$ 111

<sup>1</sup> Under GAAP, a settlement is recorded when lump-sum payments exceed estimated annual service and interest costs. Lump sum payments made in 2017 to Edison International executives retiring in 2016 from the Executive Retirement Plan exceeded the estimated service and interest costs, resulting in a partial settlement of that plan. A settlement loss of approximately \$6.4 million (\$3.8 million after-tax) was recorded at Edison International for the year ended December 31, 2017.

<sup>2</sup> Includes the amount of net loss reclassified from other comprehensive loss. The amount reclassified for Edison International was \$10 million, \$10 million and \$14 million for the years ended December 31, 2017, 2016 and 2015, respectively. The amount reclassified for SCE was \$6 million, \$6 million and \$8 million, respectively, for the years ended December 31, 2017, 2016 and 2015, respectively.

Other changes in pension plan assets and benefit obligations recognized in other comprehensive loss for continuing operations:

(in millions)	Edison International			SCE		
	Years ended December 31,					
	2017	2016	2015	2017	2016	2015
Net loss (gain)	\$ —	\$ 6	\$ 7	\$ 3	\$ 4	\$ (9)
Settlement charges	(6)	—	—	—	—	—
Amortization of net loss	(10)	(10)	(15)	(6)	(6)	(9)
Total recognized in other comprehensive loss	\$ (16)	\$ (4)	\$ (8)	\$ (3)	\$ (2)	\$ (18)
Total recognized in expense and other comprehensive loss	\$ 76	\$ 97	\$ 110	\$ 72	\$ 91	\$ 93

In accordance with authoritative guidance on rate-regulated enterprises, SCE records regulatory assets and liabilities instead of charges and credits to other comprehensive income (loss) for the portion of SCE's postretirement benefit plans that are recoverable in utility rates.

The estimated pension amounts that will be amortized to expense in 2018 for continuing operations are as follows:

(in millions)	Edison International	SCE
Unrecognized net loss to be amortized <sup>1</sup>	\$ 8	\$ 6
Unrecognized prior service cost to be amortized	3	3

<sup>1</sup> The amount of net loss expected to be reclassified from other comprehensive loss for Edison International's continuing operations and SCE is \$8 million and \$6 million, respectively.

Edison International and SCE used the following weighted-average assumptions to determine pension expense for continuing operations:

	Years ended December 31,		
	2017	2016	2015
Discount rate	3.94%	4.18%	3.85%
Rate of compensation increase	4.00%	4.00%	4.00%
Expected long-term return on plan assets	6.50%	7.00%	7.00%

The following benefit payments, which reflect expected future service, are expected to be paid:

(in millions)	Edison International		SCE	
	Years ended December 31,			
	2018 \$	338	\$	304
	2019	343		303
	2020	327		293
	2021	324		287
	2022	309		281
2023 – 2027		1,453		1,299

*Postretirement Benefits Other Than Pensions ("PBOP(s)")*

Employees hired prior to December 31, 2017 who are retiring at or after age 55 with at least 10 years of service may be eligible for postretirement medical, dental, and vision benefits. Eligibility for a company contribution toward the cost of these benefits in retirement depends on a number of factors, including the employee's years of service, age, hire date, and retirement date. Under the terms of the Edison International Health and Welfare Benefit Plan ("PBOP Plan"), each participating employer (Edison International or its participating subsidiaries) is responsible for the costs and expenses of all PBOP Plan benefits with respect to its employees and former employees. A participating employer may terminate the PBOP Plan benefits with respect to its employees and former employees, as may SCE (as PBOP Plan sponsor), and, accordingly, the participants' PBOP Plan benefits are not vested benefits.

The expected contributions (substantially all of which are expected to be made by SCE) for PBOP benefits are \$12 million for the year ended December 31, 2018. Annual contributions related to SCE employees made to SCE plans are anticipated to be recovered through CPUC-approved regulatory mechanisms and are expected to be, at a minimum, equal to the total annual expense for these plans.

SCE has established three voluntary employee beneficiary associations trusts ("VEBA Trusts") that can only be used to pay for retiree health care benefits of SCE. Once funded into the VEBA Trusts, neither SCE nor Edison International can subsequently terminate benefits and recover remaining amounts in the VEBA Trusts. Participants of the PBOP Plan do not have a beneficial interest in the VEBA Trusts. The VEBA Trust assets are sensitive to changes in market conditions. Changes in overall interest rate levels significantly affect the company's liabilities, while assets held in the various trusts established to fund Edison International's other postretirement benefits are affected by movements in the equity and bond markets. Due to SCE's regulatory recovery treatment, the unfunded status is offset by a regulatory asset.

Information on PBOP Plan assets and benefit obligations is shown below:

(in millions)	Edison International		SCE	
	Years ended December 31,			
	2017	2016	2017	2016
<b>Change in benefit obligation</b>				
Benefit obligation at beginning of year	\$ 2,276	\$ 2,350	\$ 2,266	\$ 2,341
Service cost	31	35	31	34
Interest cost	86	97	85	97
Special termination benefits	1	2	1	2
Plan Amendments	—	(6)	—	(6)
Actuarial loss (gain)	24	(110)	23	(110)
Plan participants' contributions	24	19	24	19
Benefits paid	(105)	(111)	(105)	(111)
Benefit obligation at end of year	\$ 2,337	\$ 2,276	\$ 2,325	\$ 2,266
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 2,102	\$ 2,036	\$ 2,102	\$ 2,036
Actual return on assets	297	137	297	137
Employer contributions	12	21	12	21
Plan participants' contributions	24	19	24	19
Benefits paid	(105)	(111)	(105)	(111)
Fair value of plan assets at end of year	\$ 2,330	\$ 2,102	\$ 2,330	\$ 2,102
Funded status at end of year	\$ (7)	\$ (174)	\$ 5	\$ (164)
<b>Amounts recognized in the consolidated balance sheets consist of:</b>				
Long-term assets	\$ 6	\$ —	\$ 17	\$ —
Current liabilities	(13)	(14)	(12)	(13)
Long-term liabilities	—	(160)	—	(151)
	\$ (7)	\$ (174)	\$ 5	\$ (164)
<b>Amounts recognized in accumulated other comprehensive loss consist of:</b>				
Net loss	\$ 4	\$ 4	\$ —	\$ —
Amounts recognized as a regulatory (liability) asset	(26)	136	(26)	136
Total not yet recognized as (income) expense	\$ (22)	\$ 140	\$ (26)	\$ 136
<b>Weighted-average assumptions used to determine obligations at end of year:</b>				
Discount rate	3.70%	4.29%	3.70%	4.29%
Assumed health care cost trend rates:				
Rate assumed for following year	6.75%	7.00%	6.75%	7.00%
Ultimate rate	5.00%	5.00%	5.00%	5.00%
Year ultimate rate reached	2029	2022	2029	2022

Net periodic PBOP expense components for continuing operations are:

(in millions)	Edison International			SCE		
	Years ended December 31,					
	2017	2016	2015	2017	2016	2015
Service cost	\$ 31	\$ 35	\$ 46	\$ 31	\$ 34	\$ 46
Interest cost	86	97	102	85	97	102
Expected return on plan assets	(110)	(112)	(116)	(110)	(112)	(116)
Special termination benefits <sup>1</sup>	1	2	1	1	2	1
Amortization of prior service credit	(3)	(2)	(12)	(2)	(2)	(12)
Amortization of net loss	—	—	3	—	—	2
<b>Total expense</b>	<b>\$ 5</b>	<b>\$ 20</b>	<b>\$ 24</b>	<b>\$ 5</b>	<b>\$ 19</b>	<b>\$ 23</b>

<sup>1</sup> Due to the reduction in workforce, SCE has incurred costs for extended retiree health care coverage.

In accordance with authoritative guidance on rate-regulated enterprises, SCE records regulatory assets and liabilities instead of charges and credits to other comprehensive income (loss) for the portion of SCE's postretirement benefit plans that are recoverable in utility rates. The estimated PBOP amounts that will be amortized to expense in 2018 for continuing operations are as follows:

(in millions)	Edison International	SCE
Unrecognized prior service credit to be amortized	\$ (1)	\$ (1)

Edison International and SCE used the following weighted-average assumptions to determine PBOP expense for continuing operations:

	Years ended December 31,		
	2017	2016	2015
Discount rate	4.29%	4.55%	4.16%
Expected long-term return on plan assets	5.30%	5.60%	5.50%
Assumed health care cost trend rates:			
Current year	7.00%	7.50%	7.75%
Ultimate rate	5.00%	5.00%	5.00%
Year ultimate rate reached	2022	2022	2021

A one-percentage-point change in assumed health care cost trend rate would have the following effects on continuing operations:

(in millions)	Edison International		SCE	
	One-Percentage-Point Increase	One-Percentage-Point Decrease	One-Percentage-Point Increase	One-Percentage-Point Decrease
	Effect on accumulated benefit obligation as of December 31, 2017	\$ 247	\$ (203)	\$ 246
Effect on annual aggregate service and interest costs	9	(8)	9	(8)

The following benefit payments are expected to be paid:

(in millions)	Edison International		SCE	
	Years ended December 31,			
	2018 \$	93	\$	93
	2019	96		96
	2020	100		100
	2021	103		103
	2022	107		106
2023 – 2027		582		580

### **Plan Assets**

#### *Description of Pension and Postretirement Benefits Other than Pensions Investment Strategies*

The investment of plan assets is overseen by a fiduciary investment committee. Plan assets are invested using a combination of asset classes, and may have active and passive investment strategies within asset classes. Target allocations for 2017 pension plan assets were 29% for U.S. equities, 17% for non-U.S. equities, 35% for fixed income, 15% for opportunistic and/or alternative investments and 4% for other investments. Target allocations for 2017 PBOP plan assets (except for Represented VEBA which is 85% for fixed income, 5% for opportunistic/private equities, and 10% global equities) are 58% for global equities, 29% for fixed income, and 13% for opportunistic and/or alternative investments. Edison International employs multiple investment management firms. Investment managers within each asset class cover a range of investment styles and approaches. Risk is managed through diversification among multiple asset classes, managers, styles and securities. Plan asset classes and individual manager performances are measured against targets. Edison International also monitors the stability of its investment managers' organizations.

Allowable investment types include:

- United States Equities: Common and preferred stocks of large, medium, and small companies which are predominantly United States-based.
- Non-United States Equities: Equity securities issued by companies domiciled outside the United States and in depository receipts which represent ownership of securities of non-United States companies.
- Fixed Income: Fixed income securities issued or guaranteed by the United States government, non-United States governments, government agencies and instrumentalities including municipal bonds, mortgage backed securities and corporate debt obligations. A portion of the fixed income positions may be held in debt securities that are below investment grade.

Opportunistic, Alternative and Other Investments:

- Opportunistic: Investments in short to intermediate term market opportunities. Investments may have fixed income and/or equity characteristics and may be either liquid or illiquid.
- Alternative: Limited partnerships that invest in non-publicly traded entities.
- Other: Investments diversified among multiple asset classes such as global equity, fixed income currency and commodities markets. Investments are made in liquid instruments within and across markets. The investment returns are expected to approximate the plans' expected investment returns.

Asset class portfolio weights are permitted to range within plus or minus 3%. Where approved by the fiduciary investment committee, futures contracts are used for portfolio rebalancing and to reallocate portfolio cash positions. Where authorized, a few of the plans' investment managers employ limited use of derivatives, including futures contracts, options, options on futures and interest rate swaps in place of direct investment in securities to gain efficient exposure to markets. Derivatives are not used to leverage the plans or any portfolios.



#### *Determination of the Expected Long-Term Rate of Return on Assets*

The overall expected long-term rate of return on assets assumption is based on the long-term target asset allocation for plan assets and capital markets return forecasts for asset classes employed. A portion of the PBOP trust asset returns are subject to taxation, so the expected long-term rate of return for these assets is determined on an after-tax basis.

#### *Capital Markets Return Forecasts*

SCE's capital markets return forecast methodologies primarily use a combination of historical market data, current market conditions, proprietary forecasting expertise, complex models to develop asset class return forecasts and a building block approach. The forecasts are developed using variables such as real risk-free interest, inflation, and asset class specific risk premiums. For equities, the risk premium is based on an assumed average equity risk premium of 5% over cash. The forecasted return on private equity and opportunistic investments are estimated at a 2% premium above public equity, reflecting a premium for higher volatility and lower liquidity. For fixed income, the risk premium is based off of a comprehensive modeling of credit spreads.

#### *Fair Value of Plan Assets*

The PBOP Plan and the Southern California Edison Company Retirement Plan Trust (Master Trust) assets include investments in equity securities, U.S. treasury securities, other fixed-income securities, common/collective funds, mutual funds, other investment entities, foreign exchange and interest rate contracts, and partnership/joint ventures. Equity securities, U.S. treasury securities, mutual and money market funds are classified as Level 1 as fair value is determined by observable, unadjusted quoted market prices in active or highly liquid and transparent markets. The fair value of the underlying investments in equity mutual funds are based on stock-exchange prices. The fair value of the underlying investments in fixed-income mutual funds and other fixed income securities including municipal bonds are 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. Foreign exchange and interest rate contracts are classified as Level 2 because the values are based on observable prices but are not traded on an exchange. Futures contracts trade on an exchange and therefore are classified as Level 1. Common/collective funds and partnerships are measured at fair value using the net asset value per share ("NAV") and have not been classified in the fair value hierarchy. Other investment entities are valued similarly to common/collective funds and are therefore classified as NAV. The Level 1 registered investment companies are either mutual or money market funds. The remaining funds in this category are readily redeemable and classified as NAV and are discussed further at Note 8 to the pension plan master trust investments table below.

Edison International reviews the process/procedures of both the pricing services and the trustee to gain an understanding of the inputs/assumptions and valuation techniques used to price each asset type/class. The trustee and Edison International's validation procedures for pension and PBOP equity and fixed income securities are the same as the nuclear decommissioning trusts. For further discussion, see Note 4. The values of Level 1 mutual and money market funds are publicly quoted. The trustees obtain the values of common/collective and other investment funds from the fund managers. The values of partnerships are based on partnership valuation statements updated for cash flows. SCE's investment managers corroborate the trustee fair values.

Pension Plan

The following table sets forth the Master Trust investments for Edison International and SCE that were accounted for at fair value as of December 31, 2017 by asset class and level within the fair value hierarchy:

(in millions)	Level 1	Level 2	Level 3	NAV <sup>1</sup>	Total
U.S. government and agency securities <sup>2</sup>	\$ 184	\$ 507	\$ —	\$ —	\$ 691
Corporate stocks <sup>3</sup>	718	11	—	—	729
Corporate bonds <sup>4</sup>	—	676	—	—	676
Common/collective funds <sup>5</sup>	—	—	—	705	705
Partnerships/joint ventures <sup>6</sup>	—	—	—	396	396
Other investment entities <sup>7</sup>	—	—	—	262	262
Registered investment companies <sup>8</sup>	140	—	—	—	140
Interest-bearing cash	9	—	—	—	9
Other	—	106	—	—	106
Total	\$ 1,051	\$ 1,300	\$ —	\$ 1,363	\$ 3,714
Receivables and payables, net					(98)
Net plan assets available for benefits					\$ 3,616
SCE's share of net plan assets					\$ 3,390

The following table sets forth the Master Trust investments that were accounted for at fair value as of December 31, 2016 by asset class and level within the fair value hierarchy:

(in millions)	Level 1	Level 2	Level 3	NAV <sup>1</sup>	Total
U.S. government and agency securities <sup>2</sup>	\$ 217	\$ 309	\$ —	\$ —	\$ 526
Corporate stocks <sup>3</sup>	720	15	—	—	735
Corporate bonds <sup>4</sup>	—	725	—	—	725
Common/collective funds <sup>5</sup>	—	—	—	692	692
Partnerships/joint ventures <sup>6</sup>	—	—	—	333	333
Other investment entities <sup>7</sup>	—	—	—	253	253
Registered investment companies <sup>8</sup>	124	—	—	6	130
Interest-bearing cash	42	—	—	—	42
Other	—	112	—	—	112
Total	\$ 1,103	\$ 1,161	\$ —	\$ 1,284	\$ 3,548
Receivables and payables, net					(160)
Net plan assets available for benefits					\$ 3,388
SCE's share of net plan assets					\$ 3,172

<sup>1</sup> These investments are measured at fair value using the net asset value per share practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the net plan assets available for benefits.

<sup>2</sup> Level 1 U.S. government and agency securities are U.S. treasury bonds and notes. Level 2 primarily relates to the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

<sup>3</sup> Corporate stocks are diversified. At December 31, 2017 and 2016, respectively, performance for actively managed separate accounts is primarily benchmarked against the Russell Indexes (54%) and (62%) and Morgan Stanley Capital International (MSCI) index (46%) and (38%).

<sup>4</sup> Corporate bonds are diversified. At December 31, 2017 and 2016, respectively, this category includes \$65 million and \$76 million for collateralized mortgage obligations and other asset backed securities of which \$18 million and \$27 million are below investment grade.



- <sup>5</sup> At December 31, 2017 and 2016, respectively, the common/collective assets were invested in equity index funds that seek to track performance of the Standard and Poor's 500 Index (41% and 45%) and Russell 1000 indexes (15%). At both December 31, 2017 and 2016, 15% of the assets in this category are in index funds which seek to track performance in the MSCI All Country World Index exUS. At December 31, 2017 and 2016, a non-index U.S. equity fund representing 25% and 23% of this category for 2017 and 2016, respectively, is actively managed.
- <sup>6</sup> At both December 31, 2017 and 2016, 55% are invested in private equity funds with investment strategies that include branded consumer products, clean technology and California geographic focus companies. At December 31, 2017 and 2016, respectively, 23% and 22% are invested in publicly traded fixed income securities, 20% and 18% are invested in a broad range of financial assets in all global markets and 2% and 4% of the remaining partnerships are invested in asset backed securities, including distressed mortgages and commercial and residential loans and debt and equity of banks.
- <sup>7</sup> Other investment entities were primarily invested in (1) emerging market equity securities, (2) a hedge fund that invests through liquid instruments in a global diversified portfolio of equity, fixed income, interest rate, foreign currency and commodities markets, and (3) domestic mortgage backed securities.
- <sup>8</sup> Level 1 registered investment companies primarily consisted of a global equity mutual fund which seeks to outperform the MSCI World Total Return Index.

At December 31, 2017 and 2016, respectively, approximately 67% and 69% of the publicly traded equity investments, including equities in the common/collective funds, were located in the United States.

#### *Postretirement Benefits Other than Pensions*

The following table sets forth the VEBA Trust assets for Edison International and SCE that were accounted for at fair value as of December 31, 2017 by asset class and level within the fair value hierarchy:

(in millions)	Level 1	Level 2	Level 3	NAV <sup>1</sup>	Total
U.S. government and agency securities <sup>2</sup>	\$ 398	\$ 33	\$ —	\$ —	\$ 431
Corporate stocks <sup>3</sup>	254	—	—	—	254
Corporate notes and bonds <sup>4</sup>	—	845	—	—	845
Common/collective funds <sup>5</sup>	—	—	—	569	569
Partnerships <sup>6</sup>	—	—	—	82	82
Registered investment companies <sup>7</sup>	37	—	—	—	37
Interest bearing cash	42	—	—	—	42
Other <sup>8</sup>	5	84	—	—	89
<b>Total</b>	<b>\$ 736</b>	<b>\$ 962</b>	<b>\$ —</b>	<b>\$ 651</b>	<b>\$ 2,349</b>
Receivables and payables, net					(19)
<b>Combined net plan assets available for benefits</b>					<b>\$ 2,330</b>

The following table sets forth the VEBA Trust assets for SCE that were accounted for at fair value as of December 31, 2016 by asset class and level within the fair value hierarchy:

(in millions)	Level 1	Level 2	Level 3	NAV <sup>1</sup>	Total
U.S. government and agency securities <sup>2</sup>	\$ 222	\$ 59	\$ —	\$ —	\$ 281
Corporate stocks <sup>3</sup>	230	—	—	—	230
Corporate notes and bonds <sup>4</sup>	—	877	—	—	877
Common/collective funds <sup>5</sup>	—	—	—	462	462
Partnerships <sup>6</sup>	—	—	—	79	79
Registered investment companies <sup>7</sup>	48	—	—	1	49
Interest bearing cash	48	—	—	—	48
Other <sup>8</sup>	4	103	—	—	107
<b>Total</b>	<b>\$ 552</b>	<b>\$ 1,039</b>	<b>\$ —</b>	<b>\$ 542</b>	<b>\$ 2,133</b>
Receivables and payables, net					(31)
<b>Combined net plan assets available for benefits</b>					<b>\$ 2,102</b>

<sup>1</sup> These investments are measured at fair value using the net asset value per share practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the net plan assets available for benefits.

<sup>2</sup> Level 1 U.S. government and agency securities are U.S. treasury bonds and notes. Level 2 primarily relates to the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association.

<sup>3</sup> Corporate stock performance for actively managed separate accounts is primarily benchmarked against the Russell Indexes (64% and 47%) and the MSCI All Country World Index (36% and 53%) for 2017 and 2016, respectively.

<sup>4</sup> Corporate notes and bonds are diversified and include approximately \$36 million and \$47 million for commercial collateralized mortgage obligations and other asset backed securities at December 31, 2017 and 2016, respectively.

<sup>5</sup> At December 31, 2017 and 2016, respectively, 75% and 39% of the common/collective assets are invested in index funds which seek to track performance in the MSCI All Country World Index Investable Market Index and MSCI Europe, Australasia and Far East (EAFE) Index. 17% and 18% are invested in a non-index U.S. equity fund which is actively managed. The remaining assets in this category are primarily invested in emerging market fund at December 31, 2017 and a large cap index fund which seeks to track performance of the Russell 1000 index at December 31, 2016.

<sup>6</sup> At December 31, 2017 and 2016, respectively, 56% and 59% of the partnerships are invested in private equity and venture capital funds. Investment strategies for these funds include branded consumer products, clean and information technology and healthcare. 33% and 31% are invested in a broad range of financial assets in all global markets. 9% of the remaining partnerships category for both years is invested in asset backed securities including distressed mortgages, distressed companies and commercial and residential loans and debt and equity of banks.

<sup>7</sup> At December 31, 2017, registered investment companies were primarily invested in (1) a money market fund, (2) exchange rate trade funds which seek to track performance of MSCI Emerging Market Index, Russell 2000 Index, and international small cap equities. At December 31, 2016, Level 1 registered investment companies consist of a money market fund.

<sup>8</sup> Other includes \$60 million and \$76 million of municipal securities at December 31, 2017 and 2016, respectively.

At December 31, 2017 and 2016, respectively, approximately 61% and 63% of the publicly traded equity investments, including equities in the common/collective funds, were located in the United States.

### **Stock-Based Compensation**

Edison International maintains a shareholder-approved incentive plan (the 2007 Performance Incentive Plan) that includes stock-based compensation. The maximum number of shares of Edison International's common stock authorized to be issued or transferred pursuant to awards under the 2007 Performance Incentive Plan, as amended, is 66 million shares, plus the number of any shares subject to awards issued under Edison International's prior plans and outstanding as of April 26, 2007, which expire, cancel or terminate without being exercised or shares being issued. As of December 31, 2017, Edison International had approximately 30 million shares remaining available for new award grants under its stock-based compensation plans.

The following table summarizes total expense and tax benefits (expense) associated with stock based compensation:

(in millions)	Edison International			SCE		
	Years ended December 31,					
	2017	2016	2015	2017	2016	2015
<b>Stock-based compensation expense<sup>1</sup>:</b>						
Stock options	\$ 14	\$ 14	\$ 14	\$ 8	\$ 7	\$ 8
Performance shares	2	13	7	2	6	4
Restricted stock units	6	6	7	3	3	4
Other	1	1	1	—	—	—
<b>Total stock-based compensation expense</b>	<b>\$ 23</b>	<b>\$ 34</b>	<b>\$ 29</b>	<b>\$ 13</b>	<b>\$ 16</b>	<b>\$ 16</b>
<b>Income tax benefits related to stock compensation expense<sup>2</sup></b>	<b>\$ 72</b>	<b>\$ 41</b>	<b>\$ 12</b>	<b>\$ 15</b>	<b>\$ 20</b>	<b>\$ 7</b>
<b>Excess tax benefits<sup>2</sup></b>	<b>—</b>	<b>—</b>	<b>15</b>	<b>—</b>	<b>—</b>	<b>23</b>

<sup>1</sup> Reflected in "Operation and maintenance" on Edison International's and SCE's consolidated statements of income.

<sup>2</sup> Under new accounting guidance adopted in 2016, share-based payments may create a permanent difference between the amount of compensation expense recognized for book and tax purposes. Beginning January 1, 2016, the excess tax impact of this permanent difference is recognized in earnings in the period it is created.

#### Stock Options

Under the 2007 Performance Incentive Plan, Edison International has granted stock options at exercise prices equal to the closing price at the grant date. Edison International may grant stock options and other awards related to, or with a value derived from, its common stock to directors and certain employees. Options generally expire 10 years after the grant date and vest over a period of four years of continuous service, with expense recognized evenly over the requisite service period, except for awards granted to retirement-eligible participants, as discussed in "Stock-Based Compensation" in Note 1. Additionally, Edison International will substitute cash awards to the extent necessary to pay tax withholding or any government levies.

The fair value for each option granted was determined as of the grant date using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires various assumptions noted in the following table:

	Years ended December 31,		
	2017	2016	2015
Expected terms (in years)	5.7	5.9	5.9
Risk-free interest rate	2.1% - 2.3%	1.2% - 2.2%	1.6% - 2.1%
Expected dividend yield	2.7% - 3.8%	2.5% - 3.0%	2.6% - 3.2%
Weighted-average expected dividend yield	2.7%	2.9%	2.6%
Expected volatility	17.8% - 20.9%	17.2% - 17.5%	16.4% - 17.0%
Weighted-average volatility	17.9%	17.4%	16.5%

The expected term represents the period of time for which the options are expected to be outstanding and is primarily based on historical exercise and post-vesting cancellation experience and stock price history. The risk-free interest rate for periods within the contractual life of the option is based on a zero coupon U.S. Treasury STRIPS (separate trading of registered interest and principal of securities) whose maturity equals the option's expected term on the measurement date. Expected volatility is based on the historical volatility of Edison International's common stock for the length of the option's expected term for 2017. The volatility period used was 68 months, 71 months and 71 months at December 31, 2017, 2016 and 2015, respectively.

The following is a summary of the status of Edison International's stock options:

	Stock options	Weighted-Average		Aggregate Intrinsic Value (in millions)
		Exercise Price	Remaining Contractual Term (Years)	
<b>Edison International:</b>				
Outstanding at December 31, 2016	11,544,501	\$ 50.26		
Granted	1,359,599	79.23		
Expired	—	—		
Forfeited	(163,449)	69.76		
Exercised	(4,918,086)	43.77		
Outstanding at December 31, 2017	7,822,565	58.98	6.37	
Vested and expected to vest at December 31, 2017	7,740,798	58.81	6.35	\$ 62
Exercisable at December 31, 2017	4,241,658	\$ 50.48	5.09	\$ 58
<b>SCE:</b>				
Outstanding at December 31, 2016	4,727,416	\$ 51.81		
Granted	699,538	79.12		
Expired	—	—		
Forfeited	(77,165)	66.27		
Exercised	(987,161)	48.63		
Transfers, net	83,074	46.47		
Outstanding at December 31, 2017	4,445,702	56.46	5.99	
Vested and expected to vest at December 31, 2017	4,402,254	56.28	5.96	\$ 45
Exercisable at December 31, 2017	2,555,160	\$ 46.94	4.52	\$ 43

At December 31, 2017, total unrecognized compensation cost related to stock options and the weighted-average period the cost is expected to be recognized are as follows:

(in millions)	Edison International		SCE
Unrecognized compensation cost, net of expected forfeitures	\$	13	\$ 7
Weighted-average period (in years)		2.4	2.3

Supplemental Data on Stock Options

(in millions, except per award amounts)	Edison International				SCE	
	Years ended December 31,					
	2017	2016	2015	2017	2016	2015
<b>Stock options:</b>						
Weighted average grant date fair value per option granted	\$ 10.65	\$ 7.38	\$ 7.54	\$ 10.63	\$ 7.50	\$ 7.53
Fair value of options vested	11	11	20	5	5	11
Cash used to purchase shares to settle options	293	220	170	77	118	69
Cash from participants to exercise stock options	167	136	113	48	77	45
Value of options exercised	126	84	57	29	41	24
Tax benefits from options exercised	51	34	23	12	17	10

Performance Shares

A target number of contingent performance shares were awarded to executives in March 2017, 2016 and 2015 and vest at December 31, 2019, 2018 and 2017, respectively. The vesting of the grants is dependent upon market and financial performance and service conditions as defined in the grants for each of the years. The number of performance shares earned from each year's grants could range from zero to twice the target number (plus additional units credited as dividend equivalents). Performance shares that are earned are settled solely in cash, and are classified as a share-based liability award. The fair value of these shares is re-measured at each reporting period, and the related compensation expense is adjusted. Performance shares expense is recognized ratably over the requisite service period based on the fair values determined (subject to the adjustments discussed above), except for awards granted to retirement-eligible participants.

The fair value of market condition performance shares is determined using a Monte Carlo simulation valuation model for the total shareholder return. The fair value of the financial performance condition is determined using Edison International's earnings per share compared to pre-established targets.

The following is a summary of the status of Edison International's nonvested performance shares:

	Shares	Weighted-Average Fair Value
<b>Edison International:</b>		
Nonvested at December 31, 2016	207,497	\$ 84.30
Granted	81,874	
Forfeited	(53,002)	
Vested <sup>1</sup>	(57,247)	
Nonvested at December 31, 2017	179,122	63.85
<b>SCE:</b>		
Nonvested at December 31, 2016	96,667	\$ 84.25
Granted	42,569	
Forfeited	(25,061)	
Vested <sup>1</sup>	(26,427)	
Affiliate transfers, net	974	
Nonvested at December 31, 2017	88,722	64.01

<sup>1</sup> Relates to performance shares that will be paid in 2018 as performance targets were met at December 31, 2017.



### Restricted Stock Units

Restricted stock units were awarded to executives in March 2017, 2016 and 2015 and vest and become payable on January 2, 2020, 2019 and 2018, respectively. Each restricted stock unit awarded includes a dividend equivalent feature and is a contractual right to receive one share of Edison International common stock, if vesting requirements are satisfied. The vesting of Edison International's restricted stock units is dependent upon continuous service through the end of the vesting period, except for awards granted to retirement-eligible participants.

The following is a summary of the status of Edison International's nonvested restricted stock units:

	Edison International		SCE	
	Restricted Stock Units	Weighted-Average Grant Date Fair Value	Restricted Stock Units	Weighted-Average Grant Date Fair Value
Nonvested at December 31, 2016	345,395	\$ 61.05	160,788	\$ 60.80
Granted	91,528	79.23	47,100	79.12
Forfeited	(7,311)	71.16	(3,903)	67.65
Vested	(126,561)	51.08	(64,266)	53.64
Affiliate transfers, net	—	—	1,699	60.35
Nonvested at December 31, 2017	303,051	69.52	141,418	69.96

The fair value for each restricted stock unit awarded is determined as the closing price of Edison International common stock on the grant date.

### Note 9. Investments

#### Nuclear Decommissioning Trusts

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

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

(in millions)	Longest Maturity Date	Amortized Cost		Fair Value	
		December 31,			
		2017	2016	2017	2016
Stocks	—	\$ 236	\$ 319	\$ 1,596	\$ 1,547
Municipal bonds	2054	643	659	768	766
U.S. government and agency securities	2067	1,235	1,131	1,319	1,191
Corporate bonds	2057	579	600	643	659
Short-term investments and receivables/payables <sup>1</sup>	One-year	110	75	114	79
Total		\$ 2,803	\$ 2,784	\$ 4,440	\$ 4,242

<sup>1</sup> Short-term investments include \$29 million and \$114 million of repurchase agreements payable by financial institutions which earn interest, are fully secured by U.S. Treasury securities and mature by January 2, 2018 and January 4, 2017 as of December 31, 2017 and 2016, respectively.

Trust fund earnings (based on specific identification) increase the trust fund balance and the ARO regulatory liability. Unrealized holding gains, net of losses, were \$1.6 billion and \$1.5 billion at December 31, 2017 and 2016, respectively, and other-than-temporary impairments of \$143 million and \$170 million at the respective periods.

Trust assets are used to pay income taxes. Deferred tax liabilities related to net unrealized gains at December 31, 2017 were \$404 million. Accordingly, the fair value of trust assets available to pay future decommissioning costs, net of deferred income taxes, totaled \$4.0 billion at December 31, 2017.

Gross realized gains were \$244 million, \$92 million and \$326 million for the years ended December 31, 2017, 2016 and 2015, respectively. Gross realized losses were \$23 million, \$19 million and \$26 million for the years ended December 31, 2017,

2016 and 2015, respectively. Due to regulatory mechanisms, changes in assets of the trusts from income or loss items have no impact on operating revenue or earnings.

#### **Acquisitions**

On December 31, 2015, Edison Energy acquired three businesses for an aggregate purchase price of approximately \$100 million, of which \$90 million was allocated to goodwill and identifiable intangibles. Under the terms of the acquisition of one of the agreements, the sellers were entitled to additional consideration (earn-out) in the event that certain financial thresholds were achieved. During the second quarter of 2016, Edison Energy entered into an agreement to buy-out this earn-out provision and recorded an after-tax charge of \$13 million. The buy-out was completed, together with modification to employment contracts, in order to align long-term incentive compensation.

During 2016 and 2017, a subsidiary of SoCore Energy acquired 100% equity interests in six solar garden development projects (42 MWdc) in Minnesota from SunEdison for \$19.4 million. SoCore Energy also reimbursed SunEdison \$2.6 million of project-specific interconnection costs.

#### **Note 10. Regulatory Assets and Liabilities**

Included in SCE's regulatory assets and liabilities are regulatory balancing accounts. CPUC authorized balancing account mechanisms require SCE to refund or recover any differences between forecasted and actual costs. The CPUC has authorized balancing accounts for specified costs or programs such as fuel, purchased-power, demand-side management programs, nuclear decommissioning and public purpose programs. Certain of these balancing accounts include a return on rate base of 7.90% in 2017 and 2016. The CPUC authorizes the use of a balancing account to recover from or refund to customers differences in revenue resulting from actual and forecasted electricity sales. The CPUC has also established a tax accounting memorandum account ("TAMA") to track tax benefits or costs associated with certain events to be adjusted annually in rates, including tax accounting method changes, changes in tax laws and regulations impacting depreciation or tax repair deductions, forecasted and actual differences in tax repair deductions.

Amounts included in regulatory assets and liabilities are generally recorded with corresponding offsets to the applicable income statement accounts.

#### **Regulatory Assets**

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

(in millions)	December 31,	
	2017	2016
<b>Current:</b>		
Regulatory balancing accounts	\$ 484	\$ 135
Power contracts and energy derivatives	203	150
Unamortized investments, net of accumulated amortization	5	49
Other	11	16
<b>Total current</b>	<b>703</b>	<b>350</b>
<b>Long-term:</b>		
Deferred income taxes, net of liabilities	3,143	4,478
Pensions and other postretirement benefits	271	710
Power contracts and energy derivatives	799	947
Unamortized investments, net of accumulated amortization	123	80
San Onofre	72	857
Unamortized loss on reacquired debt	168	184
Regulatory balancing accounts	143	66
Environmental remediation	144	126
Other	51	7
<b>Total long-term</b>	<b>4,914</b>	<b>7,455</b>
<b>Total regulatory assets</b>	<b>\$ 5,617</b>	<b>\$ 7,805</b>

SCE's regulatory assets related to power contracts and energy derivatives are primarily an offset to unrealized losses on derivatives. The liabilities for the power contracts will be amortized over the remaining contract terms, approximately 3 to 6 years and will not earn a rate of return.

SCE's current and long-term unamortized investments include legacy meters retired as part of the Edison SmartConnect® program and beyond the meters. SCE's unamortized investments related to legacy meters were fully recovered in 2017 and earned a rate of return of 6.46% in 2017 and 2016.

SCE's regulatory assets related to deferred income taxes represent tax benefits passed through to customers. The CPUC requires SCE to flow through certain deferred income tax benefits to customers by reducing electricity rates, thereby deferring recovery of such amounts to future periods. Based on current regulatory ratemaking and income tax laws, SCE expects to recover its regulatory assets related to deferred income taxes over the life of the assets that give rise to the accumulated deferred income taxes, approximately from 1 to 60 years. As a result of Tax Reform, SCE re-measured its deferred tax assets and liabilities as of December 31, 2017. For further information, see Note 7.

SCE's regulatory assets related to pensions and other post-retirement plans represent the unfunded net loss and prior service costs of the plans (see "Pension Plans and Postretirement Benefits Other than Pensions" discussion in Note 8). This amount is being recovered through rates charged to customers.

SCE has long-term unamortized investments which primarily include nuclear assets related to Palo Verde. Nuclear assets related to Palo Verde are expected to be recovered by 2047 and earned a return of 7.90% in 2017 and 2016.

In accordance with the Revised San Onofre Settlement Agreement, SCE wrote down the San Onofre regulatory asset. SCE has requested to apply \$72 million of the U.S. Department of Energy ("DOE") proceeds, currently reflected as a regulatory liability in the DOE litigation memorandum account, against the remaining San Onofre regulatory asset. See Note 11 for further information.

SCE's net regulatory asset related to its unamortized loss on reacquired debt will be recovered over the original amortization period of the reacquired debt over periods ranging from 10 to 35 years or the amortization period of life of the new issue if the debt is refunded or refinanced.

SCE's regulatory assets related to environmental remediation represents a portion of the costs incurred at certain sites that SCE is allowed to recover through customer rates. See "Environmental Remediation" discussed in Note 11.

### **Regulatory Liabilities**

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

(in millions)	December 31,	
	2017	2016
<b>Current:</b>		
Regulatory balancing accounts	\$ 1,009	\$ 736
Energy derivatives	74	—
Other	38	20
<b>Total current</b>	<b>1,121</b>	<b>756</b>
<b>Long-term:</b>		
Costs of removal	2,741	2,847
Re-measurement of deferred taxes	2,892	—
Recoveries in excess of ARO liabilities	1,575	1,639
Regulatory balancing accounts	1,316	1,180
Other postretirement benefits	26	—
Other	64	60
<b>Total long-term</b>	<b>8,614</b>	<b>5,726</b>
<b>Total regulatory liabilities</b>	<b>\$ 9,735</b>	<b>\$ 6,482</b>

SCE's regulatory liabilities related to costs of removal represent differences between asset removal costs recorded and amounts collected in rates for those costs.

As a result of Tax Reform, SCE's deferred tax assets and liabilities were re-measured at December 31, 2017 resulting in an increase in regulatory liabilities which is subject to change based on the outcome of the regulatory process. The regulatory liabilities are generally expected to be refunded to customers over the lives of the assets and liabilities that gave rise to the deferred taxes. For further information, see Note 7.

SCE's regulatory liabilities related to recoveries in excess of ARO liabilities 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 for further discussion.

***Net Regulatory Balancing Accounts***

Balancing account over and under collections represent differences between cash collected in current rates for specified forecasted costs and such costs that are actually incurred. Undercollections are recorded as regulatory balancing account assets. Overcollections are recorded as regulatory balancing account liabilities. With some exceptions, SCE seeks to adjust rates on an annual basis or at other designated times to recover or refund the balances recorded in its balancing accounts. Regulatory balancing accounts that SCE does not expect to collect or refund in the next 12 months are reflected in the long-term section of the consolidated balance sheets. Regulatory balancing accounts do not have the right of offset and are presented gross in the consolidated balance sheets. Under and over collections accrue interest based on a three-month commercial paper rate published by the Federal Reserve.

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

(in millions)	December 31,	
	2017	2016
<b>Asset (liability)</b>		
Energy resource recovery account	\$ 464	\$ (20)
New system generation balancing account	(197)	(6)
Public purpose programs and energy efficiency programs	(1,145)	(992)
Base revenue requirement balancing account	(200)	(426)
Tax accounting memorandum account and pole loading balancing account	(259)	(142)
DOE litigation memorandum account	(156)	(122)
Greenhouse gas auction revenue	(22)	31
FERC balancing accounts	(205)	(69)
Other	22	31
<b>Liability</b>	<b>\$ (1,698)</b>	<b>\$ (1,715)</b>

## Note 11. Commitments and Contingencies

### Power Purchase Agreements

SCE entered into various agreements to purchase power, electric capacity and other energy products. At December 31, 2017, the undiscounted future expected payments for the SCE power purchase agreements (primarily related to renewable energy contracts), which were approved by the CPUC and met other critical contract provisions (including completion of major milestones for construction), were as follows:

	(in millions)	Total
	2018 \$	2,513
	2019	2,513
	2020	2,614
	2021	2,582
	2022	2,562
Thereafter		27,093
<b>Total future commitments</b>	<b>\$</b>	<b>39,877</b>

Additionally, SCE has signed contracts (including capacity reduction contracts with customers) that have not met the critical contract provisions that would increase contractual obligations by \$29 million in 2018, \$109 million in 2019, \$231 million in 2020, \$312 million in 2021, \$301 million in 2022 and \$3.8 billion thereafter, if all critical contract provisions are completed.

Costs incurred for power purchase agreements were \$3.6 billion in 2017, \$3.3 billion in 2016 and \$3.2 billion in 2015, which include costs associated with contracts with terms of less than one year.

Certain power purchase agreements that SCE entered into with independent power producers are accounted for as leases. The following table shows the future minimum lease payments due under the contracts that are treated as operating and capital leases (these amounts are also included in the table above). Due to the inherent uncertainty associated with the reliability of the fuel source, expected purchases from most renewable energy contracts do not meet the definition of a minimum lease payment and have been excluded from the operating and capital lease table below but remain in the table above. The future minimum lease payments for capital leases are discounted to their present value in the table below using SCE's incremental borrowing rate at the inception of the leases. The amount of this discount is shown in the table below as the amount representing interest.

(in millions)	Operating Leases	Capital Leases
	2018 \$	\$ 2
	2019	2
	2020	2
	2021	3
	2022	3
Thereafter	1,222	21
<b>Total future commitments</b>	<b>\$ 2,425</b>	<b>\$ 33</b>
Amount representing executory costs		(15)
Amount representing interest		(8)
<b>Net commitments</b>		<b>\$ 10</b>

Operating lease expense for power purchase agreements was \$2.3 billion in 2017, and \$1.9 billion in 2016 and \$1.7 billion in 2015 (including contingent rents of \$1.8 billion in 2017, \$1.4 billion in 2016 and \$1.1 billion in 2015). Contingent rents for capital leases were \$99 million in 2017, \$109 million in 2016 and less than \$1 million in 2015. The timing of SCE's recognition of the lease expense conforms to ratemaking treatment for SCE's recovery of the cost of electricity and is included in purchased power.

### **Other Lease Commitments**

The following summarizes the estimated minimum future commitments for SCE's non-cancelable other operating leases (primarily related to vehicles, office space and other equipment):

(in millions)	Total	
	2018 \$	48
	2019	37
	2020	27
	2021	20
	2022	15
Thereafter		99
<b>Total future commitments</b>	<b>\$</b>	<b>246</b>

Operating lease expense for other leases were \$59 million in 2017, \$68 million in 2016 and \$80 million in 2015. Certain leases on office facilities contain escalation clauses requiring annual increases in rent. The rentals payable under these leases may increase by a fixed amount each year, a percentage over base year, or the consumer price index.

### **Other Commitments**

The following summarizes the estimated minimum future commitments for SCE's other commitments:

(in millions)	2018	2019	2020	2021	2022	Thereafter	Total
<b>Other contractual obligations</b>	<b>\$ 127</b>	<b>\$ 72</b>	<b>\$ 69</b>	<b>\$ 45</b>	<b>\$ 46</b>	<b>\$ 345</b>	<b>\$ 704</b>

Costs incurred for other commitments were \$75 million in 2017, \$141 million in 2016 and \$182 million in 2015. SCE has fuel supply contracts for Palo Verde which require payment only if the fuel is made available for purchase. SCE also has commitments related to maintaining reliability and expanding SCE's transmission and distribution system.

The table above does not include asset retirement obligations, which are discussed in Note 1.

### **Indemnities**

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

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

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

### **Contingencies**

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

### **Southern California Wildfires**

In December 2017, several wind-driven wildfires (the "December 2017 Wildfires") impacted portions of SCE's service territory and caused substantial damage to both residential and business properties and service outages for SCE customers.

The largest of these fires, known as the Thomas Fire, originated in Ventura County and burned acreage located in both Ventura and Santa Barbara Counties. According to the most recent California Department of Forestry and Fire Protection ("Cal Fire") incident information reports, the Thomas Fire burned over 280,000 acres, destroyed an estimated 1,063 structures, damaged an estimated 280 structures and resulted in two fatalities. During 2017, SCE incurred approximately \$35 million of capital expenditures related to restoration of service resulting from the December 2017 Wildfires.

The causes of the December 2017 Wildfires are being investigated by Cal Fire and other fire agencies. SCE believes the investigations include the possible role of SCE's facilities. SCE expects that one or more of the fire agencies will ultimately issue reports concerning the origins and causes of the December 2017 Wildfires but cannot predict when these reports will be released or if any findings will be issued before the investigations are completed.

Any potential liability of SCE for December 2017 Wildfire-related damages will depend on a number of factors, including whether SCE is determined to have substantially caused, or contributed to, the damages and whether parties seeking recovery of damages will be required to show negligence in addition to causation. Certain California courts have previously found utilities to be strictly liable for property damage, regardless of fault, by applying the theory of inverse condemnation when a utility's facilities were determined to be a substantial cause of a wildfire that caused the property damage. The rationale stated by these courts for applying this theory to investor-owned utilities is that property losses resulting from a public improvement, such as the distribution of electricity, can be spread across the larger community that benefited from such improvement. However, in December 2017, the CPUC issued a decision denying the investor-owned utility's request to include in its rates uninsured wildfire-related costs arising from several 2007 fires, finding that the investor-owned utility did not prudently manage and operate its facilities prior to or at the outset of the 2007 wildfires.

In addition to liability for property damages, when inverse condemnation is found to be applicable to a utility, the utility may be held liable, without regard to fault, for associated interest and attorney's fees (collectively, "Property Losses"). If inverse condemnation is held to be inapplicable to SCE in connection with the December 2017 Wildfires, SCE could still be held liable for Property Losses if those losses were found to have been proximately caused by SCE's negligence. If SCE was found negligent, SCE also could be held liable for fire suppression costs, business interruption losses, evacuation costs, medical expenses and personal injury/wrongful death claims. These potential liabilities, in the aggregate, could be substantial. Additionally, SCE could potentially be subject to fines for alleged violations of CPUC rules and laws in connection with the December 2017 Wildfires.

SCE is aware of multiple lawsuits filed related to the December 2017 Wildfires naming SCE as a defendant. One of these lawsuits also named Edison International as a defendant. At least four of these lawsuits were filed as purported class actions. The lawsuits, which have been filed in the superior courts of Ventura, Santa Barbara and Los Angeles Counties allege, among other things, negligence, inverse condemnation, trespass, private nuisance, and violations of the public utility and health and safety codes. SCE expects to be the subject of additional lawsuits related to the December 2017 Wildfires. The litigation could take a number of years to be resolved because of the complexity of the matters and the time needed to complete the ongoing investigations.

Given the preliminary stages of the investigations and the uncertainty as to the causes of the December 2017 Wildfires, and the extent and magnitude of potential damages, Edison International and SCE are currently unable to reasonably estimate whether SCE will incur material losses and, if so, the range of possible losses that could be incurred.

SCE has approximately \$1 billion of wildfire-specific insurance coverage, subject to a self-insured retention of \$10 million per occurrence, for wildfire-related claims for the period ending on May 31, 2018. SCE also has approximately \$300 million of additional insurance coverage for wildfire-related occurrences for the period from December 31, 2017 to December 31, 2018 which may be used in addition to the \$1 billion in wildfire insurance for wildfire events occurring on or after December 31, 2017 and on or before May 31, 2018, and would be available for new wildfire events, if any, occurring after May 31, 2018 and on or before December 30, 2018. Various coverage limitations within the policies that make up SCE's wildfire insurance coverage could result in material self-insured costs in the event of multiple wildfire occurrences during a policy period. SCE also has other general liability insurance coverage of approximately \$450 million but it is uncertain whether these other policies would apply to liabilities alleged to be related to wildfires. Should responsibility for damages be attributed to SCE for a significant portion of the losses related to the December 2017 Wildfires, SCE's insurance may not be sufficient to cover all such damages. SCE or its vegetation management contractors may experience coverage reductions and/or increased insurance costs in future years. No assurance can be given that future losses will not exceed the limits of insurance coverage.

In addition, SCE may not be authorized to recover its uninsured damages through customer rates if, for example, the CPUC finds that the damages were incurred because SCE was not a prudent manager of its facilities. The CPUC's Safety and Enforcement Division ("SED") is conducting an investigation to assess the compliance of SCE's facilities with applicable rules and regulations in areas impacted by the December 2017 Wildfires.

Edison International and SCE are pursuing legislative, regulatory and legal solutions to the application of a strict liability standard to wildfire-related damages without the ability to recover resulting costs from customers. Edison International and SCE cannot predict whether or when a solution mitigating the significant risk faced by a California investor-owned utility related to wildfires will be achieved.

#### *Montecito Mudslides*

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

Six of the lawsuits mentioned above allege that SCE has responsibility for the Thomas Fire and that the Thomas Fire proximately caused the Montecito Mudslides, resulting in the plaintiffs' claimed damages. SCE expects that additional lawsuits related to the Montecito Mudslides will be filed.

As noted above, the cause of the Thomas Fire has not been determined. In the event that SCE is determined to have liability for damages caused by the Thomas Fire, SCE cannot predict whether the courts will conclude that the Montecito Mudslides were caused by the Thomas Fire or that SCE is responsible or liable for damages caused by the Montecito Mudslides. As a result, Edison International and SCE are currently unable to reasonably estimate whether SCE will incur material losses and, if so, the range of possible losses that could be incurred. If it is determined that the Montecito Mudslides were caused by the Thomas Fire and that SCE is responsible or liable for damages caused by the Montecito Mudslides, then SCE's insurance coverage for such losses may be limited to its wildfire insurance. Additionally, if SCE is determined to be liable for a significant portion of costs associated with the Montecito Mudslides, SCE's insurance may not be sufficient to cover all such damages and SCE may be unable to recover any uninsured losses.

If it is ultimately determined that SCE is legally responsible for losses caused by the Montecito Mudslides, SCE could be held liable for resulting Property Losses if inverse condemnation is found applicable. If SCE is determined to have been negligent, in addition to Property Losses, SCE could be liable for business interruption losses, evacuation costs, clean-up costs, medical expenses and personal injury/wrongful death claims associated with the Montecito Mudslides. These liabilities, in the aggregate, could be substantial. SCE cannot predict whether it will be subjected to regulatory fines related to the Montecito Mudslides.

#### *Permanent Retirement of San Onofre*

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

#### *San Onofre CPUC Proceedings*

In November 2014, the CPUC approved the San Onofre OII Settlement Agreement by and among The Utility Reform Network ("TURN"), the CPUC's Office of Ratepayers Advocates ("ORA"), San Diego Gas & Electric ("SDG&E"), the Coalition of California Utility Employees, and Friends of the Earth (the "Prior San Onofre Settlement Agreement"), which, at the time, resolved the CPUC's investigation regarding the steam generator replacement project at San Onofre and the related outages and subsequent shutdown of San Onofre. Subsequently, the San Onofre Order Instituting Investigation ("OII") proceeding record was reopened by a joint ruling of the Assigned Commissioner and the Assigned administrative law judge ("ALJ") to consider whether, in light of the Company not reporting certain *ex parte* communications on a timely basis, the Prior San Onofre Settlement Agreement remained reasonable, consistent with the law and in the public interest, which is the standard the CPUC applies in reviewing settlements submitted for approval.

#### *Entry into Revised Settlement and Utility Shareholder Agreements*

On January 30, 2018, SCE, SDG&E, The Alliance for Nuclear Responsibility, The California Large Energy Consumers Association, California State University, Citizens Oversight dba Coalition to Decommission San Onofre, the Coalition of California Utility Employees, the Direct Access Customer Coalition, Ruth Henricks, ORA, TURN, and Women's Energy Matters (the "OII Parties") entered into a Revised San Onofre Settlement Agreement in the San Onofre OII proceeding (the "Revised San Onofre Settlement Agreement"). If approved by the CPUC, the Revised San Onofre Settlement Agreement will resolve all issues under consideration in the San Onofre OII and will modify the Prior San Onofre Settlement Agreement. If approved by the CPUC, the Revised San Onofre Settlement Agreement will also result in the dismissal of a federal lawsuit currently pending in the 9th Circuit Court of Appeals challenging the CPUC's authority to permit rate recovery of San Onofre



costs. The Revised San Onofre Settlement Agreement was the result of multiple mediation sessions in 2017 and January 2018 and was signed on January 30, 2018 following a settlement conference in the OII, as required under CPUC rules.

Implementation of the terms of the Revised San Onofre Settlement Agreement is subject to the approval of the CPUC, as to which there is no assurance. The OII Parties have agreed to exercise their best efforts to obtain CPUC approval, but there can be no certainty of when or what the CPUC will actually decide.

On February 6, 2018, the San Onofre OII Assigned Commissioner and Assigned ALJ issued a joint ruling advising the parties, among other things, that (i) the CPUC will need additional information and that the parties should be prepared to submit joint testimony in support of the Revised San Onofre Settlement Agreement on March 26, 2018; (ii) there will be public participation hearings and at least one additional status conference; and (iii) another ruling will be issued with further direction.

#### Disallowances, Refunds and Recoveries

If the Revised San Onofre Settlement Agreement is approved by the CPUC, SCE and SDG&E (the "Utilities") will cease rate recovery of San Onofre costs as of the date their combined remaining San Onofre regulatory assets equal \$775 million (the "Cessation Date"). SCE has previously requested the CPUC to authorize SCE to reduce the San Onofre regulatory asset by applying \$72 million of proceeds received from litigation with the DOE related to DOE's failure to meet its obligation to begin accepting spent nuclear fuel from San Onofre. If that request is approved by the CPUC, the Cessation Date is estimated to be December 19, 2017. If that request is not approved by the CPUC, the Cessation Date is estimated to be April 21, 2018. The Utilities will refund to customers San Onofre-related amounts recovered in rates after the Cessation Date. SCE will retain amounts collected under the Prior San Onofre Settlement Agreement before the Cessation Date. SCE also will retain \$47 million of proceeds received in 2017 from arbitration with Mitsubishi Heavy Industries ("MHI") over MHI's delivery of faulty steam generators. In the Revised San Onofre Settlement Agreement, SCE retains the right to sell its stock of nuclear fuel and not share such proceeds with customers, as was provided in the Prior San Onofre Settlement Agreement. SCE intends to sell its nuclear fuel inventory as market conditions warrant. Sales of nuclear fuel may be significant.

Under the Prior San Onofre Settlement Agreement, the Utilities agreed to fund \$25 million for a Research, Development and Demonstration program that is intended to develop technologies and methodologies to reduce greenhouse gas emissions ("GHG Reduction Program"). The Utilities' funding obligation is reduced to \$12.5 million under the Revised San Onofre Settlement Agreement.

If approved by the CPUC, the Revised San Onofre Settlement Agreement will also provide certain exclusions from the determination of SCE's ratemaking capital structure. Notwithstanding that SCE will no longer recover its San Onofre regulatory asset, the debt borrowed to finance the regulatory asset will continue to be excluded from SCE's ratemaking capital structure. Additionally, SCE may exclude the after-tax charge resulting from the implementation of the Revised San Onofre Settlement Agreement from its ratemaking capital structure.

#### Accounting and Financial Impacts

Under the Prior San Onofre Settlement Agreement, GAAP required that previously incurred costs related to San Onofre Units 2 & 3 be reflected as a regulatory asset to the extent that management concluded the costs were probable of recovery through future rates. GAAP also requires that amounts collected that are probable of refund to customers be recorded as regulatory liabilities. In the fourth quarter of 2017, regulatory assets and liabilities were adjusted based on the probable approval of the Revised San Onofre Settlement Agreement.

In connection with the Revised San Onofre Settlement Agreement, and in exchange for the release of certain San Onofre-related claims, the Utilities entered into an agreement ("Utility Shareholder Agreement") in which SCE has agreed to pay SDG&E the amounts SDG&E would have received in rates under the Prior San Onofre Settlement Agreement but will not receive upon implementation of the Revised San Onofre Settlement Agreement. As of December 19, 2017, SDG&E's regulatory asset was approximately \$151 million. In the fourth quarter of 2017, SCE recorded an accrued liability of \$143 million for the estimated present value of this obligation. The following table summarizes the financial impact of the Revised San Onofre Settlement Agreement and the Utility Shareholder Agreement:

(in millions)	
	San Onofre base regulatory asset \$ 696
	DOE litigation regulatory liability (72)
	MHI Arbitration regulatory liability (47)
	GHG Reduction Program (10)
	Other 6
Present value of Utility Shareholder Agreement	143
Total pre-tax charge	\$ 716
Total after-tax charge	\$ 448

#### Additional Challenges related to the Settlement of San Onofre CPUC Proceedings

A federal lawsuit challenging the CPUC's authority to permit rate recovery of San Onofre costs and an application to the CPUC for rehearing of its decision approving the San Onofre OII Settlement Agreement were filed in November and December 2014, respectively. In April 2015, the federal lawsuit was dismissed with prejudice and the plaintiffs in that case appealed the dismissal to the Ninth Circuit in May 2015. In light of the San Onofre OII meet-and-confer sessions, the Ninth Circuit cancelled the hearing that had been scheduled for February 9, 2017 and ordered the parties to notify the Ninth Circuit of the status of the San Onofre OII by May 1, 2017 and periodically thereafter. In October 2017, the Ninth Circuit scheduled a hearing for February 13, 2018 and directed the parties to file a status report on January 30, 2018. As part of the Revised San Onofre Settlement Agreement, the plaintiffs agreed to dismiss this case with prejudice.

In July 2015, a purported securities class action lawsuit was filed in federal court against Edison International, its then Chief Executive Officer and its then Chief Financial Officer. The complaint was later amended to include SCE's former President as a defendant. The lawsuit alleges that the defendants violated the securities laws by failing to disclose that Edison International had *ex parte* contacts with CPUC decision-makers regarding the San Onofre OII that were either unreported or more extensive than initially reported. The initial complaint purports to be filed on behalf of a class of persons who acquired Edison International common stock between March 21, 2014 and June 24, 2015 (the "Class Period"). In September 2016, the federal court granted defendants' motion to dismiss the complaint, with an opportunity for plaintiff to amend the complaint. Plaintiff filed an amended complaint, which the federal court dismissed again with an opportunity for the plaintiff to amend the complaint. Plaintiff filed a third amended complaint and defendants again moved to dismiss the complaint in October 2016.

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

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

In November 2015, a purported securities class action lawsuit was filed in federal court against Edison International, its then Chief Executive Officer and its Treasurer by an Edison International employee, alleging claims under the Employee Retirement Income Security Act. The complaint purports to be filed on behalf of a class of Edison International employees who were participants in the Edison 401(k) Savings Plan and invested in the Edison International Stock Fund between March 27, 2014 and June 24, 2015. The complaint alleges that defendants breached their fiduciary duties because they knew

or should have known that investment in the Edison International Stock Fund was imprudent because the price of Edison International common stock was artificially inflated due to Edison International's alleged failure to disclose certain *ex parte* communications with CPUC decision-makers related to the San Onofre OII. In July 2016, the federal court granted the defendants' motion to dismiss the lawsuit with an opportunity for the plaintiff to amend her complaint. Plaintiff filed an amended complaint in July 2016, that dismissed Edison International as a named defendant and the remaining defendants filed a motion to dismiss in August 2016. These defendants' motion was heard by the court in November 2016. In June 2017, the federal court again granted defendants' motion to dismiss the lawsuit with an opportunity for the plaintiff to amend her complaint. Plaintiff filed an amended complaint in early July 2017. Defendants have filed motion to dismiss the amended complaint, which was heard by the court in October 2017, and are awaiting a ruling.

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

#### *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 December 31, 2017, SCE's recorded estimated minimum liability to remediate its 20 identified material sites (sites with a liability balance as of December 31, 2017, in which the upper end of the range of the costs is at least \$1 million) was \$146 million, including \$93 million related to San Onofre. In addition to these sites, SCE also has 16 immaterial sites with a liability balance at December 31, 2017 for which the total minimum recorded liability was \$4 million. Of the \$150 million total environmental remediation liability for SCE, \$144 million has been recorded as a regulatory asset. SCE expects to recover \$49 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 \$95 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 \$129 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 4 years are expected to range from \$5 million to \$21 million. Costs incurred for years ended December 31, 2017, 2016 and 2015 were \$9 million, \$4 million and \$5 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*

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. As of January 1, 2017, SCE and other owners of San Onofre and Palo Verde have purchased the maximum private primary insurance available (\$450 million) through a Facility Form issued by American Nuclear Insurers ("ANI"). The balance is covered by a loss sharing program among nuclear reactor licensees. If a nuclear incident at any licensed reactor in the United States results in claims and/or costs which exceed the primary insurance at that plant site, all nuclear reactor licensees could be required to contribute their share of the liability in the form of a deferred premium.

The ANI Facility Form coverage includes broad liability protection for bodily injury or offsite property damage caused by the nuclear energy hazard at San Onofre, or while in transit to or from San Onofre. The Facility Form, however, includes several exclusions. First, it excludes onsite property damage to the nuclear facility itself and onsite cleanup costs, but as discussed below SCE maintains separate Nuclear Electric Insurance Limited ("NEIL") property damage coverage for such events. Second, tort claims of onsite workers are excluded, but SCE also maintains an ANI Master Worker Form policy that provides coverage for non-licensee workers. This program provides a shared industry aggregate limit of \$450 million. Industry losses covered by this program could reduce limits available to SCE. Third, offsite environmental costs arising out of government orders or directives, including those issued under the Comprehensive Environmental Response, Compensation and Liability Act, also known as CERCLA, are excluded, with minor exceptions from clearly identifiable accidents.

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. If the public liability limit above is insufficient, federal law contemplates that additional funds may be appropriated by Congress. This could include an additional assessment on all licensed reactor operators as a measure for raising further federal revenue.

NEIL, a mutual insurance company owned by entities with nuclear facilities, issues nuclear property damage and accidental outage insurance policies. The amount of nuclear property insurance purchased for San Onofre and Palo Verde exceeds the minimum federal requirement of \$1.06 billion. These policies include coverage for decontamination liability. Property damage insurance also covers damages caused by acts of terrorism up to specified limits. Additional outage insurance covers part of replacement power expenses during an accident-related nuclear unit outage. The accidental outage insurance at San Onofre has been canceled as a result of the permanent retirement, but that insurance continues to be in effect at Palo Verde.

If 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. Insurance premiums are charged to operating expense.

#### *Spent Nuclear Fuel*

Under federal law, the DOE is responsible for the selection and construction of a facility for the permanent disposal of spent nuclear fuel and high-level radioactive waste. The DOE has not met its contractual obligation to accept spent nuclear fuel. Extended delays by the DOE have led to the construction of costly alternatives and associated siting and environmental issues. Currently, both San Onofre and Palo Verde have interim storage for spent nuclear fuel on site sufficient for their current license period.

In June 2010, the United States Court of Federal Claims issued a decision granting SCE and the San Onofre co-owners damages of approximately \$142 million (SCE share \$112 million) to recover costs incurred through December 31, 2005 for the DOE's failure to meet its obligation to begin accepting spent nuclear fuel from San Onofre. SCE received payment from the federal government in the amount of the damage award. In April 2016, SCE, as operating agent, settled a lawsuit on behalf of the San Onofre owners against the DOE for \$162 million, including reimbursement for legal costs (SCE share \$124 million) to compensate for damages caused by the DOE's failure to meet its obligation to begin accepting spent nuclear fuel for the period from January 1, 2006 to December 31, 2013. The settlement also provides for a claim submission/audit process for expenses incurred from 2014 – 2016, where SCE will submit a claim for damages caused by the DOE failure to accept spent nuclear fuel each year, followed by a government audit and payment of the claim. This process will make additional legal action to recover damages incurred in 2014 – 2016 unnecessary. The first such claim covering damages for 2014 – 2015 was filed on September 30, 2016 for approximately \$56 million. In February 2017, the DOE reviewed the 2014 – 2015 claim submission and reduced the original request to approximately \$43 million (SCE share was approximately \$34 million) primarily due to DOE allocation limits. SCE accepted the DOE's determination, and the government paid the 2014 – 2015 claim under the terms of the settlement. In October 2017, SCE filed a claim covering damages for 2016 for approximately \$59 million. 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**

SCE's authorized shares are: \$100 cumulative preferred – 12 million shares, \$25 cumulative preferred – 24 million shares and preference with no par value – 50 million shares. SCE's outstanding shares are not subject to mandatory redemption. There are no dividends in arrears for the preferred or preference shares. Shares of SCE's preferred stock have liquidation and dividend preferences over shares of SCE's common stock and preference stock. All cumulative preferred shares are redeemable. When preferred shares are redeemed, the premiums paid, if any, are charged to common equity. No preferred shares were issued or redeemed in the years ended December 31, 2017, 2016 and 2015. There is no sinking fund requirement for redemptions or repurchases of preferred shares.

Shares of SCE's preference stock rank junior to all of the preferred stock and senior to all common stock. Shares of SCE's preference stock are not convertible into shares of any other class or series of SCE's capital stock or any other security. There is no sinking fund requirement for redemptions or repurchases of preference shares.

Preferred stock and preference stock is:

(in millions, except shares and per-share amounts)	Shares Outstanding	Redemption Price	December 31,	
			2017	2016
<b>Cumulative preferred stock</b>				
\$25 par value:				
4.08% Series	650,000	\$ 25.50	\$ 16	\$ 16
4.24% Series	1,200,000	25.80	30	30
4.32% Series	1,653,429	28.75	41	41
4.78% Series	1,296,769	25.80	33	33
<b>Preference stock</b>				
No par value:				
6.25% Series E (cumulative)	350,000	1,000.00	350	350
5.625% Series F (cumulative)	190,004	2,500.00	—	475
5.10% Series G (cumulative)	160,004	2,500.00	400	400
5.75% Series H (cumulative)	110,004	2,500.00	275	275
5.375% Series J (cumulative)	130,004	2,500.00	325	325
5.45% Series K (cumulative)	120,004	2,500.00	300	300
5.00% Series L (cumulative)	190,004	2,500.00	475	—
SCE's preferred and preference stock			2,245	2,245
Less issuance costs			(52)	(54)
Edison International's preferred and preference stock of utility			\$ 2,193	\$ 2,191

Shares of Series E preference stock issued in 2012 may be redeemed at par, in whole or in part, on or after February 1, 2022. Shares of Series G, H, J, K and L preference stock, issued in 2013, 2014, 2015, 2016 and 2017, respectively, may be redeemed at par, in whole, but not in part, at any time prior to March 15, 2018, March 15, 2024, September 15, 2025, March 15, 2026 and June 26, 2022, respectively, if certain changes in tax or investment company law or interpretation (or applicable rating agency equity credit criteria for Series L only) occur and certain other conditions are satisfied. On or after March 15, 2018, March 15, 2024, September 15, 2025, March 15, 2026 and June 26, 2022, SCE may redeem the Series G, H, J, K and L shares, respectively, at par, in whole or in part. For shares of Series H, J and K preference stock, distributions will accrue and be payable at a floating rate from and including March 15, 2024, September 15, 2025 and March 15, 2026, respectively. Shares of Series G, H, J, K and L preference stock were issued to SCE Trust II, SCE Trust III, SCE Trust IV, SCE Trust V and SCE Trust VI, respectively, special purpose entities formed to issue trust securities as discussed in Note 3. The proceeds from the sale of the shares of Series L were used to redeem \$475 million of the Company's Series F preference stock. Preference shares are not subject to mandatory redemption.

At December 31, 2017, declared and unpaid dividends related to SCE's preferred and preference stock were \$12 million.

**Note 13. Accumulated Other Comprehensive Loss**

The changes in accumulated other comprehensive loss, net of tax, consist of:

(in millions)	Edison International		SCE	
	Years ended December 31,			
	2017	2016	2017	2016
Beginning balance	\$ (53)	\$ (56)	\$ (20)	\$ (22)
Pension and PBOP – net gain (loss):				
Other comprehensive income (loss) before reclassifications	3	(4)	(2)	(2)
Reclassified from accumulated other comprehensive loss <sup>1</sup>	7	6	3	3
Other	—	1	—	1
Change	10	3	1	2
Ending balance	\$ (43)	\$ (53)	\$ (19)	\$ (20)

<sup>1</sup> These items are included in the computation of net periodic pension and PBOP expenses. See Note 8 for additional information.

**Note 14. Interest and Other Income and Other Expenses**

Interest and other income and other expenses are as follows:

(in millions)	Years ended December 31,		
	2017	2016	2015
SCE interest and other income:			
Equity allowance for funds used during construction	\$ 87	\$ 74	\$ 87
Increase in cash surrender value of life insurance policies and life insurance benefits	42	39	26
Interest income	7	3	4
Other	9	7	6
Total SCE interest and other income	145	123	123
Other income of Edison International Parent and Other <sup>1</sup>	1	—	51
Total Edison International interest and other income	\$ 146	\$ 123	\$ 174
SCE other expenses:			
Civic, political and related activities and donations	\$ (34)	\$ (32)	\$ (35)
Other	(14)	(12)	(24)
Total SCE other expenses	(48)	(44)	(59)
Other expenses of Edison International Parent and Other	(3)	—	—
Total Edison International other expenses	\$ (51)	\$ (44)	\$ (59)

<sup>1</sup> Reflects Edison Capital's income related to the sale of affordable housing projects for the year ended December 31, 2015.

**Note 15. Supplemental Cash Flows Information**

Supplemental cash flows information for continuing operations is:

(in millions)	Edison International			SCE		
	Years ended December 31,					
	2017	2016	2015	2017	2016	2015
<b>Cash payments for interest and taxes:</b>						
Interest, net of amounts capitalized	\$ 548	\$ 504	\$ 512	\$ 509	\$ 475	\$ 478
Tax payments, net of refunds	1	18	1	2	78	144
<b>Non-cash financing and investing activities:</b>						
<b>Dividends declared but not paid:</b>						
Common stock	\$ 197	\$ 177	\$ 156	\$ 212	\$ —	\$ —
Preferred and preference stock	12	12	14	12	12	14
<b>Details of debt exchange:</b>						
Pollution-control bonds redeemed (2.875%)	—	—	(203)	—	—	(203)
Pollution-control bonds issued (1.875%)	—	—	203	—	—	203

SCE's accrued capital expenditures at December 31, 2017, 2016 and 2015 were \$652 million, \$540 million, and \$543 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, SCE amended a power contract classified as a capital lease, which resulted in a reduction in the lease obligation and asset by \$147 million.

**Note 16. Related-Party Transactions**

Edison International and SCE provide and receive various services to and from its subsidiaries and affiliates. Services provided to Edison International by SCE are priced at fully loaded cost (i.e., direct cost of good or service and allocation of overhead cost). Specified administrative services such as payroll, employee benefit programs, all performed by Edison International or SCE employees, are shared among all affiliates of Edison International. Costs are allocated based on one of the following formulas: percentage of time worked, equity in investment and advances, number of employees, or multi-factor (operating revenue, operating expenses, total assets and number of employees). Edison International allocates various corporate administrative and general costs to SCE and other subsidiaries using established allocation factors.

**Note 17. Quarterly Financial Data (Unaudited)**

Edison International's quarterly financial data is as follows:

(in millions, except per-share amounts)	2017				
	Total	Fourth	Third	Second	First
Operating revenue	\$ 12,320	\$ 3,220	\$ 3,672	\$ 2,965	\$ 2,463
Operating income (loss)	1,493	(16)	561	469	479
Income (loss) from continuing operations <sup>1,2</sup>	668	(534)	501	309	392
Income (loss) from discontinued operations, net	—	—	—	—	—
Net income (loss) attributable to common shareholders	565	(545)	470	278	362
Basic earnings (loss) per share:					
Continuing operations	\$ 1.73	\$ (1.67)	\$ 1.44	\$ 0.85	\$ 1.11
Discontinued operations	—	—	—	—	—
Total	\$ 1.73	\$ (1.67)	\$ 1.44	\$ 0.85	\$ 1.11
Diluted earnings (loss) per share:					
Continuing operations	\$ 1.72	\$ (1.66)	\$ 1.43	\$ 0.85	\$ 1.10
Discontinued operations	—	—	—	—	—
Total	\$ 1.72	\$ (1.66)	\$ 1.43	\$ 0.85	\$ 1.10
Dividends declared per share	2.2325	0.6050	0.5425	0.5425	0.5425
Common stock prices:					
High	\$ 83.38	\$ 83.38	\$ 81.58	\$ 82.82	\$ 81.33
Low	62.67	62.67	76.38	77.21	70.57
Close	63.24	63.24	77.17	78.19	79.61

<sup>1</sup> In the fourth quarter of 2017, Edison International Parent and Other recorded a charge of \$433 million related to the re-measurement of deferred taxes as a result of Tax Reform.

<sup>2</sup> In the fourth quarter of 2017, SCE recorded impairment and other charges of \$716 million (\$448 million after-tax) related to the Revised San Onofre Settlement Agreement.

(in millions, except per-share amounts)	2016				
	Total	Fourth	Third	Second	First
Operating revenue	\$ 11,869	\$ 2,884	\$ 3,767	\$ 2,777	\$ 2,440
Operating income	2,092	566	695	381	448
Income from continuing operations	1,413	347	451	310	305
Income (loss) from discontinued operations, net	12	13	—	(2)	1
Net income attributable to common shareholders	1,311	329	421	280	281
Basic earnings (loss) per share:					
Continuing operations	\$ 3.99	\$ 0.97	\$ 1.29	\$ 0.87	\$ 0.86
Discontinued operations	0.03	0.04	—	(0.01)	—
Total	\$ 4.02	\$ 1.01	\$ 1.29	\$ 0.86	\$ 0.86
Diluted earnings (loss) per share:					
Continuing operations	\$ 3.94	\$ 0.96	\$ 1.27	\$ 0.86	\$ 0.85
Discontinued operations	0.03	0.04	—	(0.01)	—
Total	\$ 3.97	\$ 1.00	\$ 1.27	\$ 0.85	\$ 0.85
Dividends declared per share	1.9825	0.5425	0.4800	0.4800	0.4800
Common stock prices:					
High	\$ 78.72	\$ 73.81	\$ 78.72	\$ 77.71	\$ 72.34
Low	57.97	67.44	71.31	67.71	57.97
Close	71.99	71.99	72.25	77.67	71.89



SCE's quarterly financial data is as follows:

(in millions)	2017				
	Total	Fourth	Third	Second	First
Operating revenue	\$ 12,254	\$ 3,193	\$ 3,652	\$ 2,953	\$ 2,456
Operating income (loss)	1,598	(4)	578	517	507
Net income (loss) <sup>1</sup>	1,136	(79)	497	338	380
Net income (loss) available for common stock	1,012	(109)	465	307	349
Common dividends declared	785	212	191	191	191

<sup>1</sup> In the fourth quarter of 2017, SCE recorded impairment and other charges of \$716 million (\$448 million after-tax) related to the Revised San Onofre Settlement Agreement.

(in millions)	2016				
	Total	Fourth	Third	Second	First
Operating revenue	\$ 11,830	\$ 2,874	\$ 3,752	\$ 2,768	\$ 2,435
Operating income	2,217	594	721	429	472
Net income	1,499	359	466	349	325
Net income available for common stock	1,376	328	435	318	295
Common dividends declared	701	191	170	170	170

Due to the seasonal nature of Edison International and SCE's business, a significant amount of revenue and earnings are recorded in the third quarter of each year. As a result of rounding, the total of the four quarters does not always equal the amount for the year.

**SELECTED FINANCIAL DATA**
**Selected Financial Data: 2013 – 2017**

(in millions, except per-share amounts)	2017	2016	2015	2014	2013
<b>Edison International</b>					
Operating revenue	\$ 12,320	\$ 11,869	\$ 11,524	\$ 13,413	\$ 12,581
Operating expenses	10,827	9,777	9,516	10,941	10,866
Income from continuing operations	668	1,413	1,082	1,536	979
Income from discontinued operations, net of tax	—	12	35	185	36
Net income	668	1,425	1,117	1,721	1,015
Net income attributable to common shareholders	565	1,311	1,020	1,612	915
Weighted-average shares of common stock outstanding	326	326	326	326	326
Basic earnings (loss) per share:					
Continuing operations	\$ 1.73	\$ 3.99	\$ 3.02	\$ 4.38	\$ 2.70
Discontinued operations	—	0.03	0.11	0.57	0.11
Total	\$ 1.73	\$ 4.02	\$ 3.13	\$ 4.95	\$ 2.81
Diluted earnings per share:					
Continuing operations	\$ 1.72	\$ 3.94	\$ 2.99	\$ 4.33	\$ 2.67
Discontinued operations	—	0.03	0.11	0.56	0.11
Total	\$ 1.72	\$ 3.97	\$ 3.10	\$ 4.89	\$ 2.78
Dividends declared per share	2.2325	1.9825	1.7325	1.4825	1.3675
Total assets <sup>1,2</sup>	\$ 52,580	\$ 51,319	\$ 50,229	\$ 49,734	\$ 46,225
Long-term debt excluding current portion	11,642	10,175	10,883	10,234	9,825
Capital lease obligations excluding current portion	10	6	7	196	203
Preferred and preference stock of utility	2,193	2,191	2,020	2,022	1,753
Common shareholders' equity	11,671	11,996	11,368	10,960	9,938
<b>Southern California Edison Company</b>					
Operating revenue	\$ 12,254	\$ 11,830	\$ 11,485	\$ 13,380	\$ 12,562
Operating expenses	10,656	9,613	9,405	10,851	10,811
Net income	1,136	1,499	1,111	1,565	1,000
Net income available for common stock	1,012	1,376	998	1,453	900
Total assets <sup>2</sup>	\$ 51,515	\$ 50,891	\$ 49,795	\$ 49,456	\$ 45,786
Long-term debt excluding current portion	10,428	9,754	10,460	9,624	9,422
Capital lease obligations excluding current portion	10	6	7	196	203
Preferred and preference stock	2,245	2,245	2,070	2,070	1,795
Common shareholder's equity	12,427	12,238	11,602	11,212	10,343
Capital structure <sup>3</sup> :					
Common shareholder's equity	49.5%	50.5%	48.1%	49.0%	48.0%
Preferred and preference stock	9.0%	9.3%	8.6%	9.0%	8.3%
Long-term debt	41.5%	40.2%	43.3%	42.0%	43.7%

<sup>1</sup> Total assets includes assets from continuing and discontinued operations.

<sup>2</sup> Effective December 31, 2015, Edison International and SCE adopted an accounting standard, retrospectively, that requires all deferred income tax assets and liabilities be presented as noncurrent in the consolidated balance sheet.

<sup>3</sup> This capital structure is based on the financial statements as reported under generally accepted accounting principles and does not factor in the adjustments required to calculate CPUC ratemaking capital structure.

The selected financial data was derived from Edison International's and SCE's audited financial statements and is qualified in its entirety by the more detailed information and financial statements, including notes to these financial statements, included in this annual report. References to Edison International refer to the consolidated group of Edison International and its subsidiaries.

## **CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

Based on an evaluation of Edison International's and SCE's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of December 31, 2017, Edison International's and SCE's respective principal executive officers and principal financial officers have concluded that such controls and procedures are effective to ensure that information required to be disclosed by Edison International and SCE in reports that the companies file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms. In addition, Edison International's and SCE's respective principal executive officers and principal financial officers have concluded that such controls and procedures were effective in ensuring that information required to be disclosed by Edison International and SCE in the reports that Edison International and SCE file or submit under the Exchange Act is accumulated and communicated to Edison International's and SCE's management, including Edison International's and SCE's respective principal executive officers and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

### **Management's Report on Internal Control Over Financial Reporting**

Edison International's and SCE's respective management are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f), for Edison International and its subsidiaries and SCE, respectively. Under the supervision and with the participation of their respective principal executive officer and principal financial officer, Edison International's and SCE's management conducted an evaluation of the effectiveness of their respective internal controls over financial reporting based on the framework set forth in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on their evaluations under the COSO framework, Edison International's and SCE's respective management concluded that Edison International's and SCE's respective internal controls over financial reporting were effective as of December 31, 2017. Edison International's internal control over financial reporting as of December 31, 2017 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report on the financial statements included in this report, which is incorporated herein by this reference. This annual report does not include an attestation report of SCE's independent registered public accounting firm regarding internal control over financial reporting. Management's report for SCE is not subject to attestation by the independent registered public accounting firm.

### **Changes in Internal Control Over Financial Reporting**

There were no changes in Edison International's or SCE's internal control over financial reporting during the fourth quarter of 2017 that have materially affected, or are reasonably likely to materially affect, Edison International's or SCE's internal control over financial reporting.

### **Jointly Owned Utility Plant**

Edison International's and SCE's respective scope of evaluation of internal control over financial reporting includes their Jointly Owned Utility Projects.

## **OTHER INFORMATION**

None.

## **CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## BUSINESS

### CORPORATE STRUCTURE, INDUSTRY AND OTHER INFORMATION

Edison International was incorporated in 1987 as the parent holding company of SCE, a California public utility. Edison International also owns and holds interests in subsidiaries through the Edison Energy Group that are engaged in competitive businesses.

The principal executive offices of Edison International and SCE are located at 2244 Walnut Grove Avenue, P.O. Box 976, Rosemead, California 91770, and the telephone numbers are (626) 302-2222 for Edison International and (626) 302-1212 for SCE.

This is a combined Annual Report on Form 10-K for Edison International and SCE. Edison International and SCE make available at [www.edisoninvestor.com](http://www.edisoninvestor.com): Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act, as soon as reasonably practicable after Edison International and SCE electronically file such material with, or furnishes it to, the SEC. Such reports are also available on the SEC's internet website at [www.sec.gov](http://www.sec.gov). The information contained on, or connected to, the Edison investor website is not incorporated by reference into this report.

#### Subsidiaries of Edison International

##### *SCE – Public Utility*

SCE is an investor-owned public utility primarily engaged in the business of supplying and delivering electricity through SCE's electrical infrastructure to an approximately 50,000 square-mile area of southern California. SCE serves approximately 5 million customers in its service area. SCE's total number of customers by class were as follows:

<i>(in thousands)</i>	2017	2016	2015
Residential	4,448	4,417	4,393
Commercial	569	565	561
Industrial	10	10	11
Public authorities	46	46	46
Agricultural and other	22	23	22
Total	5,095	644	5,033

In 2017, SCE's total operating revenue of \$12.3 billion was derived as follows: 42.9% commercial customers, 39.6% residential customers, 4.3% industrial customers, 4.8% public authorities, 1.7% agricultural and other, and 6.7% other operating revenue.

CPUC and FERC rates decouple authorized revenue from the volume of electricity sales and the price of energy procured so that SCE has the opportunity to receive revenue equal to amounts authorized by the relevant regulatory agencies. As a result, the volume of electricity sold to customers does not have a direct impact on SCE's financial results. See "SCE—Overview of Ratemaking Process—CPUC" and "—FERC" for further information.

##### *Edison Energy Group – Energy Service Provider*

Edison Energy Group is a holding company for subsidiaries engaged in pursuing competitive business opportunities across energy and managed portfolio services and distributed solar solutions to commercial and industrial customers. Energy services are provided through its subsidiary, Edison Energy, LLC, to help commercial and industrial customers improve managing their energy costs and risks in dealing with increasingly complex tariff and technology choices. Solar energy solutions are provided through Edison Energy Group's subsidiary SoCore Energy and take the form of behind the meter sales of power under power purchase agreements or the sale of distributed generation systems directly to the customer (build/transfer contracts). SoCore Energy has also developed ground mounted solar projects selling power to rural cooperatives or to subscribers in community solar programs.

During the third quarter of 2017, Edison International completed a strategic review of Edison Energy Group's competitive businesses. The competitive businesses are undertaken through Edison Energy Group and include energy services provided by Edison Energy and distributed solar solutions provided by SoCore Energy. Edison International decided to evaluate strategic options, including potential sale of SoCore Energy, and has begun to consolidate management across Edison Energy

Group. Edison Energy will continue to pursue a proof of concept of its existing energy services and managed portfolio solutions practice for large energy users in the United States. Under the proof of concept, Edison Energy will seek to achieve a breakeven earnings run rate and 5% target customer penetration by the end of 2019. For more information on the accounting status of SoCore Energy, see "Results of Operations—Edison International Parent and Other" in the MD&A.

To date, investments in Edison Energy Group are below 1% of the total consolidated assets and operating revenue, therefore, not material to be reported as a business segment.

#### **Regulation of Edison International as a Holding Company**

As a public utility holding company, Edison International is subject to the Public Utility Holding Company Act. The Public Utility Holding Company Act primarily obligates Edison International and its utility subsidiaries to provide access to their books and records to the FERC and the CPUC for ratemaking purposes.

Edison International is not a public utility and its capital structure is not regulated by the CPUC. The 1988 CPUC decision authorizing SCE to reorganize into a holding company structure, however, imposed certain obligations on Edison International and its affiliates. These obligations include a requirement that SCE's dividend policy continue to be established by SCE's Board of Directors as though SCE were a stand-alone utility company, and that the capital requirements of SCE, as deemed to be necessary to meet SCE's electricity service obligations, shall receive first priority from the Boards of Directors of Edison International and SCE. The CPUC has also promulgated Affiliate Transaction Rules, which, among other requirements, prohibit holding companies from (1) being used as a conduit to provide non-public information to a utility's affiliates and (2) causing or abetting a utility's violation of the rules, including providing preferential treatment to its affiliates.

#### **Employees and Labor Relations**

At December 31, 2017, Edison International and its consolidated subsidiaries had an aggregate of 12,521 full-time employees, 12,234 of which were full-time employees at SCE.

Approximately 3,975 of SCE's full-time employees are covered by collective bargaining agreements with the International Brotherhood of Electrical Workers ("IBEW"). The IBEW collective bargaining agreements expire on December 31, 2019.

#### **Insurance**

Edison International maintains a property and casualty insurance program for itself and its subsidiaries and excess liability insurance covering liabilities to third parties for bodily injury or property damage resulting from operations. These policies are subject to specific retentions, sub-limits and deductibles, which are comparable to those carried by other utility companies of similar size. SCE also has separate insurance programs for nuclear property and liability, workers compensation, solar rooftop construction and wildfires. For further information on nuclear and wildfire insurance, see "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies."

#### **SCE**

##### **Regulation**

###### ***CPUC***

The CPUC has the authority to regulate, among other things, retail rates, energy purchases on behalf of retail customers, SCE capital structure, rate of return, issuance of securities, disposition of utility assets and facilities, oversight of nuclear decommissioning funding and costs, and aspects of the transmission system planning, site identification and construction, including safety and environmental mitigation.

###### ***FERC***

The FERC has the authority to regulate wholesale rates as well as other matters, including unbundled transmission service pricing, rate of return, accounting practices, and licensing of hydroelectric projects. The FERC also has jurisdiction over a portion of the retail rates and associated rate design.

###### ***CAISO***

Major transmission projects required for reliability and accessing renewable resources are recommended by the CAISO through a regular transmission planning process that highlights the need for and key issues associated with each project. Much of SCE's current transmission investment program is for transmission projects that facilitate access to renewable

energy resources in desert and mountain regions east and north of its load center to meet the 33% renewable mandate by 2020. The CAISO will similarly be initiating long-term transmission planning to meet the 2030 mandate for SCE to deliver 50% of its energy from qualifying renewable resources.

### ***NERC***

The FERC assigned administrative responsibility to the NERC to establish and enforce reliability standards and critical infrastructure protection standards, which protect the bulk power system against potential disruptions from cyber and physical security breaches. The critical infrastructure protection standards focus on controlling access to critical physical and cyber security assets, including supervisory control and data acquisition systems for the electric grid. Compliance with these standards is mandatory. The maximum penalty that may be levied for violating a NERC reliability or critical infrastructure protection standard is \$1 million per violation, per day.

SCE has a formal cyber security program that covers SCE's information technology systems as well as customer data. Program staff is engaged with industry groups as well as public-private initiatives to reduce risk and to strengthen the security and reliability of SCE's systems and infrastructure. The program is also engaged in the protection of SCE's customer information.

### ***Nuclear Power Plant Regulation***

The NRC has jurisdiction with respect to the safety of San Onofre and Palo Verde Nuclear Generating Stations. The NRC regulates commercial nuclear power plants through licensing, oversight and inspection, performance assessment, and enforcement of its requirements. In June 2013, SCE decided to permanently retire and decommission San Onofre. For further information, see "Liquidity and Capital Resources—SCE—Decommissioning of San Onofre" in the MD&A.

### ***Other Regulatory Agencies***

The construction, planning and project site identification of SCE's transmission lines and substation facilities require the compliance with various laws and approval of many governmental agencies in addition to the CPUC and FERC. These include various state regulatory agencies depending on the project location; the CAISO, and other environmental, land management and resource agencies such as the Bureau of Land Management, the U.S. Forest Service, the California Department of Fish and Game, and the California Coastal Commission; and regional water quality control boards. In addition, to the extent that SCE transmission line projects pass through lands owned or controlled by Native American tribes, consent and approval from the affected tribes and the Bureau of Indian Affairs are also necessary for the project to proceed.

### **Overview of Ratemaking Process**

#### ***CPUC***

Revenue authorized by the CPUC through triennial GRC proceedings is intended to provide SCE a reasonable opportunity to recover its costs and earn a return on its net investments in generation and distribution assets and general plant (also referred to as "rate base") on a forecast basis. The CPUC sets an annual revenue requirement for the base year which is made up of the operation and maintenance costs, depreciation, taxes and a return consistent with the authorized cost of capital (discussed below). In the GRC proceedings, the CPUC also generally approves the level of capital spending on a forecast basis. Following the base year, the revenue requirements for the remaining two years are set by a methodology established in the GRC proceeding, which generally, among other items, includes annual allowances for escalation in operation and maintenance costs and additional changes in capital-related investments. The CPUC is conducting a triennial safety model assessment proceeding ("S-MAP") to evaluate the utility models used to prioritize safety risks, examine the utilities' assessment of their key risks and their proposed mitigation programs, and develop requirements for annual reporting of risk spending and mitigation results. The risk assessment approach developed in the S-MAP will be incorporated into SCE's triennial GRC through a Risk Assessment and Mitigation Phase (RAMP), which will be initiated by November 15 in the year preceding each GRC application filing date. SCE's first RAMP will be filed in November 2018 for its 2021 GRC. The purpose of the RAMP is to provide information about the utility's assessment of its key safety risks and its proposed programs and spending for mitigating those risks. The information developed during the RAMP will inform the utility's recommended projects and funding requests in the subsequent phase of the GRC.

SCE's 2015 GRC authorized revenue requirements for 2016 and 2017 were \$5.391 billion, and \$5.663 billion, respectively. In September 2016, SCE filed its 2018 GRC Application, which covers 2018 – 2020. For further discussion of the 2018 GRC, see "Management Overview—2018 General Rate Case" in the MD&A.

The CPUC regulates SCE's cost of capital, including its capital structure and authorized rates of return. SCE's authorized capital structure is 43% long-term debt, 9% preferred equity and 48% common equity. SCE's 2017 authorized cost of capital

consisted of: cost of long-term debt of 5.49%, cost of preferred equity of 5.79% and return on common equity of 10.45%. In July 2017, the CPUC approved the agreement among SCE, the other Investor-Owned Utilities, and ORA and TURN to postpone the filing of new cost of capital applications from April 2017 to April 2019, reset the respective Investor-Owned Utilities' authorized costs of long-term debt and preferred stock, and reduce the Investor-Owned Utilities' respective return on common equity, effective January 1, 2018. For further discussion of the Cost of Capital, see "Liquidity and Capital Resources—SCE—Regulatory Proceedings—Cost of Capital" in the MD&A.

SCE's authorized return on investment is established by multiplying an authorized rate of return, determined in separate cost of capital proceedings, by SCE's authorized CPUC rate base.

CPUC rates decouple authorized revenue from the volume of electricity sales and the price of energy procured so that SCE receives revenue equal to amounts authorized. Differences between amounts collected and authorized levels are either collected from or refunded to customers, and, therefore, such differences do not impact operating revenue. Accordingly, SCE is neither benefited nor burdened by the volumetric or price risk related to retail electricity sales.

Cost-recovery balancing accounts (also referred to as cost-recovery mechanisms) are used to track and recover SCE's decoupled costs of fuel and purchased-power, as well as certain operation and maintenance expenses, including energy efficiency and demand-side management program costs. SCE earns no return on these activities and although differences between forecasted and actual costs do not impact earnings, such differences do impact cash flows and can change rapidly. SCE has other capital-related balancing accounts on which it earns a return, such as the pole loading balancing account.

SCE's balancing account for fuel and power procurement-related costs is referred to as the ERRA. SCE sets rates based on an annual forecast of the costs that it expects to incur during the subsequent year. In addition, the CPUC has established a "trigger" mechanism for the ERRA. The trigger mechanism allows for an expeditious rate change if the balancing account overcollection or undercollection exceeds 5% of SCE's prior year generation rate revenue. For 2018, the trigger amount is approximately \$246 million. At December 31, 2017, SCE's undercollection in the ERRA was approximately \$464 million, which is being collected from customers in rates beginning on January 1, 2018.

The majority of procurement-related costs eligible for recovery through cost-recovery rates are pre-approved by the CPUC through specific decisions and a procurement plan with predefined standards that establish the eligibility for cost-recovery. If such costs are subsequently found to be non-compliant with this procurement plan, then this could negatively impact SCE's earnings and cash flows. In addition, the CPUC retrospectively reviews outages associated with utility-owned generation and SCE's power procurement contract administration activities through the annual ERRA review proceeding. A CPUC finding that SCE was unreasonable or imprudent with respect to its utility-owned generation outages and contract administration activities, could negatively impact SCE's earnings and cash flows.

#### ***FERC***

Transmission capital and operating costs that are prudently incurred, including a return on its net investment in transmission assets (also referred to as "rate base"), are recovered through revenue authorized by the FERC. Since 2012, SCE has used a formula rate to determine SCE's FERC transmission revenue requirement, including its construction work in progress ("CWIP") revenue requirement. Under operation of the formula rate, transmission revenue will be updated to actual cost of service annually. The transmission revenue requirement and rates are updated each December, to reflect a forecast of costs for the upcoming rate period, as well as a true up of the transmission revenue to actual costs incurred by SCE in the prior calendar year on its formula rate. In 2017, the FERC weighted average ROE, including project and other incentives, was comparable to the CPUC ROE of 10.45% and can vary based on the mix of project costs that have different incentives. For further information on the current FERC formula rates, related transmission revenue requirements and rate changes, see "Liquidity and Capital Resources—SCE—Regulatory Proceedings—FERC Formula Rate" in the MD&A.

#### ***Retail Rates Structure and Residential Rate Design***

To develop retail rates, the authorized revenue requirements are allocated among all customer classes (residential, commercial, industrial, agricultural and street lighting) on a functional basis (i.e., generation, distribution, transmission, etc.). Specific rate components are designed to recover the authorized revenue allocated to each customer class.

SCE has a two-tier residential rate structure with a separate High Usage Charge (HUC) for customers consuming more than 400% of average usage. The first tier is priced at below-average cost and is intended to cover the customer's basic electricity needs. The second tier is priced at a higher rate per kilowatt hour, and the surcharge rate is set at more than twice the rate of Tier 1. During 2014 – 2015, the CPUC approved changes to the prior rate structure including a reduction over time to the number of tiers, increases to Tier 1 and 2 rates, and set a multi-tier road map to smaller rate differentials between the tiers. By 2019, the price differential between the first and second tiers will be 25%, with the separate HUC. The CPUC has also

ordered a transition from tiered to time-of-use (TOU) rates for most residential customers unless they opt to stay on the tiered rate structure, and SCE is seeking authority to begin its transition in 2020. To recover a portion of the fixed costs of serving no- or low-usage residential customers, SCE assesses a minimum charge of \$10 per month (\$5 for low-income customers), and will seek higher residential fixed charges to be implemented one year after the transition to TOU rates. For information on residential rates for customers with renewable generation systems, see "—Competition" below.

#### ***Energy Efficiency Incentive Mechanism***

In September 2013, the CPUC adopted an energy efficiency incentive mechanism called the Energy Savings and Performance Incentive Mechanism ("ESPI"). The ESPI is comprised of performance/savings rewards and management fees based on actual energy efficiency expenditures and does not contain any provisions for penalties. The proposed ESPI schedule anticipates payments of the incentive rewards occurring between one and two years after the relevant program year. For further information on the energy efficiency awards, see "Liquidity and Capital Resources—SCE—Regulatory Proceedings—Energy Efficiency Incentive Mechanism" in the MD&A.

#### ***Purchased Power and Fuel Supply***

SCE obtains the power, energy, and local grid support needed to serve its customers primarily from purchases from external parties. Approximately 20% of the needed power is provided by SCE's own generating facilities.

#### ***Natural Gas Supply***

SCE requires natural gas to meet contractual obligations for power tolling agreements (power contracts in which SCE has agreed to provide or pay for the natural gas used to generate electricity). SCE also requires natural gas to fuel its Mountainview and peaker plants, which are generation units that operate in response to wholesale market signals related to power prices and reliability needs. The physical natural gas purchased by SCE is sourced in competitive interstate markets. SoCalGas provides the in-state pipeline transportation service to the gas-fueled generation stations that SCE controls. In 2015 – 2016, SoCalGas experienced a significant natural gas fuel leak at its Aliso Canyon underground gas storage facility. As a result, there are limitations on the use and capability of the facility. To date, SCE has found that increased gas-use restrictions increased the cost of electricity for customers but did not impact grid reliability. There is no certainty that these restrictions will not impact grid reliability in the future. However, the price increase would not affect SCE's earnings because decoupled costs of fuel and purchased-power are recovered from customers through balancing accounts. For more information on cost-recovery mechanisms, see "—Overview of Ratemaking Process" above. SCE is actively monitoring legislative and regulatory processes that are addressing pipeline and electric grid operations impacted by the Aliso Canyon leak, including an OII issued by the CPUC in February 2017 to consider the feasibility of minimizing or eliminating the use of the Aliso Canyon facility. SCE has also made additional procurement efforts to alleviate the impact of the partial closure of Aliso Canyon, including acceleration of existing contracts for new capacity, energy storage procurement from third-parties, contracting for design, build, and transfer of utility-owned storage, additional demand response procurement, and additional energy efficiency procurement.

#### ***CAISO Wholesale Energy Market***

The CAISO operates a wholesale energy market primarily in California through which competing electricity generators offer their electricity output to market participants, including electricity retailers. The CAISO schedules power in hourly increments with hourly prices through a day-ahead market in California and schedules power in fifteen-minute and five-minute increments with fifteen-minute and five-minute prices through two real-time markets that cover California and portions of six neighboring states through the Energy Imbalance Market. Both markets optimize energy procurement, ancillary service procurement, unit commitment and congestion management. SCE participates in the day-ahead and real-time markets for the sale of its own generation and generation under contract purchases for its load requirements.

#### ***Competition***

SCE faces retail competition in the sale of electricity to the extent that federal and California laws permit other entities to provide electricity and related services to customers within SCE's service area. While California law provides only limited opportunities for customers in SCE's service area to choose to purchase power directly from an energy service provider other than SCE, a limited, phased-in expansion of customer choice (direct access) for nonresidential customers was permitted beginning in 2009. SCE also faces competition from governmental entities formed by cities, counties, and certain other public agencies to generate and/or purchase electricity for their local residents and businesses, known as CCAs. As of year-end 2017, SCE had three CCAs in its service territory (Apple Valley, City of Lancaster, and Pico Rivera) that represent less than 2% of SCE's total service load but there are several more cities and counties that are exploring the possibility of becoming CCAs in SCE's service territory. Competition between SCE and other electricity providers is conducted mainly on



the basis of price. In September 2017, the CPUC issued a Scoping Memo for its rulemaking to review, revise, and consider alternatives to the Power Charge Indifference Adjustment ("PCIA"), which is a charge that is applied to departing load customers (including CCA formation) and is intended to maintain bundled service customer indifference to legacy authorized procurement costs. The Scoping Memo adopts an overall goal of implementing the existing California statutory requirements regarding customer indifference for the proceeding. The CPUC has adopted a schedule with an expected resolution by the third quarter of 2018. In addition, in December 2017, the CPUC's Energy Division issued a draft resolution to address cost shifting to bundled services customers associated with utilities' short-term resource adequacy purchases for CCAs in their launch or expansion year. The Draft Resolution, if adopted, would require new and expanding CCAs to submit Implementation Plans by January 1 in order to serve customers in the following year. If approved, the Draft Resolution would also require new and expanding CCAs to participate in the Commission's year-ahead resource adequacy program prior to beginning service.

Customer-owned power generation and storage alternatives, such as roof-top solar facilities and battery systems, are increasingly used by SCE's customers as a result of technological developments, federal and state subsidies, and declining costs of such alternatives.

California legislation passed in 1995 encouraged private residential and commercial investment in renewable energy resources by requiring SCE to offer a NEM billing option to customers who install eligible power generation systems to supply all or part of their energy needs. NEM customers are interconnected to SCE's grid and credited for the net difference between the electricity SCE supplied to them through the grid and the electricity the customer exported to SCE over a twelve month period. SCE is required to credit the NEM customer for most of the power they sell back to SCE at the retail rate. Through the credit they receive, NEM customers effectively avoid paying certain grid-related costs. NEM customers are also exempted from non-bypassable, standby and departing load charges and interconnection fees.

In January 2016, the CPUC issued a decision implementing AB 327, a rate reform bill enacted in 2013 that instructed the CPUC to develop new standard rates for customers with renewable generation systems. The changes that the CPUC decision made to the existing NEM tariff do not significantly impact the NEM subsidy. Specifically, the decision requires customers that take service on SCE's NEM tariff after June 2017 to continue to be compensated at the retail rate, minus certain non-bypassable charges. NEM customers also continue to be exempted from standby and departing load charges, but will be required to pay a \$75 interconnection fee and to select a Time-of-Use ("TOU") retail rate. The CPUC will consider making additional adjustments to the NEM tariff when it adopts default TOU rates in 2019.

The effect of these types of competition on SCE generally is to reduce the amount of electricity purchased by customers. Customers who use alternative electricity providers typically continue to utilize and pay for SCE's transmission and distribution services, however, NEM customers utilize, but do not pay the full cost for, those services. While changes in volume or rates generally do not impact SCE, increased retail electricity sales have the effect of increasing utility rates because the costs of the distribution grid are not currently borne by all customers that benefit from its use. See "Risk Factors—Risks Relating to Southern California Edison Company—Competitive and Market Risks."

In the area of transmission infrastructure, SCE has experienced increased competition from independent transmission providers under the FERC's transmission planning requirements rules, effective in 2011, that removed the incumbent public utility transmission owners' federally-based right of first refusal to construct certain new transmission facilities and mandated regional and interregional transmission planning. Regional entities, such as independent system operators, have processes for regional and interregional transmission planning and the competitive solicitation and selection of developers (including incumbent utilities) to build and own certain types of new transmission projects. The CAISO has held competitive solicitations pursuant to these rules and independent service providers were selected.

## Properties

SCE supplies electricity to its customers through extensive transmission and distribution networks. Its transmission facilities, which include sub-transmission facilities and are located primarily in California but also in Nevada and Arizona, deliver power from generating sources to the distribution network and consist of lines ranging from 33 kV to 500 kV and substations. SCE's distribution system, which takes power from substations to customers, includes over 53,000 line miles of overhead lines, 38,000 line miles of underground lines and approximately 800 substations, all of which are located in California. SCE owns the generating facilities listed in the following table:

Generating Facility	Location (in CA, unless otherwise noted)	Fuel Type	Operator	SCE's Ownership Interest (%)	Net Physical Capacity (in MW)	SCE's Capacity pro rata share (in MW)
Hydroelectric Plants (33)	Various	Hydroelectric	SCE	100%	1,153	1,153
Pebble Beach Generating Station (including battery storage)	Catalina Island	Diesel/Liquid Petroleum Gas	SCE	100%	11 <sup>1</sup>	11 <sup>1</sup>
Mountainview Units 3 and 4	Redlands	Natural Gas	SCE	100%	1,050	1,050
Peaker Plants (3)	Various	Natural Gas	SCE	100%	147	147
Enhanced Peaker Plants (2) (gas turbine and battery storage)	Various	Natural gas	SCE	100%	98 <sup>2</sup>	98 <sup>2</sup>
Palo Verde Nuclear Generating Station	Phoenix, AZ	Nuclear	APS	15.8%	3,739	591
Solar PV Plants (25)	Various	Photovoltaic	SCE	100%	91	91
Fuel Cells (2)	Various	Natural Gas	SCE	100%	2	2
Mira Loma Energy Storage	Mira Loma	Electricity	SCE	100%	20	20
Energy Storage Projects (4)	Various	Electricity	SCE	100%	12.4	12.4
<b>Total</b>					<b>6,323.4</b>	<b>3,175.4</b>

<sup>1</sup> Pebble Beach Generating Station consists of 11 MW of diesel generators and liquid petroleum gas micro-turbines supported by 1 MW of battery storage capacity.

<sup>2</sup> Enhanced peaker plants consist of 98 MW of gas turbine supported by 20 MW of battery storage capacity.

Certain of SCE's substations, and portions of its transmission, distribution and communication systems are located on lands owned by the federal, state or local governments under licenses, permits, easements or leases, or on public streets or highways pursuant to franchises. Certain of the documents evidencing such rights obligate SCE, under specified circumstances and at its expense, to relocate such transmission, distribution, and communication facilities located on lands owned or controlled by federal, state, or local governments.

The majority of SCE's hydroelectric plants and related reservoirs are located in whole or in part on U.S.-owned lands and are subject to FERC licenses. Slightly over half of these plants have FERC licenses that expire at various times between 2021 and 2046. FERC licenses impose numerous restrictions and obligations on SCE, including the right of the United States to acquire projects upon payment of specified compensation. When existing licenses expire, the FERC has the authority to issue new licenses to third parties that have filed competing license applications, but only if their license application is superior to SCE's and then only upon payment of specified compensation to SCE. New licenses issued to SCE are expected to contain more restrictions and obligations than the expired licenses because laws enacted since the existing licenses were issued require the FERC to give environmental objectives greater consideration in the licensing process. In addition, SCE expects additional opposition to new licenses by environmental stakeholder groups. Substantially all of SCE's properties are subject to the lien of a trust indenture securing first and refunding mortgage bonds. See "Notes to Consolidated Financial Statements —Note 5. Debt and Credit Agreements."

## Seasonality

Due to warm weather during the summer months and SCE's rate design, operating revenue during the third quarter of each year is generally higher than the other quarters.

## ENVIRONMENTAL CONSIDERATIONS

### Greenhouse Gas Regulation

Edison International recognizes that its industry and the global economy are in the midst of a profound transformation toward a low-carbon future as a response to climate change. SCE plans to be a key enabler of the adoption of new energy technologies that benefit customers of the electric grid. See "Management Overview—Electricity Industry Trends" in the MD&A.

Approximately 20% of power delivered to SCE's customers comes from utility-owned generation. In 2017, the sources of utility-owned generation were 6% natural gas, 6 % nuclear, 7% large hydroelectric, 1% small hydroelectric, and less than 1% solar generation. Approximately 30% of power that SCE delivered to customers in 2017 came from renewable sources.

### Federal Regulation

In 2015, the US EPA issued rules governing GHG emission standards for existing fossil-fuel power plants. Known as the Clean Power Plan, the rules established state-specific goals and guidelines for the reduction of GHG emissions from existing sources. In 2016, the US Supreme Court blocked the implementation of the Clean Power Plan pending the completion of judicial challenges. The US EPA also issued an Advanced Notice of Proposed Rulemaking indicating that the agency intends to issue a full replacement of the Clean Power Plan. SCE does not expect the impact of either the original Clean Power Plan, or its replacement, to be material because it does not own or purchase power from coal-fired generating facilities and a significant portion of the power it delivers to its customers comes from renewable resources.

### California Regulation

In 2006, California adopted a law that established a comprehensive program to reduce GHG emissions. The law required the California Air Resources Board ("CARB") to develop regulations that would reduce California's GHG emissions to 1990 levels by 2020. In 2012, the CARB regulations established a California cap-and-trade program and in July 2017, California law extended California's market-based GHG reduction regulatory framework, which includes the Cap-and-Trade and Low Carbon Fuel Standard programs, to 2030. In the California cap-and-trade program, all covered GHG emitters, including SCE, are subject to a "cap" on their emissions designed to encourage entities to reduce emissions from their operations. Covered entities must remit a compliance instrument for each ton of carbon dioxide equivalent gas emitted and can do so buying state-issued emission allowances at auction or purchasing them in the secondary allowance market. GHG emitters can also meet up to 8% of their cap-and-trade obligations by participating in verified offset programs, such as reforestation, that have recognized effects on reducing atmospheric GHGs.

Additionally, the CPUC and the California Energy Commission adopted GHG emission performance standards that apply to California investor-owned and publicly owned utilities' long-term arrangements for the purchase of electricity. The standards that have been adopted prohibit these entities, including SCE, from entering into long-term financial commitments with generators, such as coal plants, that emit more than a combined-cycle natural gas turbine generator.

California law also requires California retail sellers of electricity to deliver 33% of their customers' electricity requirements from renewable resources, as defined in the statute. The CPUC set delivery quantity requirements applicable to SCE that incrementally increase to 33% over several periods between January 2011 and December 2020. In October 2015, California enacted a law that increased the amount of electricity from renewable resources that California retail sellers must deliver after 2020 to 40% of retail sales by December 2024, 45% of retail sales by December 2027, and 50% of retail sales by December 2030. SCE's delivery of eligible renewable energy to customers was approximately 21% of its total energy portfolio for the compliance period 2011 – 2013, which met SCE's goal for that period. SCE also met its compliance goal for the compliance period 2014 – 2016 by supplying its customer load with approximately 23% eligible renewable energy. SCE estimates its 2017 eligible renewable energy deliveries to be approximately 32% of its total energy portfolio. SCE anticipates that it will comply with the requirements through 2030.

California has also enacted a law that requires the reduction of GHG emissions across the entire state economy to 40% below 1990 levels by 2030. California also supports climate action to meet the December 2015 Paris Agreement. Edison International supports these California environmental initiatives and believes that this change in focus will likely lead to increased electrification of the transportation and industrial sectors. A companion bill to the emission reduction law prioritized direct emission reductions, established joint-legislative oversight committee on climate change, and highlighted the increasing California legislative focus on disadvantaged community impacts of air pollution and climate change. See "Management Overview—Electricity Industry Trends" in the MD&A.

Since 2010, SCE has reported its annual emissions from utility-owned generation each year to the US EPA by March 31 of the following year. SCE's 2017 GHG emissions from utility-owned generation are estimated to be approximately 1.6 million metric tons.

#### **Environmental Risks**

For more information on risks related to climate change, environmental regulation, and SCE's business strategy, see "Risk Factors—Risks Relating to Southern California Edison Company—Operating Risks."

#### **UNRESOLVED STAFF COMMENTS**

None.

#### **PROPERTIES**

As a holding company, Edison International does not directly own any significant properties other than the stock of its subsidiaries. The principal properties of SCE are described above under "Business—SCE—Properties."

#### **LEGAL PROCEEDINGS**

##### **December 2017 Wildfires Litigation**

The December 2017 Wildfires impacted portions of SCE's service territory and caused substantial damage to both residential and business properties and service outages for SCE customers. The largest of these fires, known as the Thomas Fire, originated in Ventura County and burned acreage located in both Ventura and Santa Barbara Counties. According to the most recent California Department of Forestry and Fire Protection ("Cal Fire") incident information report, the Thomas Fire burned over 280,000 acres, destroyed an estimated 1,063 structures, damaged an estimated 280 structures and resulted in two fatalities.

As of February 20, 2018, SCE was aware of at least 17 lawsuits against it related to December 2017 Wildfires. One of these lawsuits also mentions Edison International as a defendant. At least four of these lawsuits were filed as purported class actions. The lawsuits, which have been filed in the superior courts of Ventura, Santa Barbara and Los Angeles Counties allege, among other things, negligence, inverse condemnation, trespass, private nuisance, and violations of the public utility and health and safety codes.

##### **Montecito Mudslides Litigation**

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

Six of the 17 lawsuits mentioned under "December 2017 Wildfires Litigation" above allege that SCE has responsibility for the Thomas Fire and that the Thomas Fire proximately caused the Montecito Mudslides, resulting in the plaintiffs' claimed damages.

## EXECUTIVE OFFICERS OF EDISON INTERNATIONAL

Executive Officer	Age at February 22, 2018	Company Position
Pedro J. Pizarro	52	President and Chief Executive Officer
Maria Rigatti	54	Executive Vice President and Chief Financial Officer
Adam S. Umanoff	58	Executive Vice President and General Counsel
Janet T. Clayton	62	Senior Vice President, Corporate Communications
J. Andrew Murphy	57	Senior Vice President, Strategic Planning
Gaddi H. Vasquez	63	Senior Vice President, Government Affairs
Jacqueline Trapp	50	Vice President, Human Resources
Kevin M. Payne	57	Chief Executive Officer, SCE
Ronald O. Nichols	64	President, SCE

As set forth in Article IV of Edison International's and the relevant subsidiary's Bylaws, the elected officers of Edison International and its subsidiaries are chosen annually by, and serve at the pleasure of, Edison International and the relevant subsidiary's Board of Directors and hold their respective offices until their resignation, removal, other disqualification from service, or until their respective successors are elected. All of the officers of Edison International and its subsidiaries have been actively engaged in the business of Edison International and its subsidiaries for more than five years, except for Messrs. Umanoff, Nichols, and Murphy, and have served in their present positions for the periods stated below. Additionally, those officers who have had other or additional principal positions in the past five years had the following business experience during that period:

Executive Officers	Company Position	Effective Dates
Pedro J. Pizarro	Chief Executive Officer, Edison International President, Edison International President, SCE President, EME <sup>1</sup>	September 2016 to present June 2016 to present October 2014 to June 2016 January 2011 to March 2014
Maria Rigatti	Executive Vice President, Chief Financial Officer Senior Vice President and Chief Financial Officer, SCE President, Edison Mission Reorganization Trust (EME Reorg Trust) <sup>2</sup> Senior Vice President, Chief Financial Officer, EME <sup>1</sup>	September 2016 to present July 2014 to September 2016 April 2014 to June 2014 March 2011 to March 2014
Adam S. Umanoff	Executive Vice President and General Counsel Edison International Partner, Akin Gump Strauss Hauer & Feld <sup>3</sup>	January 2015 to present May 2011 to December 2014
Janet T. Clayton	Senior Vice President, Corporate Communications, Edison International Senior Vice President, Corporate Communications, SCE	April 2011 to present April 2013 to present
J. Andrew Murphy	Senior Vice President, Strategic Planning, Edison International Senior Managing Director, Macquarie Infrastructure and Real Assets <sup>4</sup>	September 2015 to present January 2012 to August 2015
Gaddi H. Vasquez	Senior Vice President, Government Affairs, Edison International and SCE Senior Vice President, Public Affairs, SCE	May 2013 to present July 2009 to May 2013
Jacqueline Trapp	Vice President, Human Resources, Edison International and SCE Director, Executive Talent and Rewards, Edison International	June 2016 to present July 2012 to June 2016
Kevin M. Payne	Chief Executive Officer, SCE Senior Vice President, Customer Service, SCE Vice President, Engineering and Technical Services, SCE	June 2016 to present March 2014 to June 2016 September 2011 to February 2014
Ronald O. Nichols	President, SCE Senior Vice President, Regulatory Affairs, SCE General Manager/Chief Executive Officer, Los Angeles Department of Water and Power <sup>5</sup>	June 2016 to present April 2014 to June 2016 January 2011 to February 2014

<sup>1</sup> EME is a wholly-owned subsidiary of Edison International and an affiliate of SCE. EME filed for bankruptcy on December 17, 2012.

<sup>2</sup> EME Reorg Trust was an entity formed as part of the EME bankruptcy to hold creditors' interests after the sale of EME's assets to NRG and is not a parent, affiliate or subsidiary of SCE.

<sup>3</sup> Akin Gump Strauss Hauer & Feld is a global law firm and is not a parent, affiliate or subsidiary of Edison International.

<sup>4</sup> Macquarie Infrastructure and Real Assets is a global infrastructure management company and is not a parent, affiliate or subsidiary of Edison International.

<sup>5</sup> Los Angeles Department of Water and Power is a municipal water and power utility company and is not a parent, affiliate or subsidiary of Edison International.

#### EXECUTIVE OFFICERS OF SOUTHERN CALIFORNIA EDISON COMPANY

Executive Officer	Age at February 22, 2018	Company Position
Kevin M. Payne	57	Chief Executive Officer
Ronald O. Nichols	64	President
William M. Petmecky III	48	Senior Vice President and Chief Financial Officer
Russell C. Swartz	66	Senior Vice President and General Counsel
Philip R. Herrington	55	Senior Vice President, Transmission and Distribution
Stuart R. Hemphill	54	Senior Vice President, Customer and Operational Services
Caroline Choi	49	Senior Vice President, Regulatory Affairs

As set forth in Article IV of SCE's Bylaws, the elected officers of SCE are chosen annually by, and serve at the pleasure of, SCE's Board of Directors and hold their respective offices until their resignation, removal, other disqualification from service, or until their respective successors are elected. All of the above officers have been actively engaged in the business of SCE, its parent company Edison International, and/or one of SCE's subsidiaries or other affiliates for more than five years, except for Messrs. Nichols and Herrington, and have served in their present positions for the periods stated below. Additionally, those officers who have had other or additional principal positions in the past five years had the following business experience during that period:

Executive Officer	Company Position	Effective Dates
Kevin M. Payne	Chief Executive Officer, SCE	June 2016 to present
	Senior Vice President, Customer Service, SCE	March 2014 to June 2016
	Vice President, Engineering and Technical Services, SCE	September 2011 to March 2014
Ronald O. Nichols	President, SCE	June 2016 to present
	Senior Vice President, Regulatory Affairs, SCE	April 2014 to June 2016
	General Manager/Chief Executive Officer, Los Angeles Department of Water and Power <sup>1</sup>	January 2011 to February 2014
William M. Petmecky III	Senior Vice President and Chief Financial Officer, SCE	September 2016 to present
	Vice President and Treasurer, SCE	September 2014 to September 2016
	Vice President and Treasurer, EME <sup>2</sup>	September 2011 to March 2014
Russell C. Swartz	Senior Vice President and General Counsel, SCE	February 2011 to present
Philip R. Herrington	Senior Vice President, Transmission and Distribution, SCE	September 2017 to present
	Vice President, Power Production, SCE	August 2015 to September 2017
	President, US Competitive Generation/Market Business Lead, The AES Corporation	July 2013 to July 2015
	President and Chief Executive Officer, Dayton Power and Light	March 2012 to March 2014
Stuart R. Hemphill	Senior Vice President, Customer and Operational Services, SCE	June 2016 to present
	Senior Vice President, Power Supply and Operational Services, SCE	July 2014 to June 2016
	Senior Vice President, Power Supply, SCE	January 2011 to July 2014
Caroline Choi	Senior Vice President, Regulatory Affairs, SCE	June 2016 to present
	Vice President Integrated Planning and Environmental Affairs, SCE	January 2012 to June 2016

<sup>1</sup> Los Angeles Department of Water and Power is a municipal water and power utility company and is not a parent, affiliate or subsidiary of SCE.

<sup>2</sup> EME is a wholly-owned subsidiary of Edison International and an affiliate of SCE. EME filed for bankruptcy on December 17, 2012.

## DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning executive officers of Edison International is set forth above under "Executive Officers of Edison International." Information concerning executive officers of SCE is set forth above under "Executive Officers of Southern California Edison Company." Other information responding to this section will appear in Edison International's and SCE's Joint Proxy Statement under the headings "Item 1: Election of Directors," and is incorporated herein by this reference.

The Edison International Employee Code of Conduct is applicable to all officers and employees of Edison International and its subsidiaries. The Code is available on Edison International's Internet website at [www.edisoninvestor.com](http://www.edisoninvestor.com) at "Corporate Governance." Any amendments or waivers of Code provisions for the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, will be posted on Edison International's Internet website at [www.edisoninvestor.com](http://www.edisoninvestor.com).

## EXECUTIVE COMPENSATION

Information responding to this section will appear in the Joint Proxy Statement under the headings "Compensation Discussion and Analysis," "Compensation Committee Interlocks and Insider Participation," "Executive Compensation" "Director Compensation" and "Compensation Committee Report," and is incorporated herein by this reference.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information responding to this section will appear in the Joint Proxy Statement under the heading "Our Stock Ownership," and is incorporated herein by this reference.

### Equity Compensation Plans

All of Edison International's equity compensation plans that were in effect as of December 31, 2017 have been approved by security holders. The following table sets forth, for each of Edison International's equity compensation plans, the number of shares of Edison International Common Stock subject to outstanding options, warrants and rights to acquire such stock, the weighted-average exercise price of those outstanding options, warrants and rights, and the number of shares remaining available for future award grants as of December 31, 2017.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining for future issuance under equity compensation plans (excluding securities reflected in column (a)(c) (a)(c)
Equity compensation plans approved by security holders	8,305,488 <sup>1</sup>	58.98	30,388,425 <sup>2</sup>

<sup>1</sup> This amount includes 7,822,565 shares covered by outstanding stock options, 322,281 shares covered by outstanding restricted stock unit awards, and 160,642 shares covered by outstanding deferred stock unit awards, with the outstanding shares covered by outstanding restricted stock unit and deferred stock unit awards including the crediting of dividend equivalents through December 31, 2017. The weighted-average exercise price of awards outstanding under equity compensation plans approved by security holders reflected in column (b) above is calculated based on the outstanding stock options under these plans as the other forms of awards outstanding have no exercise price. Awards payable solely in cash are not reflected in this table.

<sup>2</sup> This amount is the aggregate number of shares available for new awards under the Edison International 2007 Performance Incentive Plan as of December 31, 2017, and includes shares that have become available from the Edison International Equity Compensation Plan and the Edison International 2000 Equity Plan (together, the "Prior Plans"). However, no additional awards may be granted under the Prior Plans. The maximum number of shares of Edison International Common Stock that may be issued or transferred pursuant to awards under the Edison International 2007 Performance Incentive Plan is 66,000,000 shares, plus the number of any shares subject to awards issued under the Prior Plans and outstanding as of April 26, 2007 that expire, cancel or terminate without being exercised or shares being issued. Shares available under the Edison International 2007 Performance Incentive Plan may generally, subject to certain limits set forth in the plan, be used for any type of award authorized under that plan, including stock options, restricted stock, performance shares, restricted or deferred units, and stock bonuses.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information responding to this section will appear in the Joint Proxy Statement under the headings "Certain Relationships and Related Transactions," and "Our Corporate Governance—Is SCE subject to the same corporate governance stock exchange rules as EIX?," "—How does the Board determine which directors are independent?," "—Which directors has the Board

determined are independent to serve on the Board?" and "Where can I find the Company's corporate governance documents?" and is incorporated herein by this reference.

#### PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information responding to this section will appear in the Joint Proxy Statement under the heading "Independent Auditor Fees," and is incorporated herein by this reference.

#### MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

##### Edison International

Edison International Common Stock is traded on the New York Stock Exchange under the symbol "EIX."

Market information responding to this section is included in "Notes to Consolidated Financial Statements—Note 17. Quarterly Financial Data (Unaudited)." There are restrictions on the ability of Edison International's subsidiaries to transfer funds to Edison International that materially limit the ability of Edison International to pay cash dividends. Such restrictions are discussed in the MD&A under the heading "Liquidity and Capital Resources—SCE—SCE Dividends," and in "Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies—SCE Dividend Restrictions." The number of common stockholders of record of Edison International was 32,278 on February 20, 2018. In addition, Edison International cannot pay dividends if it does not meet California law requirements on retained earnings and solvency.

##### Southern California Edison Company

As a result of the formation of a holding company described under the heading "Business" above, all of the issued and outstanding common stock of SCE is owned by Edison International and there is no market for such stock. Information with respect to frequency and amount of cash dividends is included in "Notes to the Consolidated Financial Statements—Note 17. Quarterly Financial Data (Unaudited)." There are restrictions on SCE's ability to pay dividends to Edison International. Such restrictions are discussed in the MD&A under the heading "Liquidity and Capital Resources—SCE—SCE Dividends," and in "Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies—SCE Dividend Restrictions."

##### Purchases of Equity Securities by Edison International and Affiliated Purchasers

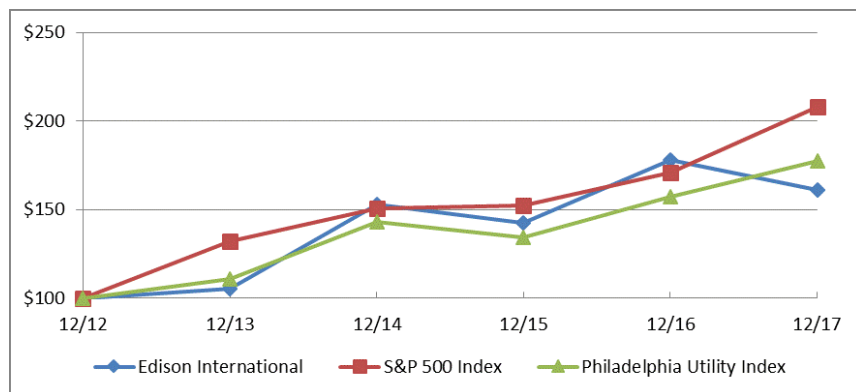
The following table contains information about all purchases of Edison International Common Stock made by or on behalf of Edison International in the fourth quarter of 2017.

Period	(a) Total Number of Shares (or Units) Purchased <sup>1</sup>	(b) Average Price Paid per Share (or Unit) <sup>1</sup>	(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
October 1, 2017 to October 31, 2017	47,999	\$ 78.25	—	—
November 1, 2017 to November 30, 2017	410,890	81.45	—	—
December 1, 2017 to December 31, 2017	668,154	69.63	—	—
Total	1,127,043	\$ 74.31	—	—

<sup>1</sup> 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.



### Comparison of Five-Year Cumulative Total Return



	2012	2013	2014	2015	2016	2017
Edison International	\$ 100	\$ 105	\$ 153	\$ 142	\$ 178	\$ 161
S & P 500 Index	100	132	150	153	171	208
Philadelphia Utility Index	100	111	143	134	157	178

Note: Assumes \$100 invested on December 31, 2012 in stock or index including reinvestment of dividends. Performance of the Philadelphia Utility Index is regularly reviewed by management and the Board of Directors in understanding Edison International's relative performance and is used in conjunction with elements of Edison International's compensation program.

### EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

#### (a) (1) Financial Statements

See Consolidated Financial Statements listed in the Table of Contents of this report.

#### (a) (2) Report of Independent Registered Public Accounting Firm and Schedules Supplementing Financial Statements

##### Edison International

The following documents may be found in this report at the indicated page numbers under the headings "Financial Statements and Supplementary Data" and "Exhibits and Financial Statement Schedules" in the Table of Contents of this report.

Report of Independent Registered Public Accounting Firm - Edison International  
 Schedule I – Condensed Financial Information of Edison International Parent  
 Schedule II – Valuation and Qualifying Accounts of Edison International

Schedules III through V, inclusive, for Edison International are omitted as not required or not applicable.

##### Southern California Edison Company

The following documents may be found in this report at the indicated page numbers under the headings "Financial Statements and Supplementary Data" and "Exhibits and Financial Statement Schedules" in the Table of Contents of this report.

Report of Independent Registered Public Accounting Firm - SCE  
 Schedule II – Valuation and Qualifying Accounts of SCE

Schedules I and III through V, inclusive, for SCE are omitted as not required or not applicable.

#### (a) (3) Exhibits

## EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Description</b>
<b>Edison International</b>	
3.1	Certificate of Restated Articles of Incorporation of Edison International, effective December 19, 2006 (File No. 1-9936, filed as Exhibit 3.1 to Edison International's Form 10-K for the year ended December 31, 2006)*
3.2	Bylaws of Edison International, as amended October 27, 2016 (File No. 1-9936, filed as Exhibit 3.1 to Edison International's Form 10-Q dated November 1, 2016 and filed November 1, 2016)*
<b>Southern California Edison Company</b>	
3.3	Restated Articles of Incorporation of Southern California Edison Company, effective March 2, 2006, together with all Certificates of Determination of Preference Stock issued since March 2, 2006 (File No. 1-2313 filed as Exhibit 3.1 to Southern California Edison Company's Form 10-Q for the quarter ended June 30, 2017)*
3.4	Bylaws of Southern California Edison Company, as amended October 27, 2016 (File No. 1-2313, filed as Exhibit 3.2 to Southern California Edison Company's Form 10-Q dated November 1, 2016 and filed November 1, 2016)*
<b>Edison International</b>	
4.1	Senior Indenture, dated September 10, 2010 (File No. 1-9936, filed as Exhibit 4.1 to Edison International's Form 10-Q for the quarter ended September 30, 2010)*
<b>Southern California Edison Company</b>	
4.2	Southern California Edison Company First Mortgage Bond Trust Indenture, dated as of October 1, 1923 (File No. 1-2313, filed as Exhibit 4.2 to Southern California Edison Company's Form 10-K for the year ended December 31, 2010)*
4.3	Southern California Edison Company Indenture, dated as of January 15, 1993
<b>Edison International and Southern California Edison Company</b>	
10.1**	Edison International Director Deferred Compensation Plan, as amended effective June 19, 2014 (File No. 1-9936, filed as Exhibit 10.3 for the quarter ended June 30, 2014)*
10.2**	Edison International 2008 Director Deferred Compensation Plan, as amended and restated effective June 19, 2014 (File No. 1-9936, filed as Exhibit No. 10.2 for the quarter ended June 30, 2014)*
10.3**	Director Grantor Trust Agreement, dated August 1995 (File No. 1-9936, filed as Exhibit 10.10 to Edison International's Form 10-K for the year ended December 31, 1995)*
10.3.1**	Director Grantor Trust Agreement Amendment 2002-1, effective May 14, 2002 (File No. 1-9936, filed as Exhibit 10.4 to Edison International's Form 10-Q for the quarter ended June 30, 2002)*
10.3.2**	Executive and Director Grantor Trust Agreements Amendment 2008-1 (File No. 1-9936, filed as Exhibit No. 10.6.2 to Edison International's Form 10-K for the year ended December 31, 2008)*
10.4**	Edison International Executive Deferred Compensation Plan, as amended and restated effective June 19, 2014 (File No. 1-9936, filed as Exhibit 10.4 for the quarter ended June 30, 2014)*
10.5**	Edison International 2008 Executive Deferred Compensation Plan, as amended and restated effective December 9, 2015* (File No. 1-9936, filed as Exhibit No. 10.5 to Edison International's Form 10-K for the year ended December 31, 2015)*
10.6**	Executive Grantor Trust Agreement, dated August 1995 (File No. 1-9936, filed as Exhibit 10.12 to Edison International's Form 10-K for the year ended December 31, 1995)*
10.6.1**	Executive Grantor Trust Agreement Amendment 2002-1, effective May 14, 2002 (File No. 1-9936, filed as Exhibit 10.3 to Edison International's Form 10-Q for the quarter ended June 30, 2002)*
10.7**	Southern California Edison Company Executive Retirement Plan, as amended effective June 19, 2014 (File No. 1-9936, filed as Exhibit 10.7 for the quarter ended June 30, 2014)*
10.7.1**	Edison International 2008 Executive Retirement Plan, as amended and restated effective August 24, 2016
10.8**	Edison International Executive Incentive Compensation Plan, as amended and restated effective August 24, 2016
10.9**	Edison International 2008 Executive Disability Plan, as amended and restated effective January 1, 2016 (File No. 1-9936, filed as Exhibit No. 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2016)*

<b>Exhibit Number</b>	<b>Description</b>
10.10**	Edison International 2007 Performance Incentive Plan as amended and restated effective May 2, 2016 (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 8-K dated April 28, 2016 and filed April 29, 2016)*
10.10.1**	Edison International 2008 Long-Term Incentives Terms and Conditions (File No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2008)*
10.10.2**	Edison International 2009 Long-Term Incentives Terms and Conditions (File No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2009)*
10.10.3**	Edison International 2010 Long-Term Incentives Terms and Conditions (File No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2010)*
10.10.4**	Edison International 2011 Long-Term Incentives Terms and Conditions (File No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2011)*
10.10.5**	Edison International 2012 Long-Term Incentives Terms and Conditions (File No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2012)*
10.10.6**	Edison International 2013 Long-Term Incentives Terms and Conditions (File No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2013)*
10.10.7**	Edison International 2014 Long-Term Incentives Terms and Conditions (File, No. 1-9936, filed as Exhibit 10.3 to Edison International's Form 10-Q for the quarter ended March 31, 2014)*
10.10.8**	Edison International 2015 Long-Term Incentives Terms and Conditions (File, No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2015)*
10.10.9**	Edison International 2016 Long-Term Incentives Terms and Conditions (File, No. 1-9936, filed as Exhibit 10.4 to Edison International's Form 10-Q for the quarter ended March 31, 2016)*
10.10.10**	Edison International 2017 Long-Term Incentives Terms and Conditions (File, No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2017)*
10.11**	Director Nonqualified Stock Option Terms and Conditions under the 2007 Performance Incentive Plan (File 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2007)*
10.12**	Edison International and Edison Mission Energy Affiliate Option Exchange Offer Summary of Deferred Compensation Alternatives, dated July 3, 2000 (File No. 1-13434, filed as Exhibit 10.94 to the Edison Mission Energy's Form 10-K for the year ended December 31, 2001)*
10.12.1**	Edison International and Edison Mission Energy Affiliate Option Exchange Offer Circular, dated July 3, 2000 (File No. 1-13434, filed as Exhibit 10.93 to the Edison Mission Energy's Form 10-K for the year ended December 31, 2001)*
10.13**	Edison International 2008 Executive Severance Plan, as amended and restated effective December 31, 2017
10.14**	Edison International and Southern California Edison Company Director Compensation Schedule, as adopted August 24, 2017 (File No. 1-9936 filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended September 30, 2017)*
10.15**	Edison International Director Matching Gifts Program, as adopted June 24, 2010 (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended June 30, 2010)*
10.16	Amended and Restated Agreement for the Allocation of Income Tax Liabilities and Benefits among Edison International, Southern California Edison Company and The Mission Group dated September 10, 1996 (File No. 1-9936, filed as Exhibit 10.3 to Edison International's Form 10-Q for the quarter ended September 30, 2002)*
10.16.1	Amended and Restated Tax-Allocation Agreement among The Mission Group and its first-tier subsidiaries dated September 10, 1996 (File No. 1-9936, filed as Exhibit 10.3.1 to Edison International's Form 10-Q for the quarter ended September 30, 2002)*
10.16.2	Amended and Restated Tax-Allocation Agreement between Edison Capital and Edison Funding Company (formerly Mission First Financial and Mission Funding Company) dated May 1, 1995 (File No. 1-9936, filed as Exhibit 10.3.2 to Edison International's Form 10-Q for the quarter ended September 30, 2002)*
10.16.3	Amended and Restated Tax-Allocation Agreement between Mission Energy Holding Company and Edison Mission Energy dated February 13, 2012 (File No. 333-68630, filed as Exhibit 10.11 to Edison Mission Energy's Form 10-K for the year ended December 31, 2011)*

<b>Exhibit Number</b>	<b>Description</b>
10.16.4	Modification No. 1 to the Amended and Restated Tax-Allocation Agreement between Mission Energy Holding Company and Edison Mission Energy dated February 13, 2012 (File No. 333-68630, filed as Exhibit 10.1 to Edison Mission Energy's Form 8-K dated November 15, 2012 and filed November 21, 2012)*
10.16.5	Amended and Restated Administrative Agreement Re Tax Allocation Payments, dated February 13, 2012, among Edison International and subsidiary parties. (File No. 333-68630, filed as Exhibit 10.12 to Edison Mission Energy's Form 10-K for the year ended December 31, 2011)*
10.17**	Form of Indemnity Agreement between Edison International and its Directors and any officer, employee or other agent designated by the Board of Directors (File No. 1-9936, filed as Exhibit 10.5 to Edison International's Form 10-Q for the period ended June 30, 2005, and filed on August 9, 2005)*
10.18**	Edison International 2017 Executive Annual Incentive Program (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended March 31, 2017)*
10.19**	Section 409A and Other Conforming Amendments to Terms and Conditions (File No. 1-9936, filed as Exhibit No. 10.37 to Edison International's Form 10-K for the year ended December 31, 2008)*
10.19.1**	Section 409A Amendments to Director Terms and Conditions (File No. 1-9936, filed as Exhibit No. 10.37.1 to Edison International's Form 10-K for the year ended December 31, 2008)*
10.2	Amended and Restated Credit Agreement, dated as of July 14, 2015 among Edison International and the Lenders named therein (File 1-9936, filed as Exhibit 10.1 to Edison International's Form 8-K dated July 14, 2015 and filed July 17, 2015)*
10.21	Amended and Restated Credit Agreement, dated as of July 14, 2015, among Southern California Edison Company and the Lenders named therein (File 1-2313, filed as Exhibit 10.2 to Southern California Edison Company's Form 8-K dated July 14, 2015 and filed July 17, 2015)*
10.22	Term Loan Credit Agreement, dated as of January 26, 2018, among Edison International, the several banks and other financial institutions from time to time parties thereto, and Wells Fargo Bank, N.A., as administrative agent for the lenders (File 1-2313, filed as Exhibit 10.1 to Southern California Edison Company's Form 8-K dated January 26, 2018 and filed January 26, 2018)*
10.23	Amended and Restated Settlement Agreement between Southern California Edison Company, San Diego Gas & Electric Company, the Office of Ratepayer Advocates, The Utility Reform Network, Friends of the Earth, and the Coalition of California Utility Employees, dated September 23, 2014 (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended September 30, 2014)*
10.24	Revised San Onofre Settlement Agreement dated January 30, 2018 (File No. 1-9936, filed as exhibit 10.1 to Edison International's Form 8-K dated January 30, 2018 and filed January 31, 2018)*
21	Subsidiaries of the Registrants
23.1	Consent of Independent Registered Public Accounting Firm (Edison International)
23.2	Consent of Independent Registered Public Accounting Firm (Southern California Edison Company)
24.1	Powers of Attorney of Edison International and Southern California Edison Company
24.2	Certified copies of Resolutions of Boards of Edison International and Southern California Edison Company Directors Authorizing Execution of SEC Reports
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 annual report on Form 10-K of Edison International for the year ended December 31, 2017, filed on February 22, 2018, 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; (v) Consolidated Statements of Changes in Equity and (vi) the Notes to Consolidated Financial Statements



<b>Exhibit Number</b>	<b>Description</b>
101.2	Financial statements from the annual report on Form 10-K of Southern California Edison Company for the year ended December 31, 2017, filed on February 22, 2018, 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; (v) Consolidated Statements of Changes in Equity and (vi) the Notes to Consolidated Financial Statements

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\* Incorporated by reference pursuant to Rule 12b-32.

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

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

SCHEDULES SUPPLEMENTING FINANCIAL STATEMENTS

**EDISON INTERNATIONAL**  
**SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF PARENT**  
**CONDENSED BALANCE SHEETS**

(in millions)	December 31,	
	2017	2016
<b>Assets:</b>		
Cash and cash equivalents	\$ 524	\$ 6
Other current assets	340	261
<b>Total current assets</b>	<b>864</b>	<b>267</b>
Investments in subsidiaries	13,659	13,459
Deferred income taxes	500	646
Other long-term assets	91	108
<b>Total assets</b>	<b>\$ 15,114</b>	<b>\$ 14,480</b>
<b>Liabilities and equity:</b>		
Short-term debt	\$ 1,139	\$ 539
Current portion of long-term debt	—	400
Other current liabilities	467	484
<b>Total current liabilities</b>	<b>1,606</b>	<b>1,423</b>
Long-term debt	1,193	397
Other long-term liabilities	644	664
<b>Total equity</b>	<b>11,671</b>	<b>11,996</b>
<b>Total liabilities and equity</b>	<b>\$ 15,114</b>	<b>\$ 14,480</b>

**EDISON INTERNATIONAL**  
**SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF PARENT**  
**CONDENSED STATEMENTS OF INCOME**  
**For the Years Ended December 31, 2017, 2016 and 2015**

(in millions)	2017	2016	2015
Interest income from affiliates	\$ —	\$ 6	\$ 3
Operating expenses and interest expense	92	86	78
Loss before equity in earnings of subsidiaries	(92)	(80)	(75)
Equity in earnings of subsidiaries	739	1,337	1,025
Income before income taxes	647	1,257	950
Income tax expense (benefit)	82	(42)	(35)
Income from continuing operations	565	1,299	985
Income from discontinued operations, net of tax	—	12	35
Net income	\$ 565	\$ 1,311	\$ 1,020

**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
**For the Years Ended December 31, 2017, 2016 and 2015**

(in millions)	2017	2016	2015
Net income	\$ 565	\$ 1,311	\$ 1,020
Other comprehensive income, net of tax	10	3	2
Comprehensive income	\$ 575	\$ 1,314	\$ 1,022



**EDISON INTERNATIONAL**  
**SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF PARENT**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2017, 2016 and 2015**

(in millions)	2017	2016	2015
Net cash provided by operating activities	\$ 462	\$ 493	\$ 641
Cash flows from financing activities:			
Long-term debt issued	798	400	—
Long-term debt issuance costs	(5)	(3)	—
Long-term debt matured	(400)	—	—
Payable due to affiliates	8	34	54
Short-term debt financing, net	600	(108)	26
Payments for stock-based compensation	(260)	(95)	(114)
Receipts for stock-based compensation	144	51	72
Dividends paid	(707)	(626)	(544)
Net cash provided by (used in) financing activities	178	(347)	(506)
Capital contributions to affiliate	(122)	(147)	(30)
Loans to affiliate	—	—	(106)
Net cash used in investing activities:	(122)	(147)	(136)
Net increase (decrease) in cash and cash equivalents	518	(1)	(1)
Cash and cash equivalents, beginning of year	6	7	8
Cash and cash equivalents, end of year	\$ 524	\$ 6	\$ 7

**Note 1. Basis of Presentation**

The accompanying condensed financial statements of Edison International Parent should be read in conjunction with the consolidated financial statements and notes thereto of Edison International and subsidiaries ("Registrant") included in this Form 10-K. Edison International's Parent significant accounting policies are consistent with those of the Registrant, SCE and other wholly owned and controlled subsidiaries.

**Dividends Received**

Edison International Parent received cash dividends from SCE of \$573 million, \$701 million and \$758 million in 2017, 2016 and 2015, respectively. During the fourth quarter of 2017, SCE declared a dividend to Edison International of \$212 million, which was paid on January 31, 2018.

**Dividend Restrictions**

The CPUC regulates SCE's capital structure which limits the dividends it may pay Edison International. Under CPUC regulations, 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 average basis, or otherwise satisfies the CPUC requirements.

If the Revised San Onofre Settlement Agreement is approved by the CPUC, SCE may exclude the \$448 million after-tax charge resulting from the implementation of the Revised San Onofre Settlement Agreement from its ratemaking capital structure. At December 31, 2017, without excluding the \$448 million after-tax charge, SCE's 13-month average common equity component of total capitalization was 50.0% and the maximum additional dividend that SCE could pay to Edison International under this limitation was approximately \$511 million, resulting in a restriction on net assets of approximately \$14.2 billion. If the Revised San Onofre Settlement Agreement had been approved by the CPUC at December 31, 2017, the common equity component of SCE's capital structure would have been 50.1% on a 13-month average basis.

## Note 2. Debt and Credit Agreements

### Long-Term Debt

During the first quarter of 2017, Edison International issued \$400 million of 2.125% senior notes due in 2020. The proceeds were used to repay commercial paper borrowings and for general corporate purposes. In August 2017, Edison International issued \$400 million of 2.40% senior notes due in 2022. In addition, at December 31, 2017 and 2016, respectively, Edison International Parent had \$400 million of 2.95% senior notes due in 2023 and \$400 million of 3.75% senior notes, which were paid in September 2017 with the proceeds from the August 2017 issuance as discussed above.

### Credit Agreements and Short-Term Debt

The following table summarizes the status of the credit facility at December 31, 2017:

(in millions)	
Commitment	\$ 1,250
Outstanding borrowings	(1,139)
Amount available	\$ 111

During the second quarter of 2017, Edison International Parent amended the credit facility to extend the maturity date for the \$1.25 billion credit facility to July 2022. At December 31, 2017, the outstanding commercial paper, net of discount, was \$639 million at a weighted-average interest rate of 1.70%. This commercial paper was supported by the \$1.25 billion multi-year revolving credit facility. In December 2017, Edison International Parent borrowed \$500 million from the credit facility which had an interest rate of 2.56% on December 31, 2017. In January 2018, Edison International repaid its \$500 million borrowings with cash on hand. At December 31, 2016, the outstanding commercial paper, net of discount, was \$538 million at a weighted-average interest rate of 0.97%.

In January 2018, Edison International Parent borrowed \$500 million under a Term Loan Agreement due in January 2019, with a variable interest rate based on the London Interbank Offered Rate plus 60 basis points. The proceeds were used to repay Edison International Parent's commercial paper borrowings discussed above.

The debt covenant in Edison International's credit facility requires a consolidated debt to total capitalization ratio of less than or equal to 0.65 to 1. At December 31, 2017, Edison International's consolidated debt to total capitalization ratio was 0.51 to 1.

### Note 3. Related-Party Transactions

Edison International's Parent expense from services provided by SCE was \$3 million annually in 2017, 2016 and 2015. Edison International's Parent interest expense from loans due to affiliates was \$5 million in 2017, \$3 million in 2016 and \$6 million in 2015. Edison International Parent had current related-party receivables of \$256 million and \$262 million and current related-party payables of \$235 million and \$221 million at December 31, 2017 and 2016, respectively. During 2017, a related-party note receivable of \$184 million was converted into a capital contribution. Edison International Parent had long-term related-party receivables of \$81 million and \$103 million at December 31, 2017 and 2016, respectively, and long-term related-party payables of \$200 million and \$243 million at December 31, 2017 and 2016, respectively.

### Note 4. Contingencies

For a discussion of material contingencies see "Notes to Consolidated Financial Statements—Note 7. Income Taxes" and "—Note 11. Commitments and Contingencies."

**EDISON INTERNATIONAL**  
**SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS**

(in millions)	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
<b>For the Year ended December 31, 2017</b>					
Allowance for uncollectible accounts					
Customers	\$ 41.2	\$ 12.9	\$ —	\$ 17.5	\$ 36.6
All others	20.6	13.5	—	16.8	17.3
<b>Total allowance for uncollectible amounts</b>	<b>\$ 61.8</b>	<b>\$ 26.4</b>	<b>\$ —</b>	<b>\$ 34.3<sup>a</sup></b>	<b>\$ 53.9</b>
Tax valuation allowance	\$ 24.0	\$ —	\$ 4.0 <sup>c</sup>	\$ —	\$ 28.0
<b>For the Year ended December 31, 2016</b>					
Allowance for uncollectible accounts					
Customers	\$ 46.2	\$ 17.7	\$ —	\$ 22.7	\$ 41.2
All others	15.5	15.9	—	10.8	20.6
<b>Total allowance for uncollectible amounts</b>	<b>\$ 61.7</b>	<b>\$ 33.6</b>	<b>\$ —</b>	<b>\$ 33.5<sup>a</sup></b>	<b>\$ 61.8</b>
Tax valuation allowance	\$ 32.0	\$ —	\$ —	\$ 8.0 <sup>b</sup>	\$ 24.0
<b>For the Year ended December 31, 2015</b>					
Allowance for uncollectible accounts					
Customers	\$ 48.9	\$ 23.9	\$ —	\$ 26.6	\$ 46.2
All others	23.3	18.0	—	25.8	15.5
<b>Total allowance for uncollectible amounts</b>	<b>\$ 72.2</b>	<b>\$ 41.9</b>	<b>\$ —</b>	<b>\$ 52.4<sup>a</sup></b>	<b>\$ 61.7</b>
Tax valuation allowance	\$ 29.0	\$ 3.0	\$ —	\$ —	\$ 32.0

<sup>a</sup> Accounts written off, net.

<sup>b</sup> In 2016, Edison International determined that \$8 million of the assets subject to a valuation allowance had no expectation of recovery and were written off.

<sup>c</sup> As a result of Tax Reform, Edison International recorded an additional valuation allowance of \$4 million for non-California state net operating loss carryforwards estimated to expire unused.

**SOUTHERN CALIFORNIA EDISON COMPANY**  
**SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS**

(in millions)	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
<b>For the Year ended December 31, 2017</b>					
<b>For the Year ended</b>					
Customers	\$ 40.5	\$ 12.9	\$ —	\$ 17.4	\$ 36.0
All others	20.6	13.5	—	16.8	17.3
<b>Total allowance for uncollectible accounts</b>	<b>\$ 61.1</b>	<b>\$ 26.4</b>	<b>\$ —</b>	<b>\$ 34.2<sup>a</sup></b>	<b>\$ 53.3</b>
<b>For the Year ended December 31, 2016</b>					
<b>Allowance for uncollectible accounts</b>					
Customers	\$ 46.2	\$ 17.0	\$ —	\$ 22.7	\$ 40.5
All others	15.5	15.9	—	10.8	20.6
<b>Total allowance for uncollectible accounts</b>	<b>\$ 61.7</b>	<b>\$ 32.9</b>	<b>\$ —</b>	<b>\$ 33.5<sup>a</sup></b>	<b>\$ 61.1</b>
<b>For the Year ended December 31, 2015</b>					
<b>Allowance for uncollectible accounts</b>					
Customers	\$ 48.9	\$ 23.9	\$ —	\$ 26.6	\$ 46.2
All others	18.7	18.0	—	21.2	15.5
<b>Total allowance for uncollectible accounts</b>	<b>\$ 67.6</b>	<b>\$ 41.9</b>	<b>\$ —</b>	<b>\$ 47.8<sup>a</sup></b>	<b>\$ 61.7</b>

<sup>a</sup> Accounts written off, net.

**SIGNATURES**

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

EDISON INTERNATIONAL

SOUTHERN CALIFORNIA EDISON COMPANY

By: /s/ Aaron D. Moss

By: /s/ Aaron D. Moss

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

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

Date: February 22, 2018

Date: February 22, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrants and in the capacities and on the date indicated.

<u>Signature</u>	<u>Title</u>
<b>A. Principal Executive Officers</b>	
Pedro J. Pizarro*	President, Chief Executive Officer and Director (Edison International)
Kevin Payne*	Chief Executive Officer and SCE Director (Southern California Edison Company)
<b>B. Principal Financial Officers</b>	
Maria Rigatti*	Executive Vice President and Chief Financial Officer (Edison International)
William M. Petmecky III*	Senior Vice President and Chief Financial Officer (Southern California Edison Company)
<b>C. Principal Accounting Officers</b>	
Aaron D. Moss	Vice President and Controller (Edison International)
Aaron D. Moss	Vice President and Controller (Southern California Edison Company)
<b>D. Directors (Edison International and Southern California Edison Company, unless otherwise noted)</b>	
Michael C. Camuñez*	Director
Vanessa C.L. Chang*	Director
Louis Hernandez, Jr.*	Director
James T. Morris*	Director
Pedro J. Pizarro*	Director
Kevin Payne (SCE only)*	Director
Timothy T. O'Toole*	Director
Linda G. Stuntz*	Director
William P. Sullivan*	Chair of the Edison International Board and Director
Ellen O. Tauscher*	Director
Peter J. Taylor*	Director
Brett White*	Director

<p>*By: _____ /s/ Aaron D. Moss</p> <p style="text-align: center;"><b>Aaron D. Moss</b> Vice President and Controller (Attorney-in-fact for EIX Directors and Officers)</p>	<p>*By: _____ /s/ Aaron D. Moss</p> <p style="text-align: center;"><b>Aaron D. Moss</b> Vice President and Controller (Attorney-in-fact for SCE Directors and Officers)</p>
---	---

Date: February 22, 2018

Date: February 22, 2018

**SOUTHERN CALIFORNIA EDISON COMPANY**

**TO**

**HARRIS TRUST AND SAVINGS BANK,**

*Trustee*

**INDENTURE**

*Dated as of January 15, 1993*

**DEBT SECURITIES**

---

SOUTHERN CALIFORNIA COMPANY  
 RECONCILIATION AND TIE BETWEEN TRUST INDENTURE ACT OF 1939, AS AMENDED, AND  
 INDENTURE, DATED AS OF JANUARY 15,1993

Trust Indenture  
Act Section  
Indenture Section

§310(a)(1) .....	609
(a)(2) .....	609
(a)(3) .....	Not Applicable
(a)(4) .....	Not Applicable
(a)(5) .....	609
(b).....	608
.....	610
(c).....	Not Applicable
§311 .....	613
§312(a).....	701
.....	702
(b).....	702
(c).....	702
§313(a).....	703
(b).....	703
(c).....	703
(d).....	703
§314(a)(1)(2)(3) .....	704
(a)(4) .....	1008

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(b).....	Not Applicable
(c)(1) .....	102
(c)(2) .....	102
(c)(3) .....	Not Applicable
(d).....	Not Applicable
(e).....	102
§315(a).....	601
(b).....	602
(c).....	601
(d).....	601
(e).....	514
§316(a).....	101
(a)(1)(A).....	502
.....	512
(a)(1)(B).....	513

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SOUTHERN CALIFORNIA COMPANY RECONCILIATION AND TIE BETWEEN TRUST INDENTURE ACT OF 1939,  
AS AMENDED, AND  
INDENTURE, DATED AS OF JANUARY 15, 1993 (Cont.)

(a)(2) .....	Not Applicable
(b).....	508
(c).....	104
§317(a)(1) .....	503
(a)(2) .....	504
(b).....	1003
§318(a).....	107

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Note: This reconciliation and tie shall not, for any purpose, be deemed to be part of the Indenture.

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**INDENTURE**, dated as of January 15, 1993 between Southern California Edison Company, a California corporation (hereinafter called the "Company"), having its principal place of business at 2244 Walnut Grove Avenue, Rosemead, California 91770, and Harris Trust and Savings Bank, an Illinois banking corporation (hereinafter called the "Trustee"), having its Corporate Trust Office at 111 West Monroe Street, Chicago, Illinois 60690.

## **RECITALS OF THE COMPANY**

The Company has heretofore duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its unsecured debentures, notes, or other evidences of indebtedness (herein called the "Debt Securities"), to be issued in one or more series as in this Indenture provided.

All things necessary have been done to make this Indenture a valid agreement of the Company, in accordance with its terms.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Debt Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Debt Securities or of a series thereof, as follows:

## **ARTICLE ONE**

### **DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION**

#### **SECTION 101. *Definitions.***

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article, and include the plural as well as the singular;

(2) all other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted at the date of such computation;

(4) the words "Article" and "Section" refer to an Article and Section, respectively, of this Indenture;  
and

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(5) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

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"Act" when used with respect to any Holder has the meaning specified in Section

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authenticating Agent" has the meaning specified in Section 614.

"Authorized Newspaper" means a newspaper in an official language of the country of publication or in the English language customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays, and of general circulation in the place in connection with which the term is used or in the financial community of such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any Business Day.

"Bearer Security" means any Debt Security in the form of bearer securities established pursuant to Section 202 that is payable to bearer.

"Board of Directors" means either the Board of Directors of the Company or any committee of that board duly authorized to act in respect thereof.

"Board Resolution" means a copy of a resolution certified by the Secretary or an

Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day", when used with respect to any Place of Payment, means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in that Place of Payment are authorized or obligated by law or executive order to close.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person.

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"Company Request" and "Company Order" mean, respectively, a written request or order signed in the name of the Company by any one of the Chairman of the Board, President, Chief Financial Officer, any Vice President, the Treasurer, any Assistant Treasurer or the Manager of Corporate Finance of the Company, and delivered to the Trustee.

"Components", with respect to a composite currency (including but not limited to the ECU), means the currency amounts that are components of such composite currency on the Conversion Date. If after such Conversion Date the official unit of any component currency is altered by way of combination or subdivision, the number of units of such currency shall be divided or multiplied in the same proportion to calculate the Component. If after such Conversion Date two or more component currencies are consolidated into a single currency, the amounts of those currencies as Components shall be replaced by an amount in such single currency equal to the sum of the amounts of such consolidated component currencies expressed in such single currency, and such amount shall thereafter be a Component. If after such Conversion Date any component currency shall be divided into two or more currencies, the amount of such currency as a Component shall be replaced by amounts of such two or more currencies, each of which shall be equal to the amount of such former component currency divided by the number of currencies into which such component currency was divided, and such amounts shall thereafter be Components.

"Conversion Date", with respect to a composite currency (including but not limited to the ECU), has the meaning specified in Section 311.

"Corporate Trust Office" means the principal corporate trust office of the Trustee at which at any particular time its corporate trust business shall be administered.

The term "corporation" means a corporation, association, company, joint stock company or a business trust.

The term "coupon" means any interest coupon appertaining to a Bearer Security.

"Debt Securities" has the meaning stated in the first recital of this Indenture and more particularly means any Debt Securities authenticated and delivered under this Indenture.

"Defaulted Interest" has the meaning specified in Section 307.

"Depositary" means, with respect to the Debt Securities of any series issuable or issued in whole or in part in the form of one or more Global Securities, the Person designated as Depositary by the Company pursuant to Section 301 until a successor Depositary shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Depositary" shall mean or include each Person who is then a Depositary hereunder, and if at any time there is more than one such Person, "Depositary" as used with respect to the Debt Securities of any such series shall mean the Depositary with respect to the Debt Securities of that series.

"Designated Currency" has the meaning specified in Section 313.

"Dollar" or "\$" means the coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

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"ECU" means the European Currency Unit as defined and revised from time to time by the Council of the European Communities.

"European Communities" means the European Economic Community, the European Coal and Steel Community and the European Atomic Energy Community.

"Event of Default" has the meaning specified in Section 501.

"Exchange Rate" means (a) with respect to a currency (other than a composite currency) in which payment is to be made on Debt Securities denominated in a composite currency, the exchange rate between such composite currency and such currency reported by the agency or organization, if any, designated pursuant to Section 301 (13) or by the Council of the European Communities (in the case of ECU, whose reports are currently based on the rates in effect at 2:30 P.M., Brussels time, on the relevant exchange markets), as appropriate, or if such exchange rate is not or ceases to be so reported, then such exchange rate as shall be determined by the Trustee using, in its sole discretion and without liability on its part, quotations from one or more major banks in The City of New York or such other quotations as the Trustee shall deem appropriate, in either case on the applicable Regular or Special Record Date or the fifteenth day immediately preceding the maturity of an instalment of principal, as the case may be, (b) with respect to Dollars in which payment is to be made on Debt Securities denominated in a Foreign Currency, the noon Dollar buying rate for that currency for cable transfers quoted in The

City of New York on the Regular or Special Record Date with respect to an Interest Payment Date or the fifteenth day immediately preceding the Maturity of an instalment of principal, as the case may be, as certified for customs purposes by the Federal Reserve Bank of New York, (c) with respect to a Foreign Currency in which payment is to be made on Debt Securities denominated in Dollars or converted into Dollars pursuant to Section 311 (d) (ii), the noon Dollar selling rate for that currency for cable transfers quoted in The City of New York on the Regular or Special Record Date with respect to an Interest Payment Date or the fifteenth day immediately preceding the Maturity of an instalment of principal, as the case may be, as certified for customs purposes by the Federal Reserve Bank of New York, and (d) with respect to a Foreign Currency in which payment is to be made on Debt Securities denominated in a different Foreign Currency, the exchange rate between such Foreign Currencies determined in the manner specified pursuant to Section 301 (16). Except in the situation contemplated in (a) above, if for any reason such rates are not available with respect to one or more currencies for which an Exchange Rate is required, the Trustee shall use, in its sole discretion and without liability on its part, such quotation of the Federal Reserve Bank of New York as of the most recent available date, or quotations from one or more major banks in The City of New York or in the country of issue of the currency in question, or such other quotations as the Trustee shall deem appropriate. Unless otherwise specified by the Trustee, if there is more than one market for dealing in any currency by reason of foreign exchange regulations or otherwise, the market to be used in respect of such currency shall be that upon which a nonresident issuer of securities designated in such currency would purchase such currency in order to make payments in respect of such securities.

"Exchange Rate Officer's Certificate", with respect to any date for the payment of principal of, premium, if any, or interest on any series of Debt Securities, means a certificate setting forth the applicable Exchange Rate or Rates as of the Regular or Special Record Date with respect to an Interest Payment Date or the fifteenth day immediately preceding the Maturity of an

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instalment of principal, as the case may be, and the amounts payable in Dollars, Foreign Currencies and composite currencies in respect of the principal of (and premium, if any) and interest on Debt Securities denominated in ECU, any other composite currency or any Foreign Currency, and signed by any one of the Chairman of the Board, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Assistant Treasurer or the Manager of Corporate Finance of the Company, and delivered to the Trustee.

"Foreign Currency" means a currency issued by the government of any country other than the United States of America.

"Global Security" means a Registered or Bearer Security evidencing all or part of a series of Debt Securities, issued to the Depository for such series or a nominee thereof in accordance with Section 303, and bearing the legend prescribed in Section 303(c).

"Government Obligations" has the meaning specified in Section 1301.

"Holder", with respect to a Registered Security, means the Person in whose name such Registered Security is registered in the Security Register and, with respect to a Bearer Security or a coupon, means the bearer thereof.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented, amended or restated by or pursuant to one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and, unless the context otherwise requires, shall include the terms of a particular series of Debt Securities established as contemplated by Section 301.

The term "interest", when used with respect to an Original Issue Discount Security that by its terms bears interest only after Maturity, means interest payable after Maturity.

"Interest Payment Date", with respect to any Debt Security, means the Stated Maturity of an instalment of interest on such Debt Security.

"Maturity", when used with respect to any Debt Security, means the date on which the principal of such Debt Security or an instalment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption, repayment at the option of the Holder or otherwise.

"Officer's Certificate" means a certificate signed by any one of the Chairman of the Board, the President, the Chief Financial Officer, any Vice President, the Treasurer, any Assistant Treasurer or the Manager of Corporate Finance of the Company, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be an employee of or other counsel to the Company and who shall be satisfactory to the Trustee, which is delivered to the Trustee.

"Original Issue Discount Security" means (i) any Debt Security that provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502 and (ii) any Debt Security issued with original issue discount for United States Federal income tax purposes.

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"Outstanding" when used with respect to Debt Securities means, as of the date of determination, all Debt Securities theretofore authenticated and delivered under this Indenture, *except*:

(i) Debt Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Debt Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Debt Securities and any coupons appertaining thereto; *provided, however*, that if such Debt Securities are to be redeemed prior to the maturity thereof, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Debt Securities that have been paid pursuant to Section 306 or in exchange for or in lieu of which other Debt Securities have been authenticated and delivered pursuant to this Indenture, other than any such Debt Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Debt Securities are held by a bona fide purchaser in whose hands such Debt Securities are valid obligations of the Company; and

(iv) Debt Securities as to which Defeasance has been effected pursuant Section 1301 (c)(1);

*provided, however*, that in determining whether the Holders of the requisite principal amount of Debt Securities Outstanding have given any request, demand, authorization, direction, notice, consent or waiver or taken any other action hereunder or whether a quorum is present at a meeting of Holders of Outstanding Debt Securities or the number of votes entitled to be cast by each Holder of a Debt Security in respect of such Debt Security at any such meeting (i) the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof to such date pursuant to Section 502, (ii) the principal amount of a Debt Security denominated in a Foreign Currency or composite currency shall be deemed to have the principal amount determined by the Trustee by converting the principal amount of such Debt Security in the currency in which such Debt Security is denominated into Dollars at the Exchange Rate as of the date such Act is delivered to the Trustee and, where it is hereby expressly required, to the Company (or, if there is no such rate on such date for the reasons specified in Section 311(d)(i), such rate on the date specified in such Section), and (iii) Debt Securities owned by the Company or any other obligor upon the Debt Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon such request, demand, authorization, direction, notice, consent, waiver or action, only Debt Securities that the Trustee knows to be so owned shall be so disregarded. Debt Securities so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Debt Securities and that the pledgee is not the Company or any other obligor upon the Debt Securities or any Affiliate of the

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Company or of such other obligor.

"Paying Agent" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Debt Securities or coupons on behalf of the Company.

"Person" or "person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment", when used with respect to the Registered Securities of any series payable in Dollars, means the Corporate Trust Office of the Trustee in Chicago, Illinois and, when used with respect to the Debt Securities of any series, means such other place or places, if any, where the principal of (and premium, if any) and interest on the Debt Securities of that series are payable as specified as contemplated by Section 301.

"Predecessor Security" of any particular Debt Security means every previous Debt Security evidencing all or a portion of the same debt as that evidenced by such particular Debt Security; and, for the purposes of this definition, any Debt Security authenticated and delivered under Section 306 in lieu of a lost, destroyed or stolen Debt Security shall be deemed to evidence the same debt as the lost, destroyed or stolen Debt Security.

"Redemption Date", when used with respect to any Debt Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Debt Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Registered Security" means any Debt Security in the form of registered securities established pursuant to Section 202 that is registered in the Security Register.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Debt Securities of any series means the date specified for that purpose as contemplated by Section 301.

"Repayment Date" means, when used with respect to any Debt Security to be repaid at the option of the Holder, the date fixed for such repayment by or pursuant to this Indenture.

"Repayment Price" means, when used with respect to any Debt Security to be repaid at the option of the Holder, the price at which such Debt Security is to be repaid by or pursuant to this Indenture.

"Responsible Officer" when used with respect to the Trustee means the chairman or any vice-chairman of the board of directors, the chairman or any vice chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to

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whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 305.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 307.

"Stated Maturity", when used with respect to any Debt Security or any instalment of principal or interest thereon, means the date specified in such Debt Security or a coupon representing such instalment of interest as the fixed date on which the principal of such Debt Security or such instalment of principal or interest is due and payable.

"Subsidiary" means any corporation which is consolidated in the Company's accounts and any corporation of which at least a majority of the outstanding stock having by the terms thereof ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by the Company, or by one or more Subsidiaries, or by the Company and one or more Subsidiaries.

"Tranche" means a group of Debt Securities which are of the same series and have identical terms except as to principal amount and date of issuance.

"Trust Indenture Act" or "TIA" (except as herein otherwise expressly provided) means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by such amendment, the Trust Indenture Act of 1939 as so amended.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such pursuant to the applicable

provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Debt Securities of any series shall mean each Trustee with respect to Debt Securities of that series.

"United States" means the United States of America (including the States thereof and the District of Columbia), its territories and possessions and other areas subject to its jurisdiction.

"United States Alien" means any Person who, for United States Federal income tax purposes, is a foreign corporation, a non-resident alien individual, a non-resident alien fiduciary of a foreign estate or trust, or a foreign partnership one or more of the members of which is, for United States Federal income tax purposes, a foreign corporation, a non-resident alien individual or a non-resident alien fiduciary of a foreign estate or trust.

"Yield to Maturity" means the yield to maturity, calculated at the time of issuance of a series of Debt Securities or, if applicable, at the most recent redetermination of interest on such series

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and calculated in accordance with accepted financial practice.

#### SECTION 102. *Compliance Certificates and Opinions.*

Except as otherwise expressly provided by this Indenture, upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than annual certificates provided pursuant to Section 1008) shall include

(1) a statement that the individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such individual, the individual has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of such individual, such condition or covenant has been complied with.

#### SECTION 103. *Form of Documents Delivered to Trustee.*

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his or her certificate or opinion is based is erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such officer or counsel knows, or in the exercise of reasonable care

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should know, that the certificate or opinion or representations with respect to such matters is erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

#### SECTION 104. *Acts of Holders.*

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing. If Debt Securities of a series are issuable in whole or in part as Bearer Securities, any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of such series may, alternatively, be embodied in and evidenced by the record of Holders of Debt Securities of such series voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders of Debt Securities of such series duly called and held in accordance with the provisions of

Article Fourteen, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent or proxy or of the holding by any Person of a Debt Security, shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any meeting of Holders of Debt Securities shall be provided in the manner provided in Section 1406.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner that the Trustee deems sufficient.

(c) The ownership of Registered Securities shall be proved by the Security Register.

(d) The principal amount and serial numbers of Bearer Securities held by any Person, and the date of holding the same, may be proved by the production of such Bearer Securities or by a certificate executed, as depository, by any trust company, bank, banker or other depository, wherever situated, if such certificate shall be deemed by the Trustee to be satisfactory, showing that at the date therein mentioned such Person had on deposit with such depository, or exhibited to it, the Bearer Securities in the amount and with the serial numbers therein described; or such facts may be proved by the certificate or affidavit of the Person holding such Bearer Securities, if such certificate or affidavit is deemed by the Trustee to be satisfactory. The Trustee and the Company may assume that such ownership of any Bearer Security continues until (1) another certificate or affidavit bearing a later date issued in respect of the same Bearer Security is produced, or (2) such Bearer Security is produced to the Trustee by some other Person, or (3) such Bearer Security is surrendered in exchange for a Registered Security, or (4) such Bearer Security is no

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longer Outstanding.

(e) The fact and date of execution of any such instrument or writing, the authority of the Person executing the same and the principal amount and serial numbers of Bearer Securities held by the Person so executing such instrument or writing and the date of holding the same may also be proved in any other manner that the Trustee deems sufficient; and the Trustee may in any instance require further proof with respect to any of the matters referred to in this Section.

(f) If the Company shall solicit from the Holders of Debt Securities of any series any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to authority granted in a Board Resolution,

set in advance a record date for the determination of Holders of Registered Securities entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so. Any such record date shall be fixed at the Company's discretion. If such a record date is fixed, by operation of law or otherwise, such request, demand, authorization, direction, notice, consent and waiver or other Act may be sought or given before or after the record date, but only the Holders of Registered Securities of record at the close of business on such record date shall be deemed to be Holders of Registered Securities for the purpose of determining whether Holders of the requisite proportion of Debt Securities of such series Outstanding have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Registered Securities of such series Outstanding shall be computed as of such record date. With regard to any record date set pursuant to this paragraph, the Holders of Outstanding Debt Securities of the relevant series on such record date (or their duly appointed agents), and only such Persons, shall be entitled to give or take the relevant action, whether or not such Holders remain Holders after such record date. With regard to any action that may be given or taken hereunder only by Holders of a requisite principal amount of outstanding Debt Securities of any series (or their duly appointed agents) and for which a record date is set pursuant to this paragraph, the Company may, at its option, set an expiration date after which no such action purported to be given or taken by any Holder shall be effective hereunder unless given or taken on or prior to such expiration date by Holders of the requisite principal amount of Outstanding Debt Securities of such series on such record date (or their duly appointed agents). On or prior to any expiration date set pursuant to this paragraph, the Company may, on one or more occasions at its option, extend such date to any later date. Nothing in this paragraph shall prevent any Holder (or any duly appointed agent thereof) from giving or taking, after any such expiration date, any action identical to, or, at any time, contrary to or different from, the action or purported action to which such expiration date relates, in which event the Company may set a record date in respect thereof pursuant to this paragraph. Nothing in this paragraph shall be construed to render ineffective any action taken at any time by the Holders (or their duly appointed agents) of the requisite principal amount of Outstanding Debt Securities of the relevant series on the date such action is so taken. Notwithstanding the foregoing or the Trust Indenture Act, the Company shall not set a record date for, and the provisions of this paragraph shall not apply with respect to, any notice, declaration or direction referred to in the next paragraph.

Upon receipt by the Trustee from any Holder of Debt Securities of a particular series of (i) any notice of default or breach referred to in Section 501(d) or 501(e), if such default or breach has occurred and is continuing and the Trustee shall not have given such a notice to the Company, (ii) any declaration of acceleration referred to in Section 502, if an Event of Default

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with respect to Debt Securities of such series has occurred and is continuing and the Trustee shall not have given such a declaration to the Company, or (iii) any direction referred to in Section 512 with respect to Debt Securities

of such series, if the Trustee shall not have taken the action specified in such direction, then a record date shall automatically and without any action by the Company or the Trustee be set for determining the Holders of Outstanding Debt Securities of such series, or all series, if applicable, entitled to join in such notice, declaration or direction, which record date shall be the close of business on the tenth day following the day on which the Trustee receives such notice, declaration or direction. Promptly after such receipt by the Trustee, and in any case not later than the fifth day thereafter, the Trustee shall notify the Company and the Holders of Outstanding Debt Securities of such series of any such record date so fixed. The Holders of Outstanding Debt Securities of such series on such record date (or their duly appointed agents), and only such Persons, shall be entitled to join in such notice, declaration or direction whether or not such Holders remain Holders after such record date; *provided* that, unless such notice, declaration or direction shall have become effective by virtue of Holders of the requisite principal amount of Outstanding Debt Securities of such series on such record date (or their duly appointed agents) having joined therein on or prior to the 90th day after such record date, such notice, declaration or direction shall automatically and without any action by any Person be cancelled and of no further effect. Nothing in this paragraph shall be construed to prevent a Holder (or a duly appointed agent thereof) from giving, before or after the expiration of such 90-day period, a notice, declaration or direction contrary to or different from, or, after the expiration of such period, identical to, the notice, declaration or direction to which such record date relates, in which event a new record date in respect thereof shall be set pursuant to this paragraph. Nothing in this paragraph shall be construed to render ineffective any notice, declaration or direction of the type referred to in this paragraph given at any time to the Trustee and the Company by Holders (or their duly appointed agents) of the requisite principal amount of Outstanding Debt Securities of the relevant series on the date such notice, declaration or directions is so given.

(g) Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Debt Security shall bind every future holder of the same Debt Security and the Holder of every Debt Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, suffered or omitted by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Debt Security.

Without limiting the foregoing, a Holder entitled hereunder to give or take any action hereunder with regard to any particular Debt Security may do so with regard to all or any part of the principal amount of such security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any different part of such principal amount.

*SECTION 105. Notices, etc., to Trustee and Company.*

Any request, demand, authorization, direction, notice, consent, waiver or other Act

of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with

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(1) the Trustee by any Holder or by the Company, shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Indenture Trust Division.

(2) the Company by the Trustee or by any Holder, shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company (Attention: Manager of Corporate Finance) addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

**SECTION 106. *Notice to Holders; Waiver.***

Except as otherwise expressly provided herein, where this Indenture provides for notice to Holders of any event, (1) such notice shall be sufficiently given to Holders of Registered Securities if in writing and mailed, first-class postage prepaid, to each Holder of a Registered Security affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice; and (2) such notice shall be sufficiently given to Holders of Bearer Securities if published in an Authorized Newspaper in The City of New York (and, if such Debt Securities are not listed on any stock exchange outside the United States, in London) and, if the Debt Securities of such series are then listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited and such stock exchange shall so require, in London and, if the Debt Securities of such series are then listed on the Luxembourg Stock Exchange and such stock exchange shall so require, in Luxembourg and, if the Debt Securities of such series are then listed on any other stock exchange outside the United States and such stock exchange shall so require, in any other required city outside the United States or, if not practicable, in Europe on a Business Day at least twice, the first such publication to be not earlier than the earliest date and not later than the latest date prescribed for the giving of such notice.

In the event of suspension of regular mail service or if for any other reason it shall be impracticable to give such notice to Holders of Registered Securities by mail, then such a notification to holders of Registered Securities as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case where notice to Holders of Registered Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder of a Registered Security shall affect the sufficiency of such notice with respect to other Holders of Registered Securities or the sufficiency of any notice by publication to Holders of Bearer Securities given as provided above.

In case by reason of the suspension of publication of any Authorized Newspaper or Authorized Newspapers or by reason of any other cause it shall be impracticable to publish any notice to Holders of Bearer Securities as provided above, then such notification to Holders of Bearer Securities as shall be given with the approval of the Trustee shall constitute sufficient notice to such Holders for every purpose hereunder. Neither failure to give notice by publication to Holders of Bearer Securities as provided above, nor any defect in any notice so published, shall affect the sufficiency of any notice mailed to Holders of Registered Securities as provided above.

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Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Any request, demand, authorization, direction, notice, consent, election, waiver or other Act required or permitted under this Indenture shall be in the English language, except that any published notice may be in an official language of the country of publication.

SECTION 107. *Conflict with Trust Indenture Act.*

If any provision hereof limits, qualifies or conflicts with another provision which is required or deemed to be included in this Indenture by any of the provisions of the Trust Indenture Act, such required or deemed provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

SECTION 108. *Effect of Headings and Table of Contents.*

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. *Successors and Assigns.*

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 110. *Separability Clause.*

In case any provision in this Indenture or in the Debt Securities or coupons shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. *Benefits of Indenture.*

Nothing in this Indenture or in the Debt Securities or coupons, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any Paying Agent and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. *Governing Law.*

This Indenture and the Debt Securities and coupons shall be governed by and construed in accordance with the law of the State of New York, but without regard to principles of conflicts of laws thereof.

SECTION 113. *Legal Holidays.*

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any

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Debt Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Debt Securities (other than a provision of the Debt Securities of any series which specifically states that such provisions shall apply in lieu of this Section)) payment of interest or principal (and premium, if any) need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, and no interest shall accrue on such payment for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

SECTION 114. *No Security Interest Created.*

Nothing in this Indenture or in the Debt Securities expressed or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, as now or hereafter enacted and in effect in any jurisdiction where property of the Company or its subsidiaries is located.

## ARTICLE TWO

### DEBT SECURITY FORMS

SECTION 201. *Forms Generally.*

The Debt Securities of each series and the coupons, if any, to be attached thereto, shall be in substantially the form established by or pursuant to the authority granted in a resolution of the Board of Directors or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture. The Debt Securities may have notations, legends or endorsements placed thereon as may be required by law, or securities exchange rule, or as may, consistently herewith, be determined by the officers executing such Debt Securities and coupons, if any, as evidenced by their execution of the Debt Securities and coupons, if any.

Each Bearer Security and Coupon shall bear a legend substantially to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the United States Internal Revenue Code."

The definitive Debt Securities and coupons, if any, shall be printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Debt Securities and coupons, as conclusively evidenced by their execution of such Debt Securities and coupons.

SECTION 202. *Forms of Debt Securities.*

Unless otherwise provided as contemplated by Section 301 with respect to any series of Debt Securities, the Debt Securities of each series shall be issuable in registered form without coupons. If so provided as contemplated by Section 301, the Debt Securities of a series shall be issuable (a) in bearer form, with interest coupons attached, (a) in registered and bearer form or (c) in the form of one or more Global Securities in whole or in part.

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SECTION 203. *Form of Trustee's Certificate of Authentication.*

The form of the Trustee's certificate of authentication to be borne by the Debt Securities shall be substantially as follows:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Debt Securities of the series referred to in the within-mentioned Indenture.

Harris Trust and Savings Bank  
*as Trustee*

By

*Authorized Signatory*

[OR

Harris Trust and Savings Bank  
*as Trustee*

By

*Authenticating Agent*

By ]\*

*Authorized Signatory*

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\* To be inserted only if an Authenticating Agent is appointed under Section 614.

**ARTICLE THREE**

THE DEBT SECURITIES

SECTION 301. *Amount Unlimited; Issuable in Series.*

The aggregate principal amount of Debt Securities that may be authenticated and delivered under this Indenture is unlimited.

The Debt Securities may be issued in one or more series. There shall be established in or pursuant to a Board Resolution, and, subject to Section 303, set forth or determined in the manner provided, in an Officers' Certificate or established in one or more indentures supplemental hereto, prior to the issuance of Debt Securities of any series:

(1) the title of the Debt Securities of the series (which shall distinguish the Debt Securities of the series from all other Debt Securities);

(2) the limit, if any, upon the aggregate principal amount of the Debt Securities of the series that may be authenticated and delivered under this Indenture (except for Debt Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Debt Securities of the series pursuant to Section 304, 305, 306, 906

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or 1107);

(3) the date or dates on which the principal of the Debt Securities of the series is payable or the means by which such date or dates shall be determined or specified;

(4) the rate or rates, if any, or the method of calculating the rates, at which the Debt Securities of the series shall bear interest, the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable and the Regular Record Date for the interest payable on any Interest Payment Date and whether any special terms and conditions relating to the payment of additional amounts in respect of payments on the Debt Securities of such series shall, in the event of certain changes in the United States Federal income tax laws, apply to the Debt Securities or the means by which such rate or rates or date or dates shall, be determined or specified;

(5) the place or places where the principal of (and premium, if any) and interest on Debt Securities of the series shall be payable;

(6) the period or periods within which or the date or dates on which, if any, the price or prices at which and the terms and conditions upon which Debt

Securities of the series may be redeemed, in whole or in part, at the option of the Company or the means by which such period or periods or the date or dates or price or prices shall be determined or specified;

(7) the obligation, if any, of the Company to redeem, repay or purchase Debt Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the price or prices at which and the currency or currency unit in which the Debt Securities of each series are payable and the terms and conditions upon which and the period or periods within which Debt Securities of the series shall be redeemed, repaid or purchased, in whole or in part, pursuant to such obligation or the means by which such price or prices or period or periods shall be determined or specified;

(8) whether Bearer Securities of the series are to be issuable and, if so, whether Registered Securities of the series are also to be issuable and whether Registered Securities of such series may be exchanged for Bearer Securities of such series and the circumstances under which and the place or places where any such exchange, if permitted, may be made;

(9) if Bearer Securities of the series are to be issuable, (x) whether interest in respect of any portion of a temporary Global Security of the series payable in respect of any Interest Payment Date prior to the exchange of such temporary Global Security for a definitive Global Security or for definitive Debt Securities of the series shall be paid to any clearing organization with respect to the portion of such temporary Global Security held for its account and, in such event, the terms and conditions (including any certification requirements) upon which any such interest payment received by a clearing organization will be credited to the Persons entitled to interest payable on such Interest Payment Date, and (y) the terms and conditions (including any certification requirements) upon which interests in such temporary Global Security may be exchanged for interests in a definitive Global Security or for definitive Debt Securities of the series and the terms and conditions (including any certification requirements) upon which interests in a definitive Global Security, if any, may be exchanged for definitive Debt Securities of the series;

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(10) whether the Debt Securities of the series shall be issued in whole or in part in the form of one or more Global Securities and, in such case, the Depositary or Depositaries for such Global Security or Securities;

(11) the denominations in which Registered Securities of the series, if any, shall be issuable, if other than denominations of \$1,000 and any integral multiple thereof, and the denominations in which Bearer Securities of the series, if any, shall be issuable if other than denominations of \$1,000, \$10,000 and

\$100,000 or the means by which such denominations shall be determined or specified;

(12) if other than the principal amount thereof, the portion of the principal amount of Debt Securities of the series that shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502 or the means by which such portion shall be determined or specified;

(13) if other than Dollars, the currency or currencies of denomination of the Debt Securities of any series, which may be in any Foreign Currency or any composite currency, including but not limited to the ECU, and, if any such currency of denomination is a composite currency other than the ECU, the agency or organization, if any, responsible for overseeing such composite currency;

(14) the currency or currencies in which payment of the principal of (and premium, if any) and interest on the Debt Securities of the series will be made, and the currency or currencies, if any, in which payment of the principal of (and premium, if any) or the interest on Registered Securities of the series, at the election of each of the Holders thereof, may also be payable;

(15) if the amount of payments of principal of (and premium, if any) or interest on the Debt Securities of the series may be determined with reference to an index, formula or other method based on a currency or currencies other than that in which the Debt Securities of the series are denominated or designated to be payable, the manner in which such amounts shall be determined;

(16) if the payments of principal of (and premium, if any) or the interest on the Debt Securities of the series are to be made in a Foreign Currency other than the Foreign Currency in which such Debt Securities are denominated, the manner in which the exchange rate with respect to such payments shall be determined;

(17) any deletions, modifications or additions to the Events of Default or covenants with respect to any series, other than or in addition to those set forth herein and any deletions, modifications or additions to the covenants of the Company with respect to the Debt Securities of such series set forth herein provided that no covenant required by the Trust Indenture Act as then in effect may be deleted;

(18) whether the Debt Securities of a series shall be subject to discharge and defeasance at the option of the Company pursuant to Section 1301;

(19) if Debt Securities of a series are subject to discharge and defeasance at the

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option of the Company pursuant to Section 1301, which of either Section 1301(c)(1) or (2) applies and whether Section 1301(g) or 1301(j) applies;

(20) any trustees, authenticating or paying agents, transfer agents or registrars or any other agents with respect to the Debt Securities of a series; and

(21) any other terms and conditions (including any certification requirements) of the series.

All Debt Securities of any one series and the coupons appertaining to Bearer Securities of such series, if any, shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to such Board Resolution and set forth in such Officer's Certificate or in any such indenture supplemental hereto.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by a Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

#### SECTION 302. *Denominations.*

Unless otherwise provided as contemplated by Section 301 with respect to any series of Debt Securities and except as provided in Section 303, the Debt Securities of each series, if any, shall be issuable in denominations of \$1,000 and any integral multiple thereof, if in registered form, and \$1,000, \$10,000, and \$100,000, if in bearer form.

#### SECTION 303. *Execution, Authentication, Delivery and Dating.*

(a) The Debt Securities shall be executed on behalf of the Company by its Chairman of the Board, its President, a Vice President or the Treasurer, under its corporate seal reproduced thereon and attested to by its Secretary or an Assistant Secretary. The signature of any of these officers on the Debt Securities may be manual or facsimile. Coupons shall bear the facsimile signature of the Treasurer or any Assistant Treasurer of the Company.

Debt Securities and coupons bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Debt Securities or coupons or did not hold such offices at the date of such Debt Securities or coupons.

(b) At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Debt Securities of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Debt Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Debt Securities; provided, however, that, in connection with its original issuance, a Bearer Security in definitive form may be delivered only outside the United States and only if the Company or its agent shall have received from the Person entitled to delivery of such Bearer Security a certificate substantially in the form set forth in Exhibit A hereto and only if the Company has no reason to know that such certificate is false. The Trustee shall be entitled to receive, prior to the authentication and delivery of such Debt Securities, the supplemental indenture or the

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Board Resolution by or pursuant to which the terms and form of such Debt Securities have been approved (and, if such form is approved pursuant to a Board Resolution together with an appropriate record of any action taken pursuant to such resolution, in each case certified by the Secretary or an Assistant Secretary of the Company), an Officer's Certificate as to the absence of any event that is, or after notice or lapse of time or both would become, an Event of Default, and, an Opinion of Counsel stating that:

(1) all instruments furnished by the Company to the Trustee in connection with the authentication and delivery of such Debt Securities and coupons, if any, conform to the requirements of this Indenture and constitute sufficient authority hereunder for the Trustee to authenticate and deliver such Debt Securities;

(2) the forms of such Debt Securities and coupons, if any, have been established in conformity with the provisions of this Indenture;

(3) the terms of such Debt Securities and coupons, if any, have been established in conformity with the provisions of this Indenture;

(4) in the event that the forms or terms of such Debt Securities and coupons, if any, have been established in a supplemental indenture, the execution and delivery of such supplemental indenture has been duly authorized by all necessary corporate action of the Company, such supplemental indenture has been duly executed and delivered by the Company and, assuming due authorization, execution and delivery by the Trustee, is a valid and binding obligation enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting creditors' rights generally and to general equity principles;

(5) the execution and delivery of such Debt Securities and coupons, if any, have been duly authorized by all necessary corporate action of the Company

and such Debt Securities and coupons, if any, have been duly executed by the Company and, assuming due authentication by the Trustee and delivery by the Company, are the valid and binding obligations of the Company enforceable against the Company in accordance with their terms, entitled to the benefit of the Indenture, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws affecting creditors' rights generally and to general equity principles; and

(6) all laws and requirements in connection with the execution and delivery of Debt Securities of such series have been complied with.

Such Opinion of Counsel shall also address such other matters as the Trustee reasonably requests.

(c) If the Company shall establish pursuant to Section 301 that the Debt Securities of a series are to be issued in whole or in part in the form of one or more Global Securities, then the Company shall execute and the Trustee shall, in accordance with this Section and the Company Order with respect to such series, authenticate and deliver one or more Global Securities in temporary or permanent form that (i) shall represent and shall be denominated in an aggregate amount equal to the aggregate principal amount of the Outstanding Debt Securities of such series to be represented by one or more Global Securities, (ii) shall be registered, if in

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registered form, in the name of the Depositary for such Global Security or Securities or the nominee of such Depositary, (iii) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instruction and (iv) shall bear a legend substantially to the following effect: "This Debt Security is a Global Security within the meaning of the Indenture hereafter referred to and is registered in the name of a Depositary or a nominee thereof. Unless and until it is exchanged in whole or in part for Debt Securities in definitive form, this Debt Security may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary."

(d) Each Depositary designated pursuant to Section 301 for a Global Security in registered form must, at the time of its designation and at all times while it serves as Depositary, be a clearing agency registered under the Securities Exchange Act of 1934 and any other applicable statute or regulation.

(e) Each Registered Security shall be dated the date of its authentication. Each Bearer Security shall be dated as of the date specified as contemplated by Section 301.

(f) No Debt Security or coupon attached thereto shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Debt Security a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by manual signature of one of its authorized officers, and such certificate upon any Debt Security shall be conclusive evidence, and the only evidence, that such Debt Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Except as permitted by Section 306 or 307, the Trustee shall not authenticate and deliver any Bearer Security unless all appurtenant coupons for interest then matured have been detached and cancelled.

#### SECTION 304. *Temporary Debt Securities.*

Pending the preparation of a definitive Global Security or definitive Debt Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Debt Securities that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Debt Securities in lieu of which they are issued, in registered form or, if authorized, in bearer form with one or more coupons or without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Debt Securities and coupons may determine, as conclusively evidenced by their execution of such Debt Securities and coupons. In the case of Debt Securities of any series, such temporary Debt Securities may be in global form, representing all or a portion of the Outstanding Debt Securities of such series.

If temporary Debt Securities of any series are issued, the Company will cause definitive Debt Securities of such series to be prepared without unreasonable delay. Except as otherwise specified as contemplated by Section 301(9)(y) with respect to a series of Debt Securities issuable as Bearer Securities (a) after the preparation of definitive Debt Securities of such series, the temporary Debt Securities of such series shall be exchangeable for definitive Debt Securities of such series upon surrender of the temporary Debt Securities of such series at the office or agency

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of the Company in a Place of Payment for such series, without charge to the Holder and (b) upon surrender for cancellation of any one or more temporary Debt Securities of any series (accompanied by any unmatured coupons appertaining thereto), the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Debt Securities of the same series of authorized denominations and of like tenor; provided, however, that no definitive Bearer Security shall be delivered in exchange for a temporary Registered Security; and provided further that neither a beneficial interest in a definitive Global Security in bearer form nor a definitive Bearer Security shall be delivered in exchange for a temporary Debt Security unless the Company or its agent shall have received a certificate substantially in the form set forth in Exhibit A hereto from the person entitled to receive such beneficial interest in a definitive Global Security or definitive Bearer Security; and provided further that delivery of a definitive Global Security in bearer form or a Bearer Security shall occur only outside the United States; and

provided further that neither a beneficial interest in a definitive Global Security in bearer form nor a definitive Bearer Security will be issued if the Company has reason to know that such certificate is false. Until so exchanged, the temporary Debt Securities of any series shall in all respects be entitled to the same benefits under this Indenture as definitive Debt Securities of such series except as otherwise specified as contemplated

by Section 301 with respect to the payment of interest on Debt Securities in temporary form.

*SECTION 305. Registration, Registration of Transfer and Exchange.*

The Company shall cause to be kept a register (herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Registered Securities and of transfers of Registered Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Debt Securities and transfers of Debt Securities as herein provided. Unless and until otherwise determined by the Company, the Trustee shall act as Security Registrar and the Security Register shall be kept at the office or agency of the Trustee in Chicago, Illinois. Such Security Register shall be in written form or in any other form capable of being converted into written form within a reasonable period of time. At all reasonable times the Security Register shall be open for inspection by the Trustee.

Upon surrender for registration of transfer of any Registered Security of any series at the office or agency of the Trustee maintained for such purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Registered Securities of the same series, of any authorized denomination or denominations and of like tenor and terms and aggregate principal amount.

Notwithstanding any other provision of this Section, unless and until it is exchanged in whole or in part for Debt Securities in definitive form, a Global Security representing all or a portion of the Debt Securities of a series may not be transferred except as a whole by the Depositary for such series to a nominee of such Depositary or by a nominee of such Depositary to such Depositary or another nominee of such Depositary or by such Depositary or any such nominee to a successor Depositary for such series or a nominee of such successor Depositary.

At the option of the Holder, Registered Securities of any series (other than a Global Security,

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except as set forth below) may be exchanged for other Registered Securities of like tenor and terms of the same series, of any authorized denomination or denominations and of a like aggregate principal amount, upon surrender of the Registered Securities to be exchanged at such office or agency. Bearer Securities may not be delivered by the Trustee in exchange for Registered Securities.

At the option of the Holder, except as otherwise specified as contemplated by Section 301(9)(y) with respect to a Global Security issued in bearer form, Bearer Securities of any series may be exchanged for Registered Securities (if the Debt Securities of such series are issuable as Registered Securities) or Bearer Securities (if Bearer Securities of such series are issuable in more than one denomination) of like tenor

and terms of the same series, of any authorized denominations and of a like aggregate principal amount, upon surrender of the Bearer Securities to be exchanged at any such office or agency, with all unmatured coupons and all matured coupons in default thereto appertaining; provided, however, that delivery of a Bearer Security shall occur only outside the United States. If the Holder of a Bearer Security is unable to produce any such unmatured coupon or coupons or matured coupon or coupons in default, such exchange may be effected if the Bearer Securities are accompanied by payment in funds acceptable to the Company and the Trustee in an amount equal to the face amount of such missing coupon or coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Bearer Security shall surrender to any Paying Agent any such missing coupon in respect of which such a payment shall have been made, such Holder shall be entitled to receive the amount of such payment; provided, however, that, except as otherwise provided in Section 1002, interest represented by coupons shall be payable only upon presentation and surrender of those coupons at an office or agency located outside the United States. Notwithstanding the foregoing, in case a Bearer Security of any series is surrendered at any such office or agency in exchange for a Registered Security of the same series after the close of business at such office or agency on (i) any Regular Record Date and before the opening of business at such office or agency on the relevant Interest Payment Date, or (ii) any Special Record Date and before the opening of business at such office or agency on the related date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the coupon relating to such Interest Payment Date or proposed date of payment, as the case may be.

Whenever any Debt Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Debt Securities that the Holder making the exchange is entitled to receive.

If at any time the Depositary for the Debt Securities of a series notifies the Company that it is unwilling or unable to continue as Depositary for the Debt Securities of such series or if at any time the Depositary for the Debt Securities of such series shall no longer be eligible under Section 303(d), the Company shall appoint a successor Depositary with respect to the Debt Securities of such series. If a successor Depositary for the Debt Securities of such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company's election pursuant to Section 301(10) shall no longer be effective with respect to the Debt Securities of such series and the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Debt Securities of such series, will authenticate and deliver, Debt Securities of such series in

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definitive form in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such series in exchange for such Global

Security or Securities.

The Company may at any time and in its sole discretion determine that the Debt Securities of any series issued in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of definitive Debt Securities of such series, will authenticate and deliver, Debt Securities of such series in definitive form and in an aggregate principal amount equal to the principal amount of the Global Security or Securities representing such series in exchange for such Global Security or Securities.

If specified by the Company pursuant to Section 301 with respect to a series of Debt Securities, the Depository for such series of Debt Securities may surrender a Global Security for such series of Debt Securities in exchange in whole or in part for Debt Securities of such series in definitive form on such terms as are acceptable to the Company and such Depository. Thereupon, the Company shall execute, and the Trustee shall authenticate and deliver, without service charge:

- (i) to each Person specified by such Depository a new Debt Security or Securities of the same series, of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Security; and
- (ii) to such Depository a new Global Security in a denomination equal to the difference, if any, between the principal amount of the surrendered Global Security and the aggregate principal amount of Debt Securities delivered to Holders thereof.

In any exchange provided for in any of the preceding three paragraphs, the Company will execute and the Trustee will authenticate and deliver Debt Securities (a) in definitive registered form in authorized denominations, if the Debt Securities of such series are issuable as Registered Securities, (b) in definitive bearer form in authorized denominations, with coupons attached, if the Debt Securities of such series are issuable as Bearer Securities or (c) as either Registered or Bearer Securities, if the Debt Securities of such series are issuable in either form; provided, however, that no definitive Bearer Security shall be delivered in exchange for a temporary Global Security unless the Company or its agent shall have received from the person entitled to receive the definitive Bearer Security a certificate substantially in the form set forth in Exhibit A hereto; and provided further that delivery of a Bearer Security shall occur only outside the United States; and provided further that no definitive Bearer Security will be issued if the Company has reason to believe that such certificate is false.

Upon the exchange of a Global Security for Debt Securities in definitive form, such Global Security shall be cancelled by the Trustee. Registered Securities issued in

exchange for a Global Security pursuant to this Section shall be registered in such names and in such authorized denominations as the Depository for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The

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Trustee shall deliver such Registered Securities to the Persons in whose names such Debt Securities are so registered. The Trustee shall deliver Bearer Securities issued in exchange for a Global Security pursuant to this Section to the Persons, and in such authorized denominations, as the Depositary for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee; provided, however, that no definitive Bearer Security shall be delivered in exchange for a temporary Global Security unless the Company or its agent shall have received from the Person entitled to receive the definitive Bearer Security a certificate substantially in the form set forth in Exhibit A hereto; and provided further that delivery of a Bearer Security shall occur only outside the United States; and provided further that no definitive Bearer Security will be issued if the Company has reason to believe that such certificate is false.

All Debt Securities issued upon any registration of transfer or exchange of Debt Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Debt Securities surrendered upon such registration of transfer or exchange.

Every Registered Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Security Registrar or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company, the Security Registrar and the Trustee duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Debt Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer, registration of transfer or exchange of Debt Securities, other than exchanges pursuant to Sections 304, 906 or 1107 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange Debt Securities of any particular series during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Debt Securities of such series selected for redemption under Section 1103 and ending at the close of business on (A) the day of mailing the relevant notice of redemption, if Debt Securities of the series are issuable only as Registered Securities, and (B) the day of the first publication of the relevant notice of redemption, if the Debt Securities of the series are issuable as Bearer Securities, or the mailing of the relevant notice of redemption, if the Debt Securities of the series are also issuable as Registered Securities and there is no publication, or (ii) to register the transfer of or exchange any Registered Security so selected for redemption in whole or in part, except the unredeemed portion of any

Registered Security being redeemed in part, or (iii) to exchange any Bearer Security so selected for redemption except that such a Bearer Security may be exchanged for a Registered Security of that series (if the Debt Securities of such series are issuable as Registered Securities), or (iv) to register the transfer of or exchange any Debt Security if the Holder thereof has expressed his right, if any, to require the Company to repurchase such Debt Security, in whole or in part, except that portion of such Debt Security not required to be repurchased, *provided* that such Registered Security shall be immediately surrendered for redemption with written instructions for payment consistent with the provisions of this Indenture.

Notwithstanding any other provision in this Indenture, the exchange of Bearer Securities

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for Registered Securities will be subject to the provisions of United States income tax laws and regulations applicable to Debt Securities in effect at the time of such exchange.

*SECTION 306. Mutilated, Destroyed, Lost and Stolen Debt Securities.*

If (i) any mutilated Debt Security or a Bearer Security with a mutilated coupon appertaining to it is surrendered to the Trustee, or (ii) the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Debt Security or coupon, and there is delivered to the Company and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Debt Security or coupon has been acquired by a bona fide purchaser, the Company shall execute and upon its written request the Trustee shall authenticate and deliver, in exchange for any such mutilated Debt Security or Bearer Security with a mutilated coupon appertaining to it or to which a destroyed, lost or stolen coupon appertains (with all appurtenant coupons not destroyed, lost or stolen) or in lieu of any such destroyed, lost or stolen Debt Security, a new Debt Security of like tenor and terms and principal amount, bearing a number not contemporaneously outstanding, with coupons corresponding to the coupons, if any, appertaining to such destroyed, lost or stolen Security or to the Security to which such destroyed, lost or stolen coupon appertains.

In case any such mutilated, destroyed, lost or stolen Debt Security or coupon has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Debt Security, pay such Debt Security or coupon; provided, however, that payment of principal of (and premium, if any) and any interest on Bearer Securities shall, except as otherwise provided in Section 1002, be payable only at an office or agency located outside the United States; and provided further that, with respect to any such coupons, interest represented thereby shall be payable only upon presentation and surrender of the coupons appertaining thereto.

Upon the issuance of any new Debt Security or coupon under this Section, the Company may require the payment of a sum sufficient to cover any tax or other

governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee and printing costs) connected therewith.

Every new Debt Security of any series, with its coupons, if any, issued pursuant to this Section in exchange for any mutilated security or in lieu of any destroyed, lost or stolen Debt Security, or in exchange for a Bearer Security to which a destroyed, lost or stolen coupon appertains, shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Debt Security and its coupons, if any, or the destroyed, lost or stolen coupon shall be at any time enforceable by anyone, and any such new Debt Security and coupons, if any, shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Debt Securities of that series and their coupons, if any, duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Debt Securities or coupons.

*SECTION 307. Payment of Interest, Interests Rights Preserved.*

Interest on any Registered Security that is payable, and is punctually paid or duly provided

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for, on any Interest Payment Date shall be paid to the Person in whose name that Registered Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest. In case a Bearer Security of any series is surrendered in exchange for a Registered Security of such series after the close of business (at an office or agency in a Place of Payment for such series) on any Regular Record Date and before the opening of business (at such office or agency) on the next succeeding Interest Payment Date, such Bearer Security shall be surrendered without the coupon relating to such Interest Payment Date and interest will not be payable on such Interest Payment Date in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such coupon when due in accordance with the provisions of this Indenture. At the option of the Company, payment of interest on any Registered Security may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or by wire transfer to an account designated by such person pursuant to an arrangement that is satisfactory to the Trustee and the Company. In the event that payments shall be made by wire transfer, the Company shall arrange by 10:00 a.m. New York time on the Interest Payment Date for the wire transfer of money in immediately available funds to the Trustee or Paying Agent. The Trustee shall not be responsible or held liable for any loss resulting from a failure of the federal funds wire system or any other occurrence beyond its control in connection with wire transfers made pursuant to this Section.

Any interest on any Registered Security of any series that is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called

"Defaulted Interest") shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date by virtue of his having been such Holder; and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Registered Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Registered Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date. Unless the Trustee is acting as the Security Registrar, promptly after such Special Record Date, the Company shall furnish the Trustee with a list, or shall make arrangements satisfactory to the Trustee with respect thereto, of the names and addresses of, and principal amounts of Registered Securities of such series held by, the Holders appearing on the Security Register at the close of business on such Special Record Date. In the name and at the expense of the Company, the Trustee shall cause notice of the

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proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Registered Securities of such series at his address as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Registered Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2). In case a Bearer Security of any series is surrendered at the office or agency in a Place of Payment for such series in exchange for a Registered Security of such series after the close of business at such office or agency on any Special Record Date and before the opening of business at such office or agency on the related proposed date for payment of Defaulted Interest, such Bearer Security shall be surrendered without the coupon relating to such proposed date of

payment and Defaulted Interest will not be payable on such proposed date of payment in respect of the Registered Security issued in exchange for such Bearer Security, but will be payable only to the Holder of such coupon when due in accordance with the provisions of this Indenture.

(2) The Company may make payment of any Defaulted Interest on the Registered Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Registered Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Debt Security delivered under this Indenture upon registration of, transfer of, in exchange for or in lieu of any other Debt Security shall carry the rights to interest accrued and unpaid, and to accrue, that were carried by such other Debt Security.

#### SECTION 308. *Persons Deemed Owners.*

Prior to due presentment of a Registered Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Registered Security is registered as the owner of such Registered Security for the purpose of receiving payment of principal of (and premium, if any) and (subject to Section 307) interest on such Registered Security and for all other purposes whatsoever, whether or not such Registered Security be overdue, and neither the Company or the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

The Company, the Trustee and any agent of the Company or the Trustee may treat the bearer of any Bearer Security and the bearer of any coupon as the absolute owner of such Bearer Security or coupon for the purpose of receiving payment thereof or on account thereof and for all other purposes whatsoever, whether or not such Bearer Security or coupon be overdue, and neither the Company nor the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Notwithstanding the foregoing, with respect to any Global Security, nothing herein shall

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prevent the Company, the Trustee, or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by a Depositary or impair, as between a Depositary and holders of beneficial interests in a Global Security, the operation of customary practices governing the exercise of rights of the Depositary (or its nominee) as Holder of such Global Security.

#### SECTION 309. *Cancellation.*

Unless otherwise provided with respect to a series of Debt Securities, all Debt Securities and coupons surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Debt Securities previously authenticated and delivered hereunder that the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Securities previously authenticated hereunder for which the Company has not issued and sold, and all Debt Securities so delivered shall be promptly cancelled by the Trustee. No Debt Securities shall be authenticated in lieu of or in exchange for any Debt Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Debt Securities and coupons held by the Trustee shall be destroyed and certification of their destruction delivered to the Company unless by a Company Order the Company shall direct that the cancelled Debt Securities or coupons be returned to it.

#### SECTION 310. *Computation of Interest.*

Except as otherwise specified as contemplated by Section 301 for Debt Securities of any series, interest on the Debt Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

#### SECTION 311. *Payment in Currencies.*

(a) Payment of the principal of (and premium, if any) and interest on the Debt Securities of any series shall be made in the currency or currencies specified pursuant to Section 301; provided that the Holder of a Registered Security of such series may elect to receive such payment in any one of (i) Dollars and (ii) any other currency designated for such purpose pursuant to Section 301. A Holder of a Registered Security may make such election by delivering to the Trustee a written notice thereof, substantially in the form attached hereto as Exhibit B or in such other form as may be acceptable to the Trustee, not later than the close of business on the Regular or Special Record Date immediately preceding the applicable Interest Payment Date or the fifteenth day immediately preceding the Maturity of an instalment of principal, as the case may be. Such election shall remain in effect with respect to such Holder until such Holder delivers to the Trustee a written notice substantially in the form attached hereto as Exhibit B or in such other form as may be acceptable to the Trustee specifying a change in the currency in which such payment is to be made provided that any such notice must be delivered to the Trustee not later than the close of business on the Regular or Special Record Date immediately preceding the next Interest Payment Date or the fifteenth day immediately preceding the Maturity of an instalment of principal, as the case may be, in order to be effective for the payment to be made thereon; and provided further that no such change in currency may be made with respect to payments to be made on any Registered Security with respect to

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which notice of redemption has been given by the Company pursuant to Article Eleven.

(b) Except as otherwise specified as contemplated by Section 301, the Trustee shall deliver to the Company, not later than the eighth Business Day after the Regular or Special Record Date with respect to an Interest Payment Date or the tenth day immediately preceding the Maturity of an instalment of principal, as the case may be, with respect to a series of Debt Securities, a written notice specifying, in the currency or currencies in which the Debt Securities of such series are denominated, the aggregate amount of the principal of (and premium, if any) and interest on such Debt Securities to be paid on such payment date. If payments on any such Debt Securities are designated to be made in a currency other than the currency in which such Debt Securities are denominated or if at least one Holder of a Registered Security has made the election referred to in subsection (a) above with respect to such Debt Securities, then the written notice referred to in the preceding sentence shall also specify, in each currency in which payment with respect to such series of Debt Securities is to be made pursuant to said subsection (a), the amount of principal of (and premium, if any) and interest on such series of Debt Securities to be paid in such currency on such payment date.

(c) The Company shall deliver, not later than the fourth Business Day following each Regular or Special Record Date or the tenth day immediately preceding the Maturity of an instalment of principal, as the case may be, to the Trustee an Exchange Rate Officer's Certificate in respect of the Dollar or Foreign Currency payments to be made on such payment date. Except as otherwise specified as contemplated by Section 301, the amount receivable by Holders of Registered Securities who have elected payment in a currency other than the currency in which such Registered Securities are denominated as provided in subsection (a) above shall be determined by the Company on the basis of the applicable Exchange Rate set forth in the applicable Exchange Rate Officer's Certificate.

- (d) (i) If the Foreign Currency in which Debt Securities of a series are denominated ceases to be used both by the government of the country which issued such currency and for the settlement of transactions by public institutions of or within the international banking community, then with respect to each date for the payment of principal of (and premium, if any) and interest on such Debt Securities and any coupons appertaining thereto occurring after the final date on which the Foreign Currency was so used, all payments with respect to such Debt Securities and any coupons appertaining thereto shall be made in Dollars, provided that payment to a Holder of a Registered Security of such series shall be made in a different Foreign Currency if that Holder has elected or elects payment in such Foreign Currency as provided for by subsection (a) above. If payment is to be made in Dollars to the Holders of any such Debt Securities or coupons pursuant to the provisions of the preceding sentence, then the amount to be paid in Dollars on a payment date by the Company to the Trustee and by the Trustee or any Paying Agent to Holders shall be determined by the

Trustee as of the Regular or Special Record Date with respect to such Interest Payment Date or the fifteenth day immediately preceding the Maturity of an instalment of principal, as the case may be, and shall be equal to the sum obtained by converting the specified Foreign Currency into Dollars at the Exchange Rate on the last Record Date on which such Foreign Currency was so used in either such capacity.

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If a Holder of a Registered Security denominated in a composite currency has elected payment in a specified Foreign Currency as provided for by subsection (a) above and such Foreign Currency ceases to be used both by the government of the country which issued such currency and for the settlement of transactions by public institutions of or within the international banking community, such Holder shall, subject to subsection (d)(ii) below, receive payment in such composite currency, provided that such payment to such Holder shall be made in a different Foreign Currency or in Dollars if that Holder has elected or elects payment in such Foreign Currency or in Dollars as provided for by subsection (a) above.

(ii) If the ECU ceases to be used both within the European Monetary System and for the settlement of transactions by public institutions of or within the European Communities, or if any other composite currency in which a Debt Security is denominated or payable ceases to be used for the purposes for which it was established, then with respect to each date for the payment of principal of (and premium, if any) and interest on Debt Securities of a series denominated in ECU or such other composite currency, as the case may be, occurring after the last date on which the ECU or such other composite currency, as the case may be, was so used (the "Conversion Date"), all payments with respect to such Debt Securities and any appurtenant coupons shall be made in Dollars, provided that payment to a Holder of a Registered Security of such series shall be made in a Foreign Currency if that Holder has elected or elects payment in such Foreign Currency as provided for by subsection (a) above.

If payment with respect to Debt Securities of a series denominated in ECU or any other composite currency is to be made in Dollars pursuant to the provisions of the preceding paragraph, then the amount to be paid in Dollars on a payment date by the Company to the Trustee and by the Trustee or any Paying Agent to Holders shall be determined by the Trustee as of the Regular or Special Record Date with respect to such Interest Payment Date or the fifteenth day immediately preceding the Maturity of an instalment of principal, as the case may be, and shall be equal to the sum of the amounts obtained by converting each Component of such composite currency into Dollars at the Exchange Rate for such Component on such Record Date or fifteenth day, as the case may be, multiplied by the number

of ECU or units of such other composite currency, as the case may be, that would have been so paid had the ECU or such other composite currency, as the case may be, not ceased to be so used. If payment is to be made in a Foreign Currency to the Holders of Debt Securities of such series pursuant to the preceding paragraph, then the amount to be paid in such Foreign Currency on a payment date by the Company to the Trustee and by the Trustee or any Paying Agent to Holders shall be determined by the Trustee as of the Regular or Special Record Date with respect to such Interest Payment Date or the fifteenth day immediately preceding the Maturity of an instalment of principal, as the case may be, and shall be determined by (A) converting each Component of such composite currency into Dollars at the Exchange Rate for such Component on such Record Date or fifteenth day, as the case may be, and (B) converting the sum in Dollars so obtained into such Foreign Currency at the Exchange Rate for such Foreign Currency on such Record Date or fifteenth day, as the case may be.

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(e) All decisions and determinations of the Trustee regarding conversion of Foreign Currency into Dollars pursuant to subsection (d)(i) above or the conversion of ECU or any other composite currency into Dollars or Foreign Currency pursuant to subsection (d)(ii) above or the Exchange Rate shall, in the absence of manifest error, be conclusive for all purposes and irrevocably binding upon the Company and all Holders of the Debt Securities. If a Foreign Currency in which payment of Debt Securities of a series may be made, pursuant to subsection (a) above, ceases to be used both by the government of the country which issued such currency and for the settlement of transactions by public institutions of or within the international banking community, the Company, after learning thereof, will give notice thereof to the Trustee immediately (and the Trustee promptly thereafter will give notice to the Holders in the manner provided in Section 106) specifying the last date on which the Foreign Currency was used for the payment of principal of (and premium, if any) or interest on such Debt Securities. In the event the ECU ceases to be used both within the European Monetary System and for the settlement of transactions by public institutions of or within the European Communities, or any other composite currency in which a Debt Security is denominated or payable ceases to be used for the purposes for which it was established, the Company, after learning thereof, will give notice thereof to the Trustee immediately (and the Trustee promptly thereafter will give notice to the Holders in the manner provided in Section 106) specifying the Conversion Date with respect to such composite currency and the Components of such composite currency on such Conversion Date. In the event of any subsequent change in any Component, the Company, after learning thereof, will give notice to the Trustee similarly. The Trustee shall be fully justified and protected in relying and acting upon the information so received by it from the Company and shall not otherwise have any duty or obligation to determine such information independently.

**SECTION 312. *Certification by a Person Entitled to Delivery of a Bearer Security.***

Whenever any provision of this Indenture or a Debt Security contemplates that certification be given by a Person entitled to delivery of a Bearer Security, such certification shall be provided substantially in the form of Exhibit A hereto, with only such changes as shall be approved by the Company.

**SECTION 313. *Judgments.***

The Company may provide, pursuant to Section 301, for the Debt Securities of any series that (a) the obligation, if any, of the Company to pay the principal of (and premium, if any) and interest on the Debt Securities of such series and any appurtenant coupons in a Foreign Currency, composite currency or Dollars (the "Designated Currency") as may be specified pursuant to Section 301 or elected pursuant to Section 311 is of the essence and agree that, to the fullest extent possible under applicable law and except as otherwise provided by Section 311, judgments in respect of such Debt Securities shall be given in the Designated Currency; (b) the obligation of the Company to make payments in the Designated Currency of the principal of (and premium, if any) and interest on such Debt Securities and any appurtenant coupons shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the Designated Currency that the Holder receiving such payment may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and cost of exchange) on the Business Day immediately following the day on which such Holder receives such payment; (c) if the amount in the Designated Currency that may be so purchased for any reason falls short of the amount originally due, the

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Company shall pay such additional amounts as may be necessary to compensate for such shortfall; and (d) any obligation of the Company not discharged by such payment shall be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect.

## ARTICLE FOUR

### SATISFACTION AND DISCHARGE

#### SECTION 401. *Satisfaction and Discharge of Indentures.*

This Indenture shall upon Company Request cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Debt Securities herein expressly provided for and rights to receive payments of principal (and premium, if any) and interest thereon and any right to receive additional amounts, as provided in Section 1006) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Debt Securities theretofore authenticated and delivered and all coupons appertaining thereto (other than (i) coupons appertaining to Bearer Securities surrendered in exchange for Registered Securities and maturing after such exchange, surrender of which is not required or has been waived as provided in Section 305, (ii) Debt Securities and coupons that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 306, (iii) coupons appertaining to Bearer Securities called for redemption and maturing after the relevant Redemption Date, surrender of which has been waived as provided in Section 1107, and

(iv) Debt Securities and coupons for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(B) all such Debt Securities not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Debt Securities and coupons not theretofore delivered to the Trustee for cancellation for principal (and premium, if

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any) and interest to the date of such deposit (in the case of Debt Securities and coupons which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company;  
and

(3) the Company has delivered to the Trustee an Officer's Certificate and

an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607, the obligations of the Trustee to any Authenticating Agent under Section 614 and, if money shall have been deposited with the Trustee pursuant to Subclause (B) of Clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

#### SECTION 402. *Application of Trust Money.*

Subject to the provisions of the last paragraphs of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Debt Securities, the coupons and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee.

### ARTICLE FIVE

#### REMEDIES

#### SECTION 501. *Events of Default.*

"Event of Default" whenever used herein with respect to Debt Securities of any series means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) and such other events as may be established with respect to the Securities of that series as contemplated by Section 301 hereof:

(a) default in the payment of any instalment of interest upon any Debt Security of that series as and when the same shall become due and payable, and continuance of such default for a period of 30 days; or

(b) default in the payment of the principal of and premium, if any, on any Debt Security of that series as and when the same shall become due and payable at Maturity or by declaration or upon repayment; or

(c) default in the payment of any sinking fund instalment as and when the

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same shall become due and payable by the terms of a Debt Security of that series; or

(d) failure on the part of the Company to observe or perform any other of the covenants or agreements on the part of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or those set forth exclusively in the terms of any particular series of Debt Securities established as contemplated in this Indenture) continued for a period of 60 days after there has been given to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Debt Securities at the time Outstanding, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(e) any obligation for borrowed money of, or guaranteed by, the Company shall not be paid when due by reason of acceleration or otherwise, the grace period, if any, provided with respect thereto shall have elapsed or any security therefor shall have become enforceable, and the aggregate due but unpaid amount of all such obligations shall be in excess of \$10,000,000, and such acceleration or failure to pay shall not be rescinded, annulled or cured or such right of enforcement shall not be terminated for a period of 30 days after there has been given, by registered or certified mail to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Debt Securities at the time Outstanding, a written notice specifying such Event of Default and requiring the Company to cause such acceleration or failure to pay or accrual of such right of enforcement to be rescinded, annulled, cured or terminated and stating that such notice is a "Notice of Default" hereunder, *provided, however*, that if such acceleration and the event of default giving rise thereto or such failure to pay such obligations or the events giving rise to such right of enforcement shall be remedied or cured by the Company or waived or terminated by the holders of such obligations, in each case prior to acceleration of the Maturity of the Debt Securities of such series, then the Event of Default hereunder by reason thereof shall be deemed likewise to have been thereupon remedied, cured, waived or terminated without further action upon the part of either the Trustee or any of the Holders of the Debt Securities of such series; and *provided, further*, that, subject to the provisions of Sections 601 and 602, the Trustee shall not be deemed to have knowledge of such default unless either (A) a Responsible Officer of the Trustee shall have actual knowledge of such default or (B) the Trustee shall have received written notice thereof from the Company, from any Holder, from the holder of any such indebtedness or from the trustee under any such mortgage, indenture or other instrument; or

(f) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or

for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days; or

(g) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Company or for any substantial part of its property, or shall make any general

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assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or the Company shall take corporate action in furtherance of any such action; or

- (h) any other Event of Default provided with respect to the Debt Securities of that series.

SECTION 502. *Acceleration of Maturity: Rescission and Annulment.*

If an Event of Default described in clauses (a), (b) or (c) of Section 501 or established pursuant to Section 301 with respect to Debt Securities of any series at the time Outstanding occurs and is continuing, then and in every such case unless the principal of all the Debt Securities of such series shall have already become due and payable, either the Trustee or the Holders of not less than 25% in principal amount of Outstanding Debt Securities of such series (voting as a single class) may declare the principal amount (or, if the Debt Securities of such series are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of such series) of and all accrued but unpaid interest on all the Debt Securities of such series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such amount shall become immediately due and payable. If an Event of Default described in clauses (d), (e), (f) or

(a) of Section 501 occurs and is continuing, then and in every such case, unless the principal of all the Debt Securities shall have already become due and payable, either the Trustee or the Holders of not less than 25% in principal amount of all the then Outstanding Debt Securities hereunder (treated as one class) may declare the principal amount (or, if any Debt Securities are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms thereof) of and all accrued but unpaid interest on all the then Outstanding Debt Securities to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by the Holders), and upon any such declaration such amount shall become immediately due and payable.

At any time after such declaration of acceleration with respect to Debt Securities of any series (or all the Debt Securities, as the case may be) has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Debt Securities of such series, by written notice to the Company and the Trustee, may rescind and annul such declaration with respect to any Event of Default described in clauses (a), (b) or (c) of Section 501 or any other Event of Default established pursuant to Section 301 with respect to the Debt Securities of that series (or, in the case of an Event of Default described in clauses (d), (e), (f) or (g) of Section 501, the Holders of a majority in principal amount of all the Outstanding Debt Securities may, by written notice to the Company and the Trustee, rescind and annul such declaration), and its consequences if

- (1) the Company has paid or deposited with the Trustee a sum sufficient to pay

- (A) all overdue instalments of interest on the Debt Securities of such series (or all Debt Securities, as the case may be) and any related coupons,

- (B) the principal of (and premium, if any, on) the Debt Securities of such series (or all Debt Securities, as the case may be) that have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in such Debt Securities,

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(C) to the extent that payment of such interest is lawful, interest upon overdue instalments of interest on each such Debt Security and any related coupons at the rate or rates prescribed therefor in such Debt Securities,

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default with respect to Debt Securities of such series (or all Debt Securities, as the case may be), other than the non-payment of the principal of such Debt Securities that have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. *Collection of Indebtedness and Suits for Enforcement by Trustee.*

The Company covenants that if:

(1) default is made in the payment of any instalment of interest on any Debt Security or any related coupon when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Debt Security at the Maturity thereof,

the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Debt Securities and coupons, the whole amount then due and payable on such Debt Securities and coupons for principal (and premium, if any) and interest and, to the extent that payment of such interest shall be legally enforceable, interest upon any overdue principal (and premium, if any) and upon any overdue instalments of interest, at the rate or rates prescribed therefor in such Debt Securities; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the

Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon such Debt Securities and coupons and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Debt Securities and coupons, wherever situated.

If an Event of Default with respect to Debt Securities of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Debt Securities of such series and any related coupons by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights,

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whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

SECTION 504. *Trustee May File Proofs of Claim.*

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings, or any voluntary or involuntary case under the Federal bankruptcy laws as now or hereafter constituted, relative to the Company or any other obligor upon the Debt Securities of a particular series or any related coupons or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of such Debt Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Debt Securities of such series and any appurtenant coupons and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, custodian, liquidator, sequestrator or other similar official in any such proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Debt Securities or coupons or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding; *provided, however*, that the Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' or other similar committee.

SECTION 505. *Trustee May Enforce Claims Without Possession of Debt Securities or Coupons.*

All rights of action and claims under this Indenture or the Debt Securities or coupons may be prosecuted and enforced by the Trustee without the possession of any of the Debt Securities or coupons or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Debt Securities and coupons in respect of which such judgment has been recovered.

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SECTION 506. *Application of Money Collected.*

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee, and, in case of the distribution of such money on account of principal (and premium, if any) or interest, upon presentation of the Debt Securities or coupons, or both, as the case may be, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

and

FIRST: To the payment of all amounts due the Trustee under Section 607;

SECOND: To the payment of the amounts then due and unpaid for principal of (and premium, if any) and interest on the Debt Securities and any coupons, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the

amounts due and payable on such Debt Securities and any coupons for principal (and premium, if any) and interest, respectively. The Holders of any Debt Securities denominated in ECU, any other composite currency or a Foreign Currency and any matured coupons relating thereto shall be entitled to receive a ratable portion of the amount determined by the Trustee by converting the principal amount Outstanding of such Debt Securities and matured but unpaid interest on such Debt Securities in the currency in which such Debt Securities are denominated into Dollars at the Exchange Rate as of the date of declaration of acceleration of the Maturity of the Debt Securities (or, if there is no such rate on such date for the reasons specified in Section 311(d)(i), such rate on the date specified in such Section).

Any surplus then remaining shall be paid to the Company or to such other Person as shall be entitled to receive such surplus as specified by the Company.

SECTION 507. *Limitation on Suits.*

No Holder of any Debt Security of any series or any related coupons shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Debt Securities of such series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Debt Securities of such series, or, in the case of any Event of Default described in clauses (d), (e), (f) or (g) of Section 501, 25% in principal amount of all the Outstanding Debt Securities, have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

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(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Debt Securities of such series or all the Outstanding Debt Securities, as the case may be;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other such Holders, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

*SECTION 508. Unconditional Right of Holders to receive Principal, Premium and Interest.*

Notwithstanding any other provision in this Indenture, the Holder of any Debt Security or coupon shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and (subject to Section 307) interest on such Debt Security or payment of such coupon on the respective Stated Maturity or Maturities expressed in such Debt Security or coupon (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

*SECTION 509. Restoration of Rights and Remedies.*

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

*SECTION 510. Rights and Remedies Cumulative.*

Except as otherwise provided with respect to the replacement or payment of mutilated, damaged or stolen Debt Securities or coupons in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

*SECTION 511. Delay or Omission Not Waiver.*

No delay or omission of the Trustee or of any Holder of any Debt Security or coupon to exercise any right or remedy accruing upon any Event of Default shall impair

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any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. *Control by Holders of Debt Securities.*

The Holders of a majority in principal amount of the Outstanding Debt Securities of any series (or all the Debt Securities, as the case may be) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Debt Securities of such series (or all the Debt Securities, as the case may be), provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture or expose the Trustee to personal liability; and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. *Waiver of Past Defaults.*

The Holders of not less than a majority in principal amount of the Outstanding Debt Securities of any series may on behalf of the Holders of all the Debt Securities of any such series and any related coupons waive any past default hereunder with respect to such series described in clauses (a), (b) or (c) of Section 501 or established pursuant to Section 301 with respect to the Debt Securities of that series (or, the Holders of not less than a majority in principal amount of all the Outstanding Debt Securities may on behalf of the Holders of all the Debt Securities and any related coupons waive any past default hereunder described in clauses (d), (e), (f) or (g) of Section 501) and its consequences, except a default

(1) in the payment of the principal of (or premium, if any) or interest on any Debt Security of such series (or any Debt Security, as the case may be), or

(2) in respect of a covenant or provision hereof that under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Debt Security of such series (or each Outstanding Debt Security, as the case may be) or coupon affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. *Undertaking for Costs.*

All parties to this Indenture agree, and each Holder of any Debt Security or coupon by his acceptance thereof shall be deemed to have agreed, that any court may in its

discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing

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by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Debt Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Debt Security or the payment of any coupon on or after the respective Stated Maturity or Maturities expressed in such Debt Security or coupon (or, in the case of redemption, on or after the Redemption Date); provided that neither this Section nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company.

SECTION 515. *Waiver of Usury, Stay or Extension Laws.*

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

**ARTICLE SIX**

**THE TRUSTEE**

SECTION 601. *Certain Duties and Responsibilities.*

(a) With respect to Debt Securities of any series, except during the continuance of an Event of Default with respect to the Debt Securities of such series:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions

expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default with respect to Debt Securities of any series has occurred and is continuing, the Trustee shall, with respect to the Debt Securities of such series or any coupons, as the case may be, exercise such of the rights and powers vested in it by this Indenture,

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and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it with respect to Debt Securities of any series in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Debt Securities of such series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(d) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

#### SECTION 602. *Notice of Defaults.*

Within 90 days after the occurrence of any default hereunder with respect to Debt Securities of any series the Trustee shall transmit by mail to all Holders of Debt Securities of such series, entitled to receive reports pursuant to Trust Indenture Act Section 313(c), notice of each default hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Debt Security of such series or any related coupons or in the payment of any sinking fund instalment with respect to Debt Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of Debt Securities of such series; and provided further that in the case of any default of the character specified in Section 501(d) with respect to Debt Securities of such series no such notice to Holders shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event that is, or after notice or lapse of time or both would become, an Event of Default with respect to Debt Securities of such series.

#### SECTION 603. *Certain Rights of Trustee.*

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Except as otherwise provided in Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, coupon or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Debt Securities of such series or any related coupons pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, coupon, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

*SECTION 604. Not Responsible for Recitals or Issuance of Debt Securities.*

The recitals contained herein and in the Debt Securities, except the Trustee's certificates of authentication, and in any coupons shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Debt Securities of any series or any coupons. The Trustee shall not be accountable for the use or application by the Company of any Debt Securities or the proceeds thereof.

*SECTION 605. May Hold Debt Securities or Coupons.*

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The Trustee, any Paying Agent, the Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Debt Securities and coupons, and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Paying Agent, Security Registrar or such other agent.

SECTION 606. *Money Held in Trust.*

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for

interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 607. *Compensation and Reimbursement.*

The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust or performance of its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section the Trustee shall have a claim prior to the Debt Securities and any coupons upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of (and premium, if any) or interest on Debt Securities or any coupons.

SECTION 608. *Disqualification; Conflicting Interests.*

The Trustee shall comply with the terms of Section 310(b) of the TIA. SECTION 609. *Corporate Trustee Required; Eligibility.*

There shall at all times be a Trustee hereunder that shall be a Person that is eligible pursuant to the TIA to act as such and has a combined capital and surplus of at least \$10,000,000. If such Person publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and

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surplus as set forth in its most recent report of

condition so published. Neither the Company nor any Person directly or indirectly controlling, controlled by, or under common control with the Company shall serve as a Trustee hereunder.

SECTION 610. *Resignation and Removal; Appointment of Successor.*

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 611.

(b) The Trustee may resign at any time with respect to the Debt Securities of one or more series by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Debt Securities of such series.

(c) The Trustee may be removed at any time with respect to the Debt Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Debt Securities of such series, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608 with respect to the Debt Securities of any series after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Debt Security of such series for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or a decree or order for relief by a court having jurisdiction in the premises shall have been entered in respect of the Trustee in an involuntary case under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or similar law; or a decree or order by a court having jurisdiction in the premises shall have been entered for the appointment of a receiver, custodian, liquidator, assignee, trustee, sequestrator (or other similar official) of the Trustee or of its property or affairs, or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation, winding up or liquidation, or

(4) the Trustee shall commence a voluntary case under the Federal

bankruptcy laws, as now or hereafter constituted, or any other applicable Federal or State bankruptcy, insolvency or similar law or shall consent to the appointment of or taking possession by a receiver, custodian, liquidator, assignee, trustee, sequestrator (or other similar official) of the Trustee or its property or affairs, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or shall take corporate action in furtherance of any such action.

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then, in any such case, (i) the Company by a Board Resolution may remove the Trustee with respect to all Debt Securities, or (ii) subject to Section 514, any Holder who has been a bona fide Holder of a Debt Security of any series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee for the Debt Securities of such series and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Debt Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Debt Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Debt Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Debt Securities of any particular series) and shall comply with the applicable requirements of Section 611. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Debt Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Debt Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to the Debt Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Debt Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Debt Security of such series for at least six months may, subject to Section 514, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the debt Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Debt Securities of any series and each appointment of a successor Trustee with respect to the Debt Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Registered Securities, if any, of such series as their names and addresses appear in the Security Register and, if Debt Securities of such series are issuable as Bearer Securities, by

publishing notice of such event once in an Authorized Newspaper in each Place of Payment located outside the United States. Each notice shall include the name of the successor Trustee with respect to the Debt Securities of such series and the address of its Corporate Trust Office.

#### SECTION 611. *Acceptance of Appointment by Successor.*

(a) In the case of an appointment hereunder of a successor Trustee with respect to all Debt Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

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(b) In case of the appointment hereunder of a successor Trustee with respect to the Debt Securities of one or more (but not all) series, the Company, the retiring Trustee upon payment of its charges and each successor Trustee with respect to the Debt Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debt Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Debt Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debt Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Debt Securities of that or those series to which the appointment of such successor Trustee relates; but, on

request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Debt Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

#### SECTION 612. *Merger, Conversion, Consolidation or Succession to Business.*

Any corporation in to which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Debt Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Debt Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Debt Securities. In case any Debt Securities

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shall not have been authenticated by such predecessor Trustee, any such successor Trustee may authenticate and deliver such Debt Securities, in either its own name or that of its predecessor Trustee, with the full force and effect that this Indenture provides for the certificate of authentication of the Trustee.

SECTION 613. *Preferential Collection of Claims Against Company.*

The preferential collection of claims against the Company are governed by TIA Section 311.

SECTION 614. *Appointment of Authenticating Agent.*

Upon a Company Request, the Trustee shall appoint an authenticating agent with respect to a series of Debt Securities (the "Authenticating Agent"), for such period as the Company shall elect, to act as the Trustee's agent on its behalf and subject to its direction in connection with the authentication and delivery of Debt Securities of such series. Debt Securities of such series authenticated by such Authenticating Agent shall be entitled to

the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee. Wherever reference is made in this Indenture to the authentication and delivery of Debt Securities of any series by the Trustee or to the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by the Authenticating Agent for such series and a certificate of authentication executed on behalf of such Trustee by such Authenticating Agent. Such Authenticating Agent shall at all times meet the eligibility requirements for the Trustee set forth in Section 609.

Any corporation into which any Authenticating Agent may be merged or converted, or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of any Authenticating Agent, shall continue to be the Authenticating Agent with respect to all series of Debt Securities for which it served as Authenticating Agent without the execution or filing of any paper or any further act on the part of the Trustee or such Authenticating Agent. Any Authenticating Agent may at any time, and if it shall cease to be eligible shall, resign with respect to one or more series of Debt Securities by giving written notice of resignation to the Trustee and the Company. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of such termination to such Authenticating Agent and to the Company.

Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 614 with respect to one or more series of Debt Securities, the Trustee shall upon Company Request appoint a successor Authenticating Agent, and the Company shall provide notice of such appointment to all Holders of Debt Securities of such series in the manner and to the extent provided in Section 106. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all rights, powers, duties and responsibilities of its predecessor hereunder, with like effect as if originally named as Authenticating Agent. The Trustee agrees to pay each Authenticating Agent from time to time reasonable compensation for its services, and the Trustee shall be entitled to be reimbursed for such payment, subject to the provisions of Section 607. The Authenticating Agent for the Debt Securities of any series shall have no responsibility or liability for any action taken by it as such at the direction of the Trustee.

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## ARTICLE SEVEN

### HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

#### SECTION 701. *Company to Furnish Trustee Names and Addresses of Holders.*

The Company will furnish or cause to be furnished to the Trustee with respect to Debt Securities of each series for which it acts as Trustee:

(a) at least semi-annually, not more than 15 days after the Regular Record Date in respect of the Debt Securities of such series or on June 30 and December 31 of each year with respect to each series of Debt Securities for which there are no Regular Record Dates, (i) a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders of Registered Securities as of such Regular Record Date or June 15 or December 15, as the case may be, and (ii) all other information in the possession or control of the Company or any Paying Agent as to the names and addresses of the Holders of Debt Securities, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

*provided, however,* that if and so long as the Trustee shall be the Security Registrar, no such list need be furnished.

#### SECTION 702. *Preservation of Information; Communications to Holders.*

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders of Registered Securities contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders of Registered Securities received by the Trustee in its capacity as Security Registrar, if so acting. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished. The Trustee shall preserve for at least two years the names and addresses of Holders of Bearer Securities filed with the Trustee pursuant to TIA Section 313(c).

(b) If three or more Holders (hereinafter referred to as "applicants") apply in writing to the Trustee, and furnish to the Trustee reasonable proof that each such applicant has owned a Debt Security for a period of at least six months preceding the date of such application, and such application states that the applicants desire to communicate with other Holders of Debt Securities of a particular series (in which case the applicants must hold Debt Securities of such series) or with all Holders of Debt Securities with respect to their rights under this Indenture or under the Debt Securities and is accompanied by a copy of the form of proxy or other communication which such applicants propose to transmit, then the Trustee shall, within five Business Days after the receipt of such application, at its election, either

(i) afford such applicants access to the information preserved at the time by the Trustee in accordance with Section 702(a), or

(ii) inform such applicants as to the approximate number of Holders of

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Debt Securities of such series or of all Debt Securities, as the case may be, whose names and addresses appear in the information preserved at the time by the Trustee in accordance with Section 702(a), and as to the approximate cost of mailing to such Holders the form of proxy or other communication, if any, specified in such application.

If the Trustee shall elect not to afford such applicants access to such information, the Trustee shall, upon the written request of such applicants, mail to each Holder whose name and address appear in the information preserved at the time by the Trustee in accordance with Section 702(a), a copy of the form of proxy or other communication which is specified in such request, with reasonable promptness after a tender to the Trustee of the material to be mailed and of payment, or provision for the payment, of the reasonable expenses of mailing, unless within five days after such tender, the Trustee shall mail to such applicants and file with the Commission, together with a copy of the material to be mailed, a written statement to the effect that, in the opinion of the Trustee, such mailing would be contrary to the best interests of the Holders or would be in violation of applicable law. Such written statement shall specify the basis of such opinion. If the Commission, after opportunity for a hearing upon the objections specified in the written statement so filed, shall enter an order refusing to sustain any of such objections or if, after the entry of an order sustaining one or more of such objections, the Commission shall find, after notice and opportunity for hearing, that all the objections so sustained have been met and shall enter an order so declaring, the Trustee shall mail copies of such material to all such Holders with reasonable promptness after the entry of such order and the renewal of such tender; otherwise the Trustee shall be relieved of any obligation or duty to such applicants respecting their application.

(c) Every Holder of Debt Securities or coupons, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders in accordance with Section 702(b), regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 702(b).

#### SECTION 703. *Reports by Trustee.*

(a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the TIA at the times and in the manner provided pursuant thereto.

(b) A copy of each such report shall, at the time of such transmission to

Holders, be filed by the Trustee with each stock exchange upon which any Debt Securities of such series are listed, with the Commission and also with the Company. The Company will notify the Trustee when any series of Debt Securities are listed on any stock exchange.

#### SECTION 704. *Reports by Company.*

The Company will:

(1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents

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and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934; or, if the Company is not required to file information, documents or reports pursuant to either of said Sections, then it will file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934 in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit by mail to all Holders of Debt Securities, in the manner and to the extent provided in TIA Section 313(c) with respect to reports pursuant to Section 703(a), within 30 days after the filing thereof with the Trustee, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

## ARTICLE EIGHT

### CONSOLIDATION, MERGER, CONVEYANCE SALE OR LEASE

#### SECTION 801. *Company May Consolidate, etc., Only on Certain Terms.*

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and the Company shall not permit any Person to consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company, unless:

(1) in case the Company shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation, partnership or trust, shall be organized and validly existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and any premium and interest on all the Debt Securities and the performance or observance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Company or a Subsidiary as a result of such transaction as

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having been incurred by the Company or such Subsidiary at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

**SECTION 802. *Successor Substituted.***

Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 801, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under this Indenture and the Debt Securities.

**ARTICLE NINE**

**SUPPLEMENTAL INDENTURES**

**SECTION 901. *Supplemental Indentures Without Consent of Holders.***

Without the consent of any Holders, the Company, when authorized by or pursuant to a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company, and the assumption by such successor of the covenants of the Company herein and in the Debt Securities contained; or

(2) to add to the covenants of the Company, for the benefit of the Holders of all or any series of Debt Securities or coupons (and, if such covenants are to be for the benefit of less than all series of Debt Securities or coupons, stating that such covenants are expressly being included solely for the benefit of such series), or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default (and, if such Events of Default are to be applicable to less than all series of Debt Securities, stating that such Events of Default are expressly being included solely to be applicable to such series); or

(4) to add to or change any of the provisions of this Indenture to provide that Bearer Securities may be registrable as to principal, to change or eliminate any restrictions

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on the payment of principal of (or premium, if any, on) Registered Securities to be exchanged for Bearer Securities, provided that any such action shall not adversely affect the interests of the Holders of Debt Securities of any series or any related coupons in any material respect; or

(5) to add to, change or eliminate any of the provisions of this Indenture in respect of one or more series of Debt Securities, provided that any such addition, change or elimination (i) shall neither (A) apply to any Debt Security of any series created prior to the execution of such supplemental indenture and entitled to the benefit of such provision nor (B) modify the rights of the Holders of any such Debt Security with respect to such provision or, (ii) shall become effective only when there is no such Debt Security Outstanding; or

(6) to establish the form or terms of Debt Securities of any series as permitted by Sections 201 and 301; or

(7) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Debt Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 611 (b); or

(8) to secure the Debt Securities pursuant to the requirements of Section 801 or otherwise; or

(9) to evidence any changes to Sections 608 or 609 permitted by the terms thereof; or

(10) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture that shall not be inconsistent with any provision of this Indenture, provided such other provisions shall not adversely affect the interests of the Holders of Debt Securities of any series or any related coupons; or

(11) to effect any change to qualify this Indenture under the Trust Indenture Act.

#### SECTION 902. *Supplemental Indentures with Consent of Holders.*

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Debt Securities affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture of such Debt Securities and any related coupons; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Debt Security or coupon affected thereby:

(1) change the Stated Maturity of the principal of, or any instalment of principal

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of or interest on, any Debt Security, or reduce the principal amount thereof or the interest thereon or the method of computation of the rate of interest thereon or any premium payable upon redemption thereof, or change any obligation of the Company to pay additional amounts pursuant to Section 1006, or reduce the amount of the principal of an Original Issue Discount Security that

would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502, or change any Place of Payment where, or change the coin or currency in which, any Debt Security or the interest thereon or the method of computation of the rate of interest thereon or any coupon is payable, change any right of redemption, purchase or repayment by the Company at the option of the Holders, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

(2) reduce the percentage in principal amount of the Outstanding Debt Securities of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or reduce the requirements of Section 1404 for quorum or voting, or

(3) modify any of the provisions of this Section, Section 513 or Section 1009, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Debt Security affected thereby; *provided, however*, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "The Trustee" and concomitant changes in this Section and Section 1009, or the deletion of this proviso in accordance with Sections 611 and 901(7).

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

A supplemental indenture that changes or eliminates any covenant or other provision of this Indenture that has expressly been included solely for the benefit of one or more particular series of Debt Securities, or that modifies the rights of the Holders of Debt Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Debt Securities of any other series.

#### SECTION 903. *Execution of Supplemental Indentures.*

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture, is not inconsistent

herewith, is the legal, valid and binding obligation of the Company, enforceable in accordance with its terms, and, in connection with a supplemental indenture executed pursuant to Section 901, no consent of the Holders is required in connection therewith, and, in connection with a

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supplemental indenture executed pursuant to Section 902, that the requisite consents of the Holders have been validly obtained in accordance with Section 902 hereof. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

*SECTION 904. Effect of Supplemental Indentures.*

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Debt Securities theretofore or thereafter authenticated and delivered hereunder and of any coupons appertaining thereto shall be bound thereby.

*SECTION 905. Conformity with Trust Indenture Act.*

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

*SECTION 906. Reference in Debt Securities to Supplemental Indentures.*

Debt Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Debt Securities of any series and any appurtenant coupons so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Debt Securities of such series and any appurtenant coupons.

## **ARTICLE TEN**

### **COVENANTS**

*SECTION 1001. Payment of Principal, Premium and Interest.*

The Company covenants and agrees for the benefit of each series of Debt Securities and any appurtenant coupons that it will duly and punctually pay the principal of (and premium, if any) and interest on the Debt Securities and any appurtenant

coupons in accordance with the terms of the Debt Securities, any appurtenant coupons and this Indenture. Any interest due on Bearer Securities on or before Maturity, other than additional amounts, if any, payable as provided in Section 1006 in respect of principal of (or premium, if any, on) such a Debt Security, shall be payable only upon presentation and surrender of the several coupons for such interest instalments as are evidenced thereby as they severally mature.

*SECTION 1002. Maintenance of Office or Agency.*

The Company will maintain in each Place of Payment for any series of Debt Securities an office or agency where Debt Securities of such series (but, except as otherwise provided below,

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unless such Place of Payment is located outside the United States, not Bearer Securities) may be presented or surrendered for payment, where Debt Securities of such series (but, except as otherwise provided below, unless such Place of Payment is located outside the United States, not Bearer Securities) may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Debt Securities of such series and this Indenture may be served. If Debt Securities of a series are issuable as Bearer Securities, the Company will maintain, subject to any laws or regulations applicable thereto, an office or agency in a Place of Payment for such series that is located outside the United States where Debt Securities of such series and the related coupons may be presented and surrendered for payment (including payment of any additional amounts payable on Debt Securities of such series pursuant to Section 1006); *provided, however*, that if the Debt Securities of such series are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited or the Luxembourg Stock Exchange or any other stock exchange located outside the United States and such stock exchange shall so require, the Company will maintain a Paying Agent in London or Luxembourg or any other required city located outside the United States, as the case may be, so long as the Debt Securities of such series are listed on such exchange. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of any such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, except that Bearer Securities of that series and the related coupons may be presented and surrendered for payment (including payment of any additional amounts payable on Bearer Securities of that series pursuant to Section 1006) at the place specified for the purpose pursuant to Section 301 or, if no such place is specified, at the main office of the Trustee in London, and the Company hereby appoints the Trustee its agent to receive all such presentations, surrenders, notices and demands.

No payment of principal of or premium or interest (including additional amounts payable in respect thereof) on Bearer Securities shall be made at any office or agency of the Company in the United States or by check mailed to any address in the United States

or by transfer to an account maintained with a bank located in the United States; *provided, however*, that payment of principal of and any premium and interest (including additional amounts payable in respect thereof) on any Bearer Security may be made in Dollars at the Corporate Trust Office of the Trustee in Chicago, Illinois if (but only if) payment of the full amount of such principal, premium, interest or additional amounts at all offices outside the United States maintained for the purpose by the Company in accordance with this Indenture is illegal or effectively precluded by exchange controls or other similar restrictions.

The Company may also from time to time designate one or more other offices or agencies (in or outside of such Place of Payment) where the Debt Securities of one or more series and any appurtenant coupons (subject to the preceding paragraph) may be presented or surrendered for any or all of such purposes, and may from time to time rescind such designations; *provided, however*, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for any series of Debt Securities, for such purposes. The Company will give prompt written notice to the Trustee of any such designation and any change in the location of any such other office or agency.

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SECTION 1003. *Money for Debt Securities Payments to Be Held in Trust.*

If the Company shall at any time act as its own Paying Agent with respect to any series of Debt Securities, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Debt Securities of such series and any appurtenant coupons, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents with respect to any series of Debt Securities, it will, on or before each due date of the principal of (and premium, if any) or interest on any Debt Securities of such series and any appurtenant coupons, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent with respect to any series of Debt Securities other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will

(1) hold all sums held by it for the payment of the principal of (and

premium, if any) or interest on Debt Securities of such series and any appurtenant coupons in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Debt Securities of such series or any appurtenant coupons) in the making of any payment of principal of (and premium, if any) or interest on the Debt Securities of such series or any appurtenant coupons; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Debt Security of any series or any appurtenant coupons and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such

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trust; and the Holder of such Debt Security or any coupon appertaining thereto shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in an Authorized Newspaper of general circulation in the Borough of Manhattan, The City of New York, and each Place of Payment or mailed to each such Holder, or both, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 1004. *Existence.*

Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its existence.

SECTION 1005. *Appointments to Fill Vacancies in Trustee's Office.*

The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 610, a Trustee, so that there shall at all times be a Trustee with respect to each series of Securities hereunder.

SECTION 1006. *Payment of Additional Amounts.*

If the Debt Securities of a series provide for the payment of additional amounts, the Company will pay to the Holder of any Debt Security of any series or any coupon appertaining thereto additional amounts upon the terms and subject to the conditions provided therein. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of (or premium, if any) or interest on, or in respect of, any Debt Security of any series or any related coupon or the net proceeds received on the sale or exchange of any Debt Security of any series, such mention shall be deemed to include mention of the payment of additional amounts provided for in terms of such Debt Securities and this Section to the extent that, in such context, additional amounts are, were or would be payable in respect thereof pursuant to the provisions of this Section and express mention of the payment of additional amounts (if applicable) in any provisions hereof shall not be construed as excluding additional amounts in those provisions hereof where such express mention is not made.

If the Debt Securities of a series provide for the payment of additional amounts, at least 10 days prior to the first Interest Payment Date with respect to that series of Debt Securities (or if the Debt Securities of that series will not bear interest prior to Maturity, the first day on which a payment of principal (and premium, if any) is made), and at least 10 days prior to each date of payment of principal (and premium, if any) or interest if there has been any change with respect to the matters set forth in the below-mentioned Officer's Certificate, the Company will furnish the Trustee and the Company's principal Paying Agent or Paying Agents, if other than the Trustee, with an Officer's Certificate instructing the Trustee and such Paying Agent or Paying Agents whether such payment of principal of (and premium, if any) or interest on the Debt Securities of that series shall be made to Holders of Debt Securities of that series or the related coupons who are United States Aliens without withholding for or on account of any tax, assessment or other governmental charge described in the Debt Securities of that series. If any such withholding shall

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be required, then such Officer's Certificate shall specify by country the amount, if any, required to be withheld on such payments to such Holders of Debt Securities or coupons and the Company will pay to the Trustee or such Paying Agent prior to the payment of interest or principal the additional amounts, if any, required by the terms of such Debt Securities and the first paragraph of this Section. The Company covenants to indemnify the Trustee and any Paying Agent for, and to hold them harmless against, any loss, liability or expense reasonably incurred without negligence or bad faith

on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Officer's Certificate furnished pursuant to this Section 1006.

**SECTION 1007. *Purchase of Debt Securities by Company or Subsidiary.***

If and so long as the Debt Securities of a series are listed on The Stock Exchange of the United Kingdom and the Republic of Ireland and such stock exchange shall so require, the Company will not, and will not permit any of its Subsidiaries to, purchase any Debt Securities of that series by private treaty at a price (exclusive of expenses and accrued interest) which exceeds 120% of the mean of the nominal quotations of the Debt Securities of that series as shown in The Stock Exchange Daily Official List for the last trading day preceding the date of purchase.

**SECTION 1008. *Officer's Certificate as to Default.***

The Company will deliver to the Trustee, on or before a date not more than four months after the end of each fiscal year of the Company (which on the date hereof is the calendar year) ending after the date hereof, a certificate of the principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture, and, if the Company shall be in default, specifying all such defaults and the nature thereof of which they may have knowledge. For the purpose of this Section 1008, compliance shall be determined without regard to any grace period or requirement of notice provided pursuant to the terms of this Indenture.

**SECTION 1009. *Waiver of Certain Covenants.***

The Company may omit in any particular instance to comply with any covenant or condition set forth in Section 1007 with respect to the Debt Securities of any series if, before the time for such compliance, the Holders of at least a majority in principal amount of the Debt Securities of such series at the time Outstanding shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

## **ARTICLE ELEVEN**

### **REDEMPTION OF DEBT SECURITIES**

**SECTION 1101. *Applicability of Article.***

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Debt Securities of any series, or any Tranche thereof, that are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Debt Securities of any series or Tranche) in accordance with this Article.

SECTION 1102. *Election to Redeem; Notice to Trustee.*

The election of the Company to redeem any Debt Securities shall be pursuant to a Board Resolution. In case of any redemption at the election of the Company of less than all of the Debt Securities of any series or Tranche, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date, the series or the Tranche of the Debt Securities to be redeemed and of the principal amount of Debt Securities of any series or such Tranche to be redeemed. In the case of any redemption of Debt Securities prior to the expiration of any restriction on such redemption provided in the terms of such Debt Securities or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officer's Certificate evidencing compliance with such restriction.

SECTION 1103. *Selection by Trustee of Debt Securities to Be Redeemed.*

Except as otherwise specified as contemplated by Section 301 for Debt Securities of any series, if less than all the Debt Securities of any series, or any Tranche thereof, are to be redeemed, the particular Debt Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee from the Outstanding Debt Securities of such series, or any Tranche thereof, not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Debt Securities of such series or any integral multiple thereof that is also an authorized denomination) of the principal amount of Registered Securities or Bearer Securities (if issued in more than one authorized denomination) of such series, or any Tranche thereof, of a denomination larger than the minimum authorized denomination for Debt Securities of such series.

The Trustee shall promptly notify the Company in writing of the Debt Securities selected for redemption and, in the case of any Debt Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Debt Securities shall relate, in the case of any Debt Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Debt Security that has been or is to be redeemed.

SECTION 1104. *Notice of Redemption.*

Notice of redemption shall be given in the manner provided in Section 106 not less than 30 or more than 60 days prior to the Redemption Date, to each Holder of Debt Securities to be redeemed.

All notices of redemption shall state:

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- (1) the Redemption Date,
- (2) the Redemption Price,
- (3) if less than all Outstanding Debt Securities of any series, or any Tranche thereof, are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Debt Securities to be redeemed,
- (4) that on the Redemption Date the Redemption Price will become due and payable upon each such Debt Security to be redeemed, and that interest thereon shall cease to accrue on and after said date,
- (5) the Place or Places of Payment where such Debt Securities, together in the case of Bearer Securities with all coupons, if any, appertaining thereto maturing after the Redemption Date, are to be surrendered for payment of the Redemption Price,
- (6) that the redemption is for a sinking fund, if such is the case, and
- (7) the CUSIP number, if any.

Notice of redemption of Debt Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

*SECTION 1105. Deposit of Redemption Price.*

On or prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on, all the Debt Securities or portions thereof that are to be redeemed on that date.

*SECTION 1106. Debt Securities Payable on Redemption Date.*

Notice of redemption having been given as aforesaid, the Debt Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Debt Securities shall cease to bear interest and the coupons for such interest appertaining to any Bearer Securities so to be redeemed, except to the extent provided below, shall be void. Upon surrender of any such Debt Security for redemption in accordance with said notice, such Debt Security shall be paid by the Company at the Redemption Price, together with accrued interest to the Redemption Date; provided, however, that instalments of interest on Bearer Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable only upon presentation and surrender of coupons for such interest (at an office or agency located outside the United States except as otherwise provided in Section 1002), and provided further that instalments of interest on Registered Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Debt Securities, or one or more Predecessor Securities, registered as such on the relevant Record Dates according to their terms and the provisions of Section 307.

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If any Bearer Security surrendered for redemption shall not be accompanied by all appurtenant coupons maturing after the Redemption Date, such Bearer Security may be paid after deducting from the Redemption Price an amount equal to the face amount of all such missing coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Bearer Security shall surrender to the Trustee or any Paying Agent any such missing coupon in respect of which a deduction shall have been made from the Redemption Price, such Holder shall be entitled to receive the amount so deducted; provided, however, that interest represented by coupons shall be payable only upon presentation and surrender of those coupons at an office or agency located outside of the United States except as otherwise provided in Section 1002.

If any Debt Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Debt Security.

#### SECTION 1107. *Debt Security Redeemed in Part.*

Any Registered Security that is to be redeemed only in part shall be surrendered at a Place of Payment therefor (with, if the Company, the Security Registrar or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company, the Security Registrar and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Debt Security without service charge, a new Registered Security or Registered Securities of the same series, or Tranche thereof, of any authorized denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Debt Security so surrendered, and any Bearer Security that is to be redeemed only in part shall be surrendered at an office or agency of the Company located outside the United States, except as otherwise provided in Section 1002, and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Debt Security outside the United States without service charge, a new Bearer Security or Bearer Securities of the same series, or Tranche thereof, (or a new Registered Security or Registered Securities of the same series, or Tranche thereof, if the Debt Securities of such series are issuable as Registered Securities), of any authorized denomination as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Debt Security so surrendered; except in either case that if a Global Security is so surrendered, the Company shall execute, and the Trustee shall authenticate and deliver to the Depository for such Global Security, without service charge, a new Global Security in a denomination equal to and in exchange for the unredeemed portion of the principal of the Global Security so surrendered.

## ARTICLE TWELVE

### SINKING FUNDS

#### SECTION 1201. *Applicability of Article.*

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The provisions of this Article shall be applicable to any sinking fund for the retirement of Debt Securities of a series except as otherwise specified as contemplated by Section 301 for Debt Securities of such series.

The minimum amount of any sinking fund payment provided for by the terms of Debt Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Debt Securities of any series is herein referred to as an "optional sinking fund payment". If

provided for by the terms of Debt Securities of any series, the amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Debt Securities of any series as provided for by the terms of Debt Securities of such series.

*SECTION 1202. Satisfaction of Sinking Fund Payments with Debt Securities.*

The Company (1) may deliver Outstanding Debt Securities of a series (other than any previously called for redemption), together in the case of any Bearer Securities of such series with all unmatured coupons appertaining thereto, and (2) may apply as a credit Debt Securities of a series that have been redeemed either at the election of the Company pursuant to the terms of such Debt Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Debt Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Debt Securities of such series required to be made pursuant to the terms of such Debt Securities as provided for by the terms of such series, provided that such Debt Securities have not been previously so credited. Such Debt Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Debt Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

*SECTION 1203. Redemption of Debt Securities for Sinking Fund.*

Not less than 60 days prior to each sinking fund payment date for any series of Debt Securities (unless a shorter period shall be satisfactory to the Trustee), the Company will deliver to the Trustee an Officer's Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, that is to be satisfied by payment of cash, the portion thereof, if any, that is to be satisfied by crediting Debt Securities of that series pursuant to Section 1202 and the basis for any such credit and, prior to or concurrently with the delivery of such Officer's Certificate, will also deliver to the Trustee any Debt Securities to be so credited and not theretofore delivered to the Trustee. Not less than 30 days (unless a shorter period shall be satisfactory to the Trustee) before each such sinking fund payment date the Trustee shall select the Debt Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Debt Securities shall be made upon the terms and in the manner stated in Sections 1105, 1106 and 1107.

**ARTICLE THIRTEEN**

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## DEFEASANCE

### SECTION 1301. *Discharge and Defeasance of Debt Securities of any Series.*

If this Section 1301 is specified, as contemplated by Section 301, to be applicable to the Debt Securities of any series, then, notwithstanding the provisions of Section 401, the Company shall be deemed to have paid and discharged the entire indebtedness on all the Outstanding Debt Securities of any such series on the 91st day after the date of the deposit referred to in subparagraph (d) hereof, and the provisions of this Indenture, as it relates to such Outstanding Debt Securities, shall no longer be in effect (and the Trustee, at the expense of the Company, shall upon Company Request, execute proper instruments acknowledging the same), except as to:

(a) the rights of Holders of Debt Securities of such series to receive, solely from the trust funds described in subparagraph (d) hereof, (i) payment of the principal of (and premium, if any) and each instalment of principal of (and premium, if any) and interest, if any, on the Outstanding Securities of such series on the Stated Maturity of such principal or instalment of principal or interest and (ii) any mandatory sinking fund payments or analogous payments applicable to the Debt Securities of such series on the day on which such payments are due and payable in accordance with the terms of this Indenture and such Debt Securities; and

(b) the rights, powers, trusts, duties and immunities of the Trustee hereunder with respect to such series, including those set forth in Section 607; and

(c) either (1) if this Section 1301 (c) (1) is specified, as contemplated by Section 301, to be applicable to the Debt Securities of any series, the Company's obligations with respect to the Debt Securities of such series under Sections 304, 305, 306, 1002 and 1003; or, alternatively, (2) if this Section 1301(c) (2) is specified, as contemplated by Section 301, to be applicable to the Debt Securities of any series, the Company's obligations with respect to such Debt Securities under Sections 304, 305, 306, 1001, 1002 and 1003;

*provided* that the following conditions shall have been satisfied:

(d) the Company shall have irrevocably deposited or caused to be deposited with the Trustee (or another trustee that satisfies the requirements of Section 609 and agrees to comply with the provisions of this Article Thirteen applicable to it) as trust funds in trust specifically pledged as security for, and dedicated solely to, the benefit of the Holders of the Debt Securities of that series, with reference to this Section 1301, (i) money in an amount, or (ii) Government

Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide not later than one Business Day before the due date of any payment referred to in clause (A) or (B) of this subparagraph

(d) money in an amount, or (iii) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge (A) the principal of (and premium, if any) and each instalment of principal of (and premium, if any) and interest, if any,

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on the Outstanding Debt Securities of such series on the Stated Maturity of such principal or instalment of principal or interest or on the applicable Redemption Date and (B) any mandatory sinking fund payments or analogous payments applicable to the Debt Securities of such series on the day on which such payments are due and payable in accordance with the terms of this Indenture and of such Debt Securities;

(e) such deposit shall not cause the Trustee with respect to the Debt Securities of such series to have a conflicting interest as defined in Section 608 or for purposes of the Trust Indenture Act with respect to the Debt Securities of any series;

(f) such deposit will not result in a breach or violation of, or constitute a default under, any applicable laws, this Indenture or any other agreement or instrument to which the Company is a party or by which it is bound;

(g) if this Section 1301 (g) is specified, as contemplated by Section 301, to be applicable to the Debt Securities of any series, such provision would not cause any Outstanding Debt Securities of such series then listed on the New York Stock Exchange or other nationally-recognized securities exchange to be de-listed as a result thereof;

(h) no Event of Default or event which with the giving of notice or lapse of time or both would become an Event of Default with respect to the Debt Securities of that series shall have occurred and be continuing on the date of such deposit or at any time during the period ending on the 91st day after such date;

(i) such deposit shall not result in the trust arising from such deposit constituting an investment company as defined in the Investment Company Act of 1940, as amended, or such trust shall be qualified under such Act or exempt from regulation thereunder;

(j) if this Section 1301 (j) is specified, as contemplated by Section 301, to be applicable to the Debt Securities of any series, the Company has delivered to the Trustee an Opinion of Counsel to the effect that, based upon applicable United States Federal income tax law or a ruling published by the United States Internal

Revenue Service (which opinion, for the purposes contemplated by Section 1301(c)(1), must be based on a change in applicable United States Federal income tax law after the date of this Indenture or a ruling published by the United States Internal Revenue Service after the date of this Indenture), the Holders of the Debt Securities of such series will not recognize income, gain or loss for United States Federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to United States Federal income tax on the same amount and in the same manner and at the same times, as would have been the case if such deposit, defeasance and discharge had not occurred; and

(k) the Company has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent relating to the defeasance and discharge contemplated by this Section have been complied with.

"Government Obligations" means securities that are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the timely payment of which is unconditionally guaranteed as a full faith and

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credit obligation by the United States of America, that, in either case under Clause (i) or (ii), are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act of 1933) company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of the Government Obligations evidenced by such depository receipt.

SECTION 1302. *Repayment to Company.*

The Trustee and any Paying Agent shall promptly pay to the Company upon Company Request any money or Government Obligations which, in the opinion of a nationally recognized firm of independent accounts expressed in a written certification thereof delivered to the Trustee, are not required for the payment of the principal of (and premium, if any) and interest on the Debt Securities of any series and any related coupons for which money or Government Obligations have been deposited pursuant to Section 1301 held by them at any time.

The Trustee and any Paying Agent shall pay to the Company upon Company Request any money held by them for the payment of principal (and premium, if any) and

interest that remains unclaimed for two years after the Maturity of the Debt Securities for which a deposit has been made pursuant to Section 1301. After such payment to the Company, the Holders of the Debt Securities of such series and any related coupons shall thereafter, as unsecured general creditors, look only to the Company for the payment thereof.

SECTION 1303. *Indemnity for Government Obligations.*

The Company shall pay and shall indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the deposited Government Obligations or the principal or interest received or accrued on such Government Obligations.

SECTION 1304. *Application of Trust Money.*

Subject to the provisions of Section 1302, all money and Government Obligations deposited with the Trustee pursuant to Section 1301 and all money received by the Trustee in respect of Government Obligations deposited with the Trustee pursuant to Section 1301 shall be held in trust and applied by it, in accordance with the provisions of the Debt Securities, the coupons and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money and Government Obligations have been deposited with the Trustee or to make mandatory sinking fund payments or analogous payments as contemplated by Section 1301.

SECTION 1305. *Reinstatement.*

If the Trustee or any Paying Agent is unable to apply any money or Government Obligations

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in accordance with Section 1304 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Debt Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 1304 until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 1304; provided, however, that if the Company makes any payment of principal, premium, if any, or interest on any Debt Security following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Debt Securities to receive such payment from the money held by the Trustee or Paying Agent.

## ARTICLE FOURTEEN

### MEETING OF HOLDERS OF DEBT SECURITIES

#### SECTION 1401. *Purposes for Which Meetings May Be Called.*

A meeting of Holders of Debt Securities of any or all series may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other Act provided by this Indenture to be made, given or taken by Holders of Debt Securities of such series.

#### SECTION 1402. *Call, Notice and Place of Meetings.*

(a) The Trustee may at any time call a meeting of Holders of Debt Securities of any or all series for any purpose specified in Section 1401, to be held at such time and at such place in the Borough of Manhattan, The City of New York, or in London as the Trustee shall determine. Notice of every meeting of Holders of Debt Securities of any series, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 106, not less than 21 or more than 180 days prior to the date fixed for the meeting.

(b) In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% in principal amount of the Outstanding Debt Securities of any series shall have requested the Trustee to call a meeting of the Holders of Debt Securities of such series for any purpose specified in Section 1401, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the first publication of the notice of such meeting within 21 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Company or the Holders of Debt Securities of such series in the amount above specified, as the case may be, may determine the time and the place in the Borough of Manhattan, The City of New York, or in London for such meeting and may call such meeting for such purposes by giving notice thereof as provided in Subsection (a) of this Section.

#### SECTION 1403. *Persons Entitled to Vote at Meetings.*

To be entitled to vote at any meeting of Holders of Debt Securities of any series, a Person shall be (1) a Holder of one or more Outstanding Debt Securities of such series, or (2) a Person

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appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Debt Securities of such series by such Holder or Holders. The only Persons who shall be entitled to be present or to speak at any meeting of Holders of Debt Securities of any series shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 1404. *Quorum; Action.*

The Persons entitled to vote not less than a majority in principal amount of the Outstanding Debt Securities of a series shall constitute a quorum for a meeting of Holders of Debt Securities of such series. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Debt Securities of such series, be dissolved. In the absence of a quorum in any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 1402(a), except that such notice need be given only once not less than five days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Debt Securities of such series that shall constitute a quorum.

Any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of not less than a majority in principal amount of the Outstanding Debt Securities of that series; provided, however, that any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other Act that this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Debt Securities of a series may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Debt Securities of that series.

To the extent consistent with the terms of this Indenture, any resolution passed or decision taken at any meeting of Holders of Debt Securities of any series duly held in accordance with this Section shall be binding on all the Holders of Debt Securities of such series and the related coupons, whether or not present or represented at the meeting.

SECTION 1405. *Determination of Voting Rights; Conduct and Adjournment of Meetings.*

(a) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Debt Securities of such series in regard to proof of the holding of Debt Securities of such series and of the appointment of proxies and in regard to the appointment and

duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations,

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the holding of Debt Securities shall be proved in the manner specified in Section 104 and the appointment of any proxy shall be proved in the manner specified in Section 104 or, in the case of Bearer Securities, by having the signature of the person executing the proxy witnessed or guaranteed by any trust company, bank or banker authorized by Section 104 to certify to the holding of Bearer Securities. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 104 or other proof.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Holders of Debt Securities as provided in Section 1402(b), in which case the Company or the Holders of Debt Securities of the series calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in principal amount of the Outstanding Debt Securities of such series represented at the meeting.

(c) At any meeting each Holder of a Debt Security of such series or proxy shall be entitled to one vote for each \$1,000 principal amount (or the equivalent in ECU, any other composite currency or a Foreign Currency (as determined by the Company in good faith) as of the date of original issuance of such Debt Security) of Debt Securities of such series held or represented by him; provided, however, that no vote shall be cast or counted at any meeting in respect of any Debt Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Debt Security of such series or proxy.

(d) Any meeting of Holders of Debt Securities of any series duly called pursuant to Section 1402 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in principal amount of the Outstanding Debt Securities of such series represented at the meeting; and the meeting may be held as so adjourned without further notice.

#### SECTION 1406. *Counting Votes and Recording Action of Meetings.*

The vote upon any resolution submitted to any meeting of Holders of Debt Securities of any series shall be by written ballots on which shall be subscribed the signatures of the Holders of Debt Securities of such series or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Debt Securities of such series held or represented by them. The permanent chairman of the meeting shall

appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record, at least in triplicate, of the proceedings of each meeting of Holders of Debt Securities of any series shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was given as provided in Section 1402 and, if applicable, Section 1404. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

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## ARTICLE FIFTEEN

### REPAYMENT AT OPTION OF HOLDERS

#### SECTION 1501. *Applicability of Article.*

Repayment of Debt Securities of any series before their Stated Maturity at the option of Holders thereof shall be made in accordance with the terms of such Debt Securities and (except as otherwise specified as contemplated by Section 301 for Debt Securities of any series) in accordance with this Article.

#### SECTION 1502. *Repayment of Debt Securities.*

Debt Securities of any series subject to repayment in whole or in part at the option of the Holders thereof will, unless otherwise provided in the terms of such Debt Securities, be repaid at a price equal to the principal amount thereof, together with interest thereon accrued to the Repayment Date specified in the terms of such Debt Securities. The Company covenants that on or before the Repayment Date the Company will deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the principal (or, if so provided by the terms of the Debt Securities of any series, a percentage of the principal) of, and (except if the Repayment Date shall be an Interest Payment Date) accrued interest, if any, on, all the Debt Securities or portions thereof, as the case may be, to be repaid on such date *provided, however*, that the Repayment Price of and accrued interest on Bearer Securities shall be deposited only at an office agency located outside the United States (except as otherwise provided in Section 1002).

If any Bearer Security surrendered for repayment shall not be accompanied by all

appurtenant coupons maturing after the Repayment Date, such Bearer Security may be paid after deducting from the Repayment Price an amount equal to the face amount of all such missing coupons, or the surrender of such missing coupon or coupons may be waived by the Company and the Trustee if there be furnished to them such security or indemnity as they may require to save each of them and any Paying Agent harmless. If thereafter the Holder of such Bearer Security shall surrender to the Trustee or any Paying Agent any such missing coupon in respect of which a deduction shall have been made from the Repayment Price, such Holder shall be entitled to receive the amount so deducted; *provided, however*, that interest represented by coupons shall be payable only at an office or agency located outside the United States (except as otherwise provided in Section 1002) and, unless otherwise specified as contemplated by Section 301, only upon presentation and surrender of those coupons.

#### SECTION 1503. *Exercise of Option.*

Debt Securities of any series subject to repayment at the option of the Holders thereof will contain an "Option to Elect Repayment" form on the reverse of such Debt Securities. To be repaid at the option of the Holder, any Debt Security so providing for such repayment, with the "Option of Elect Repayment" form on the reverse of such Debt Security duly completed by the Holder, must be received by the Company at the Place of Payment therefor specified in the terms of such

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Debt Security (or at such other place or places of which the Company shall from time to time notify the Holders of such Debt Securities) not earlier than 60 days nor later than 30 days prior to the Repayment Date; *provided, however*, that Bearer Securities shall be surrendered, and notice of the exercise of such option shall be delivered, only at an office or agency located outside the United States (except as otherwise provided in Section 1002). If less than the entire principal amount of such Debt Security is to be repaid in accordance with the terms of such Debt Security, the principal amount of such Debt Security to be repaid, in increments of \$1,000 unless otherwise specified in the terms of such Debt Security, and the denomination or denominations of the Debt Security or Debt Securities to be issued to the Holder for the portion of the principal amount of such Debt Security surrendered that is not to be repaid must be specified. The principal amount of any Debt Security providing for repayment at the option of the Holder thereof may not be repaid in part if, following such repayment, the unpaid principal amount of such Debt Security would be less than the minimum authorized denomination of Debt Securities of the series of which such Debt Security to be repaid is a part. Except as otherwise may be provided by the terms of any Debt Security providing for repayment at the option of the Holder thereof, exercise of the repayment option by the Holder shall be irrevocable unless waived by the Company.

SECTION 1504. *When Debt Securities Presented for Repayment Become Due and Payable.*

If Debt Securities of any series providing for repayment at the option of the Holders

thereof shall have been surrendered as provided in this Article and as provided by the terms of such Debt Securities, such Debt Securities or the portions thereof, as the case may be, to be repaid shall become due and payable and shall be paid by the Company on the Repayment Date therein specified, and on and after such Repayment Date (unless the Company shall default in the payment of such Debt Securities on such Repayment Date) interest on such Debt Securities or the portions thereof, as the case may be, shall cease to accrue.

SECTION 1505. *Debt Securities Repaid in Part.*

Upon surrender of any Debt Security which is to be repaid in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Debt Security, without service charge and at the expense of the Company, a new Debt Security or Debt Securities of the same series, of any authorized denomination specified by the Holder, in an aggregate principal amount equal to and in exchange for the portion of the principal of such Debt Security so surrendered which is not to be repaid.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the repayment of Debt Securities shall relate, in the case of any Debt Securities, repaid or to be repaid only in part, to the portion of the principal of such Debt Security which has been or is to be repaid.

\* \* \* \* \*

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

COMPANY  
SOUTHERN CALIFORNIA EDISON

[CORPORATE SEAL]

BY W. J. Scilacci  
W. J. Scilacci  
Assistant Treasurer

Attest:

Kenneth S. Stewart  
Kenneth S. Stewart  
Secretary

HARRIS TRUST AND SAVINGS BANK

BY R. G. Mason  
R. G. Mason  
Vice President

[CORPORATE SEAL]

Attest:

D. G. Donovan  
D. G. Donovan Assistant Secretary

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STATE OF CALIFORNIA }

} ss.

COUNTY OF LOS ANGELES }

On January 26, 1993, before me, Dorothy J. Fulco, a Notary Public, personally appeared W. J. Scilacci and Kenneth S. Stewart personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

Dorothy J. Fulco

Dorothy J. Fulco

Notary Public, State of California

(Seal)

My Commission expires on March 20, 1995

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STATE OF ILLINOIS }

} ss.

COUNTY OF COOK }

On this 27th day of January, 1993, before me personally appeared R. G. Mason and D. G. Donovan, Vice President and Assistant Secretary of Harris Trust and Savings Bank, respectively, known to me to be the persons who executed the within instrument on behalf of the corporation therein named and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

T. Muzquiz

T. Muzquiz

Notary Public, Cook County, State of Illinois

(Seal)

My Commission expires on July 12, 1993

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Exhibit A

[Form of Certificate to be Given by Person Entitled to Receive Bearer Security]

Certificate

[Insert title or sufficient description of Debt Securities to be delivered]

This is to certify that the above-captioned Debt Securities, held by you for our account (i) are owned by Person(s) that are not citizens or residents of the United States, domestic partnerships, domestic corporations or any estate or trust the income of which is subject to United States federal income taxation regardless of its source ("United States person(s)"), (ii) are owned by United States person(s) that are (a) foreign branches of United States financial institutions (as defined in United States Treasury Regulations Section 1.165-12(c)(1)(v)) ("financial institutions") purchasing for their own account or for resale, or (b) United States person(s) who acquired the Debt Securities through foreign branches of United States financial institutions and who hold the Debt Securities through such United States financial institutions on the date hereof (and in either case (a) or (b), each such United States financial institution hereby agrees on its own behalf or through its agent, that it will provide a proper certificate to the Company stating that it will comply with the requirements of Section 165(j)(3)(A),(B) or (C) of the United States Internal Revenue code of 1986, as amended, and the regulations thereunder), or (iii) are owned by United States or foreign financial institution(s) for purposes of resale during the restricted period (as defined in United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(7)), and, in addition, if we are a United States or foreign financial institution described in clause (iii) above (whether or not also described in clause (i) or (ii)), we certify that we have not acquired the Debt Securities for purposes of resale directly or indirectly to a United States person or to a person within the United States or its possessions.

As used herein, "United States" means the United States of America (including the States and the District of Columbia); and its "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands.

We undertake to advise you by telex if the above statement as to beneficial ownership is not correct on the date of delivery of above-captioned Debt Securities in bearer form as to all of such Securities.

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We understand that this certificate may be required in connection with certain tax legislation in the United States. If administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certificate or a copy thereof to any interested party in such proceedings.

Dated: \_\_, 19\_\_

(Name of Person Entitled to Receive Bearer Security)

(Authorized Signatory)

\_\_\_\_\_

Name:

Title:

---

Exhibit B

Form of Election to receive payments in [Dollars or other applicable currency]  
or to rescind such election

The undersigned, registered owner of certificate number R- , representing [name of series of Debt Securities] (the "Debt Securities") in an aggregate principal amount of , hereby

- | | elects to receive all payments in respect of the Debt Securities in [Dollars or other applicable currency], it being understood that such election shall take effect as provided in the Debt Securities and, subject to the terms and conditions set forth in the Indenture under which the Debt Securities were issued, shall remain in effect until it is rescinded by the undersigned or until such certificate is transferred.
- | | rescinds the election previously submitted by the undersigned to receive all payments in respect of the Debt Securities in [Dollars or other applicable currency], it being understood that such rescission shall take effect as provided in the Debt Securities.

(Name of Owner)

(Signature of Owner)



**EDISON INTERNATIONAL**  
**EXECUTIVE INCENTIVE COMPENSATION PLAN**

**As Amended and Restated Effective August 24, 2016**  
**(as amended)**

WHEREAS, it has been determined that it is in the best interest of Edison International ("EIX") and its affiliates to offer and maintain competitive executive compensation programs designed to attract and retain qualified executives;

WHEREAS, it has been determined that providing financial incentives to executives that reinforce and recognize corporate, organizational and individual performance and accomplishments will enhance the financial and operational performance of EIX and its affiliates; and

WHEREAS, it has been determined that an incentive compensation program would encourage the attainment of short-term corporate goals and objectives;

NOW, THEREFORE, the Edison International Executive Incentive Compensation Plan has been established by the Compensation and Executive Personnel Committee of the Board of Directors originally effective January 1, 1997, and made available to eligible executives of EIX and its participating affiliates subject to the following terms and conditions:

**1. Definitions.** When capitalized herein, the following terms are defined as indicated:

"Board" means the Board of Directors of a Company (or a committee thereof acting within its delegated authority).

"CEO" means the chief executive officer of a Company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" means EIX or a participating affiliate.

"Committee" means the Compensation and Executive Personnel Committee of the EIX Board of Directors. Where the context requires with respect to officers and other participating employees of SCE, "Committee" shall also mean the Compensation and Executive Personnel Committee of the SCE Board.

"EIX CEO" means the chief executive officer of EIX.

"Executive Officer" means an individual employed by a Company who is (or, as to a former employee, whose last employment with a Company was) in a position that the EIX Board or the SCE Board has determined to be an "officer" position of EIX or SCE for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

"Participant" means the CEO, president, executive vice presidents, senior vice presidents, elected vice presidents, and senior managers whose participation in this Plan has been approved by the Committee, the EIX CEO or the Board.

"Plan" means the Edison International Executive Incentive Compensation Plan.

"SCE" means Southern California Edison Company.

**2. Eligibility.** To be eligible for the full amount of any incentive award, an individual must have been employed by the Company as a Participant for the entire calendar year. Pro-rata awards may be distributed to Participants who during the calendar year retired, became disabled, or had their employment transferred between a Company and a non-participating affiliate of EIX. In the event of the death of a Participant during the calendar year, a pro-rata award may be made at the discretion of the Committee, the Board, or CEO having the authority to approve the Participant's award had the death not occurred. In the event an individual first becomes a Participant after the start of the calendar year, a pro-rata award may be made at the discretion of the Committee, the Board, or CEO having the authority to approve the Participant's award.

**3. Company Performance Goals.** The CEOs will develop recommended Company performance goals. In consultation with the EIX CEO, the Committee will select specific performance goals for the year. The performance goals should represent relatively optimistic, but reasonably attainable goals, the accomplishment of which is intended to contribute significantly to the attainment of Company strategic objectives. Notwithstanding the foregoing, to the extent a Company does not employ an Executive Officer participating in the Plan, the Committee may delegate the selection of specific performance goals for that Company to the EIX CEO.

**4. Individual Incentive Award Levels.** Company, organizational and individual performance relative to the pre-established goals will determine the award a Participant can receive. The Committee will establish target award levels for the year as a percentage of base salary at the time performance goals are set (and/or at such later time when the individual first becomes eligible to participate in the Plan or is eligible to receive a higher/lower target award level under the Plan because of a promotion/demotion or other approved reason). If a Participant is promoted after the Committee (or the EIX CEO, to the extent the selection of performance goals has been delegated to the EIX CEO) finalizes the performance goals for the year for purposes of Section 3 above (generally, the Committee meeting held in February each year) or otherwise becomes entitled to receive a higher/lower base salary and/or target award level under the Plan after such Committee action, that Participant's incentive award for that year may be calculated based on the Participant's weighted average

base salary and target award level, taking into account the base salary and target award level during the portion of the calendar year preceding the promotion and/or change in base salary and/or target award level, and the base salary and target award level(s) during the remainder of the calendar year. All awards are discretionary and will be based on the assessment of corporate and individual performance by the Committee or the CEO.

**5. Approval and Payment of Individual Awards.** During the first quarter of the year following the completion of the calendar year, the EIX CEO, in consultation with the other CEOs, will assess the degree to which individual and corporate goals and objectives have been achieved. Incentive award recommendations for eligible officers will be developed. The Committee will receive a report from the EIX CEO as to overall Company performance, will deliberate on management recommendations, and will approve, or recommend for approval by the applicable Board, the officer awards; provided, however, that if the selection of performance goals for a Company has been delegated to the EIX CEO, then the awards to officers of that Company who are not also officers of EIX or SCE will require the approval of the EIX CEO and the Board of the applicable Company. Awards to non-officers will be determined and approved by the CEO of each Company, or his/her designee. All decisions of the Committee, the EIX CEO, and the other CEOs regarding individual incentive awards will be final and conclusive.

Incentive award payments will be made as soon as practical following the appropriate approval (and in all events within two and one-half months after the end of the calendar year to which the award relates). Payment will be made in cash except to the extent an eligible Participant has previously elected to defer payment of some or all of the award pursuant to the terms of a deferred compensation plan of the Company. Awards made will be subject to any income or payroll tax withholding or other deductions as may be required by Federal, State or local law.

Awards under this Plan will not be considered to be salary or other compensation for the purpose of computing benefits to which the Participant may be entitled under any qualified Company retirement plan, including but not limited to the SCE Retirement Plan, the Edison 401(k) Savings Plan, or any other plan or arrangement of the Company for the benefit of its employees if such plan or arrangement is a plan qualified under Section 401(a) of the Code and is a trust exempt from Federal income tax under Section 501(a) of the Code. Awards may be considered compensation for nonqualified plan purposes depending on the terms and conditions of the particular nonqualified plan.

**6. No Right to Assets.** An award payable to a Participant under this Plan shall constitute an unsecured general obligation of the Participant's employer (EIX or its affiliate, as the case may be, or, in the case of a former employee, the affiliate that last employed the Participant) (the applicable entity, the "Employer"), and no special fund or trust will be created, nor will any notes or securities be issued with respect to any awards. Participants will be no more than unsecured general creditors of the Employer with no special or prior right to any assets of the Employer for payment of any obligations hereunder. No Participant (or beneficiary of a Participant) will have a claim to benefits from any other affiliate. EIX

is not a guarantor of the benefit obligations of other participating affiliates. By participating in, and by accepting any benefits under, this Plan, Participants consent to EIX sponsorship of this Plan, but acknowledge that EIX is not a guarantor of the benefit obligations of other participating affiliates. Each affiliate is responsible for payment of the accrued benefits under this Plan with respect to its own employees subject to the terms and conditions set forth herein. Notwithstanding the foregoing or anything in the definition of “Employer” to the contrary, and at the sole discretion of EIX, EIX may determine that for purposes of benefits payable under this Plan, EIX shall be deemed to be the Employer obligated to pay such benefits. Such an election by EIX may be made, in EIX’s sole discretion, as to all Plan benefits, as to only certain benefits, and/or as to only certain affiliates or Participants, and will be deemed an assumption of the specified benefit obligations of the applicable affiliates. Subject to the further provisions hereof, EIX will be solely obligated to pay any such benefits and no Participant (or beneficiary) will have a claim as to any other affiliate with respect to such benefits. Upon an election by EIX under this Section 6, benefits covered by the election will be paid from the general funds of EIX (and not the affiliate that would otherwise pay the benefits), provided that EIX may require that as between EIX and the affiliate that would otherwise pay such benefits, the affiliate will be responsible to pay EIX for the assumption of such obligations in accordance with funding arrangements determined by EIX at the time of election or any time thereafter. To the extent such affiliate fails to comply with such funding arrangements or obtains any refund or offset of payments made from the affiliate to EIX without the consent of EIX, the affiliate that would otherwise be responsible for payment of benefits to the applicable Participant will remain responsible for such benefits. EIX will effectuate any such election pursuant to this Section 6 by providing written notice to the Committee and the applicable affiliates regarding the effective date of such election, and the benefits, affiliates and Participants for which the election is applicable. The funding arrangements established by EIX at the time of its election, or from time to time thereafter, will set forth the method by which the affiliates will remit funds to EIX in consideration of benefit obligations that are assumed by EIX.

**7. Plan Modifications and Adjustments.** In order to ensure the incentive features of the Plan, avoid distortion in its operation and compensate for or reflect extraordinary changes which may have occurred during the calendar year, the Committee may make adjustments to the Company performance goals or other Plan terms and conditions before, during or after the end of the calendar year to the extent it determines appropriate in its sole discretion. If, pursuant to Section 3 above, the Committee has delegated the selection of performance goals for a Company to the EIX CEO, then this Section 7 authorizes the EIX CEO to make adjustments to that Company’s performance goals at any time in his or her sole discretion. Adjustments to performance goals and other Plan terms and conditions made pursuant to the preceding provisions of this Section 7 shall be conclusive and binding upon all parties concerned. The Plan may be modified or terminated by the Committee at any time.

**8. Plan Administration.** Except as otherwise provided in other Sections of this Plan, administration of the Plan is delegated to the senior officer of EIX responsible for Human Resources (and to the EIX director responsible for executive compensation (the “EIX EC Director”) if EIX does not have an officer responsible for Human Resources other than the

EIX CEO) and designees acting under his/her (or the EIX EC Director's) direction. Such officer is authorized (and the EIX EC Director is authorized) to approve ministerial amendments to the Plan, to interpret Plan provisions, and to approve changes as may be required by law or regulation. Any decision or determination under or with respect to the Plan, as well as any interpretation of the Plan, by any Board, Committee or CEO, or by the senior officer of EIX responsible for Human Resources (or the EIX EC Director), in each case within its, his or her authority under or with respect to the Plan, shall be conclusive and binding upon all parties concerned. No Company, Board, Committee or individual shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of the Plan.

**9. Successors and Assigns.** This Plan shall be binding upon and inure to the benefit of the heirs, legal representatives, successors and assigns of the Company and Participant.

Notwithstanding the foregoing, any right to receive payment hereunder is hereby expressly declared to be personal, nonassignable and nontransferable, except by will, intestacy, or as otherwise required by law, and in the event of any attempted assignment, alienation or transfer of such rights contrary to the provisions hereof, the Company shall have no further liability for payments hereunder.

**10. Beneficiaries.** Any award approved following the death of a Participant will be made to the Participant's most recently designated beneficiary or beneficiaries under the 2007 Performance Incentive Plan (or any successor equity incentive plan) of the Company. If no beneficiary has been designated by the Participant, or if no beneficiary survives the Participant, or if a designated beneficiary should die after surviving the Participant but before the award has been paid, any award approved will be paid in a lump-sum payment to the Participant's estate as soon as practicable.

**11. Capacity.** If any person entitled to payments under this Plan is incapacitated and unable to use such payments in his or her own best interest, the Company may direct that payments (or any portion) be made to that person's legal guardian or conservator, or that person's spouse, as an alternative to the payment to the person unable to use the payments. Court-appointed guardianship or conservatorship may be required by the Company before payment is made. The Company shall have no obligation to supervise the use of such payments.

**12. No Right of Employment.** Nothing contained herein shall be construed as conferring upon the Participant the right to continue in the employ of the Company as an officer or manager of the Company or in any other capacity.

**13. Severability and Controlling Law.** The various provisions of this Plan are severable in their entirety. Any determination of invalidity or unenforceability of any one provision will have no effect on the continuing force and effect of the remaining provisions. This Plan shall be governed by the laws of the State of California.

**14. Section 409A.** This Plan shall be construed and interpreted to comply with Section 409A of the Code.

**15. Claw-Back.** Notwithstanding any provision of this Plan to the contrary, this Plan, any award under this Plan, and any payment that may be made in respect of an award under this Plan, shall be subject to any recoupment, “clawback” or similar provisions of applicable law, as well as the Company’s Incentive Compensation Clawback Policy, as in effect from time to time, and any other recoupment or similar policies of the Company that may be in effect from time to time.

**IN WITNESS WHEREOF**, EIX has amended this Plan on the 6th day of December, 2017.

**EDISON INTERNATIONAL**

/s/ Jacqueline Trapp  
Jacqueline Trapp  
Vice President, Human Resources

EDISON INTERNATIONAL  
**2008 EXECUTIVE SEVERANCE PLAN**

Amended and Restated Effective  
December 31, 2017

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**EDISON INTERNATIONAL**  
**2008 EXECUTIVE SEVERANCE PLAN**

**PREAMBLE**

Edison International hereby amends and restates the Edison International Executive Severance Plan effective December 31, 2017. This Plan is intended to be an “employee benefit plan” within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended.

The purpose of this Plan is to provide for continuity in the management and operations of the Employers by offering Eligible Employees of the Affiliates employment protection and financial security.

**Article 1**  
**DEFINITIONS**

Capitalized terms in the text of the Plan are defined as follows:

**Administrator** means the Compensation and Executive Personnel Committee of the Board of Directors of EIX.

**Affiliate** means EIX or any corporation or entity which (i) along with EIX, is a component member of a “controlled group of corporations” within the meaning of Section 414(b) of the Code, and (ii) has approved the participation of its Executives in the Plan.

**Beneficiary** means the person or persons or entity designated as such in accordance with Article 5 of the Plan.

**Board** means the Board of Directors of EIX.

**Cause** means the occurrence of either or both of the following:

- (1) The Eligible Employee’s conviction for, or pleading guilty or nolo contendere to, committing an act of fraud, embezzlement, theft, or other act constituting a felony; or
  - (2) The willful engaging by the Eligible Employee in misconduct that:
    - i. if the event giving rise to the termination of the Eligible Employee’s employment does not occur during a Protected Period, is in violation of EIX’s and/or the Eligible Employee’s Employer’s policies and practices applicable to the Eligible Employee from time to time; or
    - ii. if the event giving rise to the termination of the Eligible Employee’s employment occurs during a Protected Period, would have resulted in the termination of the Eligible Employee’s employment by EIX or the Eligible Employee’s Employer under EIX’s and/
-

or the Eligible Employee's Employer's policies and practices applicable to the Eligible Employee in effect immediately prior to the start of the Protected Period.

However, no act or failure to act, on the Eligible Employee's part, shall be considered "willful" unless done, or omitted to be done, by the Eligible Employee not in good faith and without reasonable belief that his or her action or omission was in the best interest of EIX and his or her Employer.

**CEO** means the Chief Executive Officer of EIX.

**Change in Control** means a change in control shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

(1) Any Person (other than a trustee or other fiduciary holding securities under an employee benefit plan of EIX) becomes the Beneficial Owner, directly or indirectly, of securities of EIX representing thirty percent (30%) or more of the combined voting power of EIX's then outstanding securities. For purposes of this clause, "Person" shall mean any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), except that such term shall not include one or more underwriters acquiring newly-issued voting securities (or securities convertible into voting securities) directly from EIX with a view towards distribution; and the term "Beneficial Owner" shall mean as defined under Rule 13d-3 promulgated under the Exchange Act.

(2) On any day after the Effective Date (the "Reference Date") Continuing Directors cease for any reason to constitute a majority of the Board. A director is a "Continuing Director" if he or she either:

- i. was a member of the Board on the applicable Initial Date (an "Initial Director"); or
- ii. was elected to the Board, or was nominated for election by EIX's shareholders, by a vote of at least two-thirds (2/3) of the Initial Directors then in office.

A member of the Board who was not a director on the applicable Initial Date shall be deemed to be an Initial Director for purposes of clause (ii) above if his or her election, or nomination for election by EIX's shareholders, was approved by a vote of at least two-thirds (2/3) of the Initial Directors (including directors elected after the applicable Initial Date who are deemed to be Initial Directors by application of this provision) then in office. For these purposes, "Initial Date" means the later of (i) the Effective Date or (ii) the date that is two years before the Reference Date.

(3) EIX is liquidated; all or substantially all of EIX's assets are sold in one or a series of related transactions; or EIX is merged, consolidated, or reorganized with or involving any other corporation, other than a merger, consolidation, or reorganization that results in the voting securities of EIX outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of EIX (or such

surviving entity) outstanding immediately after such merger, consolidation, or reorganization. Notwithstanding the foregoing, a bankruptcy of EIX or a sale or spin-off of an affiliate of EIX (short of a dissolution of EIX or a liquidation of substantially all of EIX's assets, determined on an aggregate basis) will not constitute a Change in Control of EIX.

(4) The consummation of such other transaction that the Board may, in its discretion in the circumstances, declare to be a Change in Control of EIX for purposes of this Plan.

**COBRA** means the health care continuation coverage requirements set forth in Section 4980B of the Code.

**Code** means the Internal Revenue Code of 1986, as amended.

**Disability** means the Eligible Employee (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving income replacement benefits for a period of not less than three months under a plan covering employees of the Employer.

**Effective Date** means December 31, 2008.

**EIX** means Edison International, or any successor thereto as provided in Section 8.1.

**Eligible Employee** means an Executive of an Affiliate or an employee of an Affiliate who was an Executive of an Affiliate after a Potential Change in Control (unless and until the Board declares in good faith that the circumstances giving rise to the Potential Change in Control will not result in an actual Change in Control or an actual Change in Control occurs) or during a Protected Period.

**Employer** means the Affiliate employing the Eligible Employee. As the context may require, an Eligible Employee's Employer means the Employer that employs or last employed the Eligible Employee.

**Exchange Act** means the United States Securities Exchange Act of 1934, as amended.

**Executive** means an Employee of an Affiliate who is designated an Executive by the chief executive officer of that Affiliate or who is elected as a Vice President or officer of higher rank by the board of that Affiliate or the Board of EIX.

**Executive Retirement Plan** means the EIX 2008 Executive Retirement Plan, as amended from time to time, or any similar or successor plan sponsored by an Employer.

**Good Reason** means, without the Eligible Employee's express written consent, the occurrence of any one or more of the following during the Protected Period:

- (1) A material diminution in the Eligible Employee's authorities, duties, and/or responsibilities.
- (2) A material diminution by the Eligible Employee's Employer of the Eligible Employee's Salary as in effect on the Effective Date, or as the same shall be increased from time to time.
- (3) The relocation of the Eligible Employee's principal office more than 50 miles from the Eligible Employee's principal office.
- (4) Any other action or inaction that constitutes a material breach by the Employer of the agreement under which the Eligible Employee provides services.

The foregoing events shall only constitute "Good Reason" if the Eligible Employee provides notice to the Employer of the existence of the condition within 90 days of its initial existence and the Employer does not remedy the condition within 30 days.

**Person** shall have the meaning ascribed to such term in Section 3(a)(9) of the Exchange Act and used in Sections 13(d) and 14(d) thereof, including a group as contemplated by Sections 13(d)(3) and 14(d)(2) thereof.

**Plan** means the EIX 2008 Executive Severance Plan.

**Potential Change in Control** shall be deemed to have occurred as of the first day that any one or more of the following conditions shall have been satisfied:

- (1) Any Person (other than a trustee or other fiduciary holding securities under an employee benefit plan of EIX or of an EIX affiliate):
  - i. announces an intention to take action which, if consummated, would result in a Change in Control; or
  - ii. becomes the Beneficial Owner, directly or indirectly, of securities of EIX representing fifteen percent (15%) or more of the combined voting power of EIX's then outstanding securities. For purposes of this clause, "Person" (and "group" as used in the definition of Person) shall not include one or more underwriters acquiring newly-issued voting securities (or securities convertible into voting securities) directly from EIX with a view towards distribution.
- (2) EIX enters into an agreement that, if consummated, would result in a Change in Control.
- (3) The Board declares that a Potential Change in Control has occurred for purposes of this Plan.

**Protected Period** means the period related to a Change in Control that is deemed to commence on the date that is six months before the date of the actual Change in Control and end on the date that is two years after the Change in Control.

**Qualifying Termination Event** means, as to an Eligible Employee, the occurrence of one or both of the following events within the Protected Period corresponding to a Change in Control:

- (1) A termination of the Eligible Employee's employment by his or her Employer, without the Eligible Employee's consent, for reasons other than Cause or Disability; or
- (2) A termination of employment by the Eligible Employee for Good Reason; provided that the termination of employment is in no event later than two years following the initial existence of the Good Reason condition.

**Retiree Health Care Program** means, as to an Eligible Employee, the Eligible Employee's Employer's retiree health care program (if any).

**Salary** means the Eligible Employee's basic pay from the Employer (excluding bonuses, special awards, commissions, severance pay, and other non-regular forms of compensation).

**Separation from Service** occurs when an Eligible Employee dies, retires, or otherwise has a termination of employment from the Employer that constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

**Target Bonus Percentage** means the target, stated as a percentage of salary, fixed by the CEO of the Employer or by the Administrator for the bonus to be awarded to the Eligible Employee pursuant to the terms of the Executive Incentive Compensation Plan, the 2007 Performance Incentive Plan or a successor plan governing annual executive bonuses.

**Termination Date** means, in the case of an Eligible Employee who becomes entitled to benefits under this Plan, the day on which the Eligible Employee incurs a Separation from Service in connection with the event that entitles the Eligible Employee to such benefits.

## **Article 2 SEVERANCE BENEFITS**

### **2.1 Right to Severance Benefits**

Subject to Sections 2.6, 8.2, 10.1, and 10.9, an Eligible Employee shall be entitled to receive from his or her Employer the benefits described in Section 2.3 if the Eligible Employee's employment by his or her Employer is terminated by the Employer without Cause (and other than due to the Eligible Employee's Disability). Notwithstanding anything else contained herein to the contrary, an Eligible Employee shall not be entitled to receive the benefits described in Section 2.3 if the Eligible Employee is entitled to benefits under or as described in Section 2.2.

### **2.2 Right to Change in Control Severance Benefits**

Subject to Sections 2.6, 8.2, 10.1, and 10.9, an Eligible Employee shall be entitled to receive the benefits described in Section 2.4 if the Eligible Employee incurs a Qualifying Termination Event. If more than one Qualifying Termination Event occurs with respect to an Eligible Employee,

such events shall constitute a single Qualifying Termination Event and the provisions of Section 2.4 shall apply with respect to the Eligible Employee only once. An Eligible Employee's continued employment shall not constitute a consent to, or a waiver of rights with respect to, any circumstances constituting Good Reason for purposes of determining if a Qualifying Termination Event has occurred with respect to the Eligible Employee.

### **2.3 Severance Benefit - Termination by Employer Without Cause (Other than a Qualifying Termination Event or Termination due to the Eligible Employee's Disability)**

In the event that an Eligible Employee becomes entitled to receive benefits in accordance with Section 2.1, then the Eligible Employee shall be entitled to the benefits described in Sections 2.3.1 through 2.3.6 below.

#### **2.3.1 Cash Benefit**

The Eligible Employee's Employer shall pay to the Eligible Employee a non-discounted cash amount equal to the sum of the following:

- (a) an amount equal to the greater of:
  - (1) one times the highest annualized rate of the Eligible Employee's Salary in effect at any time during the 24-month period ending on the Eligible Employee's Termination Date, or
  - (2) one times the highest weekly rate of the Eligible Employee's Salary in effect at any time during the 24-month period ending on the Eligible Employee's Termination Date multiplied by the number of weeks that would have been used (if the Eligible Employee had not been an Executive) to determine the Eligible Employee's cash severance benefit under the non-executive severance plan (if any) maintained by the Eligible Employee's Employer and as in effect on the Eligible Employee's Termination Date;
- (b) except as provided in EIX's 2008 Executive Bonus Program (or successor annual bonus program for the relevant year) as to an Eligible Employee who is covered by such program, in the calendar year in which the Eligible Employee's Termination Date occurs, a pro rata portion (based on the number of weekdays that elapsed in the calendar year in which the Eligible Employee's Termination Date occurs between the start of that calendar year and the Eligible Employee's Termination Date) of the Eligible Employee's highest Target Bonus Percentage in effect at any time during the 24-month period ending on the Eligible Employee's Termination Date multiplied by the Eligible Employee's highest annualized Salary in effect at any time during such 24-month period; and
- (c) an amount equal to one times the highest annualized rate of the Eligible Employee's Salary in effect at any time during the 24-month period ending on the Eligible Employee's Termination Date times the Eligible Employee's highest Target Bonus Percentage in effect at any time during the 24-month period ending on the Eligible Employee's Termination Date.

The amount determined under this Section 2.3.1 shall be paid as a lump sum without notice or demand within 65 days following the date of the Eligible Employee's Separation from Service, but only if EIX has timely received from the Eligible Employee the agreement referenced in Section 10.1.

### **2.3.2 Health Care Coverage Benefit**

(a) The Eligible Employee will be eligible to participate in the Retiree Health Care Program if, under the terms of the non-executive severance plan (if any) maintained by the Eligible Employee's Employer and as in effect on the Eligible Employee's Termination Date, the Eligible Employee would otherwise have been eligible (if he or she had not been an Executive) for participation in the Retiree Health Care Program by virtue of his or her age and service. For purposes of clarity, any healthcare benefits and subsidy (as opposed to eligibility) will be determined under the Retiree Health Care Program and not the non-executive severance plan.

(b) If the Eligible Employee is not eligible for the Retiree Health Care Program in accordance with Section 2.3.2(a), is not otherwise eligible for the Retiree Health Care Program, or his or her Employer does not maintain a retiree health care program, the Eligible Employee will receive an extension of health care coverage for a period following the Eligible Employee's Termination Date that is the greater of 12 months or the extension period for which the Eligible Employee would have been eligible (if he or she had not been an Executive) under the non-executive severance program (if any) maintained by the Eligible Employee's Employer and as in effect on the Eligible Employee's Termination Date but in no event longer than the maximum period the Eligible Employee would be entitled to continuation coverage under COBRA. Any continued coverage in accordance with the preceding sentence shall be on terms similar to those as in effect under the Eligible Employee's Employer's health care program in effect with respect to the Eligible Employee immediately before the termination of his or her employment and based on the Eligible Employee's coverage elections in effect at such time, provided that the actual healthcare benefits and subsidy will be determined under the Eligible Employee's Employer's healthcare program as it may be amended from time to time. Notwithstanding Section 6.3 to the contrary, EIX and/or the Eligible Employee's Employer, as applicable, shall not be obligated to continue such coverage if the Eligible Employee obtains similar coverage from any successor employer or from a health insurance exchange. EIX and/or the Eligible Employee's Employer, as applicable, shall give the Eligible Employee the required COBRA benefit continuation notice prior to (and the Eligible Employee's eligibility for continuation benefits under COBRA shall commence as of) the end of the applicable period determined as set forth above.

(c) An Eligible Employee's coverage under the Retiree Health Care Program pursuant to Section 2.3.2(a) is subject to the Eligible Employee's Employer's ability to amend and/or terminate coverage under its Retiree Health Care Program from time to time. In the event that an Eligible Employee is covered under a Retiree Health Care Program pursuant to Section 2.3.2(a) and, in the period of time contemplated by Section 2.3.2(b) for the extension of health care coverage pursuant to such section, the Eligible Employee's Employer terminates its Retiree Health Care Program, the Eligible Employee shall be entitled to an extension of coverage under and pursuant to Section 2.3.2(b) for the balance of the extension period contemplated by Section



2.3.2(b) and following the cessation of the Eligible Employee's coverage under the Retiree Health Care Program.

### **2.3.3 [Reserved]**

### **2.3.4 [Reserved]**

### **2.3.5 Outplacement Benefit**

The Eligible Employee shall be entitled to reimbursement of up to \$20,000 for reasonable outplacement costs incurred in the two-year period commencing on his or her Termination Date. Any such reimbursements shall be paid to the Eligible Employee by the end of the third taxable year of the Eligible Employee following the taxable year in which the Eligible Employee's Separation from Service occurred.

### **2.3.6 Educational Assistance Benefit**

The Eligible Employee shall be entitled to the educational assistance benefit to which he or she would have been entitled (if he or she had not been an executive) under the non-executive severance plan, if any, maintained by his or her Employer and as in effect on the Eligible Employee's Termination Date. To the extent any educational assistance benefits or reimbursements are taxable to the Eligible Employee and provide for a deferral of compensation within the meaning of Section 409A of the Code, any such reimbursements or benefits shall be paid to the Eligible Employee on or before the last day of the Eligible Employee's taxable year following the taxable year in which the expense was incurred, shall not be subject to liquidation or exchange for other benefits and the reimbursements or benefits that the Eligible Employee receives in one taxable year shall not affect the amount of reimbursements or benefits that the Eligible Employee receives in any other taxable year.

### **2.3.7 [Reserved]**

## **2.4 Change in Control Severance Benefits**

If an Eligible Employee incurs a Qualifying Termination Event, the Eligible Employee shall be entitled to the benefits described in Sections 2.3.1 through 2.3.6 above, subject to the following subsections of this Section 2.4.

### **2.4.1 Senior Officer Enhanced Benefit**

If the Eligible Employee was a Senior Vice President or an officer of higher rank of EIX or Southern California Edison Company within the 12 month period preceding his or her Termination Date but is not covered by Section 2.4.2, then the Eligible Employee will be entitled to the benefit modifications described in this Section 2.4.1. "Two times" will be substituted for "one times" in Section 2.3.1, including for purposes of determining the Eligible Employee's benefit under Section 2.3.1(c). "\$30,000" will be substituted for "\$20,000" in Section 2.3.5. Benefits under Section 2.3.2 will be extended to the maximum period permitted under COBRA.

## **2.4.2 Certain Additional Enhanced Benefits**

If the Eligible Employee was the most senior officer of EIX, the most senior officer of Southern California Edison Company, the General Counsel of EIX, or the Chief Financial Officer of EIX within the 12 month period preceding his or her Termination Date, then the Eligible Employee will be entitled to the benefit modifications described in this Section 2.4.2. "Three times" will be substituted for "one times" in Section 2.3.1, including for purposes of determining the Eligible Employee's benefit under Section 2.3.1(c). "\$50,000" will be substituted for "\$20,000" in Section 2.3.5. Benefits under Section 2.3.2 will be extended to the maximum period permitted under COBRA.

## **2.5 Termination for Other Reasons**

Except as expressly provided below, EIX and an Eligible Employee's Employer shall have no obligations (or no further obligations, as the case may be) to the Eligible Employee under this Plan if:

- (a) the Eligible Employee's employment is terminated by his or her Employer for Cause;
- (b) the Eligible Employee terminates his or her employment with his or her Employer during a Protected Period other than for Good Reason;
- (c) the Eligible Employee's employment by his or her Employer terminates due to the Eligible Employee's Disability or death;
- (d) the Eligible Employee terminates his or her employment with his or her Employer for any reason if the termination occurs outside of a Protected Period; or
- (e) the Eligible Employee is employed by an Employer that is sold, spun off, or liquidated and the Eligible Employee is no longer covered by this Plan as provided in Section 8.2 or the Eligible Employee does not timely comply with Section 10.1.

Notwithstanding anything else contained herein to the contrary, a termination of an Eligible Employee's employment on account of the Eligible Employee reaching mandatory retirement age, as such age may be defined from time to time in policies adopted by EIX or his or her Employer prior to the commencement of the Protected Period, to the extent such policies are applicable to the Eligible Employee immediately prior to the commencement of the Protected Period and to the extent such policies are consistent with applicable law, shall not entitle the Eligible Employee to the benefits described in Section 2.3 and shall not be a Qualifying Termination Event unless the Eligible Employee was otherwise able to terminate employment for Good Reason immediately prior to his or her retirement and his or her retirement occurred during a Protected Period.

## **2.6 Termination and Repayment of Benefits**

EIX or the Eligible Employee's Employer may terminate (or cause there to be terminated, as the case may be) any benefits otherwise payable or to be paid (or to be provided, as the case may be)

to the Eligible Employee under this Plan, and/or may require the Eligible Employee to repay any benefits previously paid or provided to the Eligible Employee under this Plan, and EIX and the Eligible Employee's Employer shall have no obligations (or no further obligations, as the case may be) to the Eligible Employee with respect thereto, if:

- (a) at the time of the termination of the Eligible Employee's employment, there existed Cause for the Eligible Employee's Employer to terminate the Eligible Employee's employment (regardless of whether such Employer knew of the circumstances that constituted Cause at the time of such termination or first became aware of such circumstances after such termination, and regardless of whether the termination of employment was characterized as being for Cause at the time of such termination); or
- (b) during the period of the Eligible Employee's employment by his or her Employer or at any time thereafter, the Eligible Employee committed or engaged in a breach of confidentiality, or an unauthorized disclosure or use of inside information, trade secrets or other confidential information of EIX or any of its affiliates; or
- (c) during the period of the Eligible Employee's employment by his or her Employer or at any time thereafter, the Eligible Employee breached any no-solicitation obligation owed to EIX or any of its affiliates. (For purposes of clarity, the no-solicitation obligations covered by this Section 2.6(c) include, without limitation, those obligations set forth in Section 7 of the form of Severance Agreement attached hereto as Exhibit A, as those obligations are set forth in the Eligible Employee's Severance Agreement.)

Any determination by EIX or the Eligible Employee's Employer that the Eligible Employee's benefits are to be terminated and/or repaid pursuant to this Section 2.6 shall be communicated to the Eligible Employee in writing. Such writing shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for such determination.

However, as to an Eligible Employee who is otherwise eligible for benefits pursuant to Section 2.3 or 2.4, and who satisfies the requirements of Section 10.1, the Eligible Employee's minimum aggregate benefit pursuant to Section 2.3.1 ("Minimum Benefit") shall be the lesser of (i) Ten Thousand Dollars (\$10,000), or (ii) the amount of the Eligible Employee's benefit otherwise determined pursuant to Section 2.3.1 (giving effect to any adjustment thereto pursuant to Section 2.4, if applicable in the circumstances). A termination of benefits pursuant to this Section 2.6 shall not cause the Eligible Employee's aggregate benefit pursuant to Section 2.3.1 to be less than the applicable Minimum Benefit, nor shall a repayment of benefits required under this Section 2.6 require the Eligible Employee to repay the amount of his or her Minimum Benefit.

The provisions of this Section 2.6 are not in any way in limitation of any other right or remedy, (at law or otherwise, to obtain specific performance, injunctive relief, other appropriate relief and/or damages) otherwise available to EIX or any of its affiliates in the circumstances. Furthermore, the provisions of this Section 2.6 do not in any way limit any obligation (confidentiality, no-solicitation or otherwise) owed by any Eligible Employee to EIX or any of its affiliates.

## **2.7 Notice of Termination**

Any termination of an Eligible Employee's employment by his or her Employer for Cause or by an Eligible Employee for Good Reason shall be communicated by Notice of Termination. For purposes of this Plan, a "Notice of Termination" shall mean a written notice which shall indicate the specific termination provision in this Plan relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Eligible Employee's employment under the provision so indicated. The Notice of Termination shall be effective on the date specified in Section 10.7 of this Plan. Any Notice of Termination remains subject to the provisions of Section 2.6.

## **ARTICLE 3 TAXES**

EIX and/or the Eligible Employee's Employer, as applicable, has the right to withhold from any amount otherwise payable to an Eligible Employee under or pursuant to this Plan the amount of any taxes that EIX or such Employer may legally be required to withhold with respect to such payment (including, without limitation, any United States Federal taxes, and any other state, city, or local taxes). In the event that tax withholding is required with respect to amounts or benefits payable or deliverable by EIX or the Eligible Employee's Employer to an Eligible Employee and EIX or the Employer cannot satisfy its tax withholding obligations in the manner described in the preceding sentence, EIX or the Employer may require the Eligible Employee to pay or provide for the payment of such required tax withholding as a condition to the payment or delivery of such amounts or benefits. Each Eligible Employee, former Eligible Employee and Beneficiary shall be solely responsible for all income and employment taxes arising in connection with participation in this Plan or benefits hereunder.

## **ARTICLE 4 [RESERVED]**

## **ARTICLE 5 BENEFICIARY DESIGNATION**

The Eligible Employee will have the right, at any time, to designate any person or persons as Beneficiary (both primary and contingent) to whom payment under the Plan will be made in the event of the Eligible Employee's death. The Beneficiary designation will be effective when it is submitted to the Administrator during the Eligible Employee's lifetime in accordance with procedures established by the Administrator.

The submission of a new Beneficiary designation will cancel all prior Beneficiary designations. Any finalized divorce or marriage of an Eligible Employee subsequent to the date of a Beneficiary designation will revoke such designation, unless in the case of divorce the previous spouse was not designated as a Beneficiary, and unless in the case of marriage the Eligible Employee's new spouse has previously been designated as Beneficiary. The spouse of a married Eligible Employee must consent in writing to any designation of a Beneficiary other than the spouse.

If an Eligible Employee fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as Beneficiary predeceases the Eligible Employee, then the Administrator will direct the distribution of the benefits to the Eligible Employee's estate. If a primary Beneficiary dies after commencement of payments to the Beneficiary but prior to completion of benefits under this Plan, and no contingent Beneficiary has been designated by the Eligible Employee, any remaining payments will be paid to the primary Beneficiary's Beneficiary, if one has been designated, or to the Beneficiary's estate.

## **ARTICLE 6 CONDITIONS RELATED TO BENEFITS**

### **6.1 Nonassignability**

The benefits provided under the Plan may not be alienated, assigned, transferred, pledged or hypothecated by or to any person or entity, at any time or any manner whatsoever. These benefits will be exempt from the claims of creditors of any Eligible Employee or other claimants and from all orders, decrees, levies, garnishment or executions against any Eligible Employee to the fullest extent allowed by law.

### **6.2 No Right to Assets**

The benefits paid under the Plan will be paid from the general funds of the Employer who last employs the Eligible Employee immediately prior to the time that the Eligible Employee becomes entitled to benefits hereunder, and the Eligible Employee and any Beneficiary will be no more than unsecured general creditors of the Employer with no special or prior right to any assets of the Employer for payment of any obligations hereunder. Neither the Eligible Employee nor the Beneficiary will have a claim to benefits from any other Affiliate. EIX is not a guarantor of the benefit obligations of other participating Affiliates. By participating in, and by accepting any benefits under, this Plan, Eligible Employees consent to EIX sponsorship of this Plan, but acknowledge that EIX is not a guarantor of the benefit obligations of other participating Affiliates. Each Affiliate is responsible for payment of the accrued benefits under this Plan with respect to its own Eligible Employees subject to the terms and conditions set forth herein. Notwithstanding the foregoing or anything in the definition of "Employer" to the contrary, and at the sole discretion of EIX, EIX may determine that for purposes of benefits payable under this Plan, EIX shall be deemed to be the Employer obligated to pay such benefits. Such an election by EIX may be made, in EIX's sole discretion, as to all Plan benefits, as to only certain benefits, and/or as to only certain Affiliates or Eligible Employees, and will be deemed an assumption of the specified benefit obligations of the applicable Affiliates. Subject to the further provisions hereof, EIX will be solely obligated to pay any such benefits and no Eligible Employee (or Beneficiary) will have a claim as to any other Affiliate with respect to such benefits. Upon an election by EIX under this Section 6.2, benefits covered by the election will be paid from the general funds of EIX (and not the Affiliate that would otherwise pay the benefits), provided that EIX may require that as between EIX and the Affiliate that would otherwise pay such benefits, the Affiliate will be responsible to pay EIX for the assumption of such obligations in accordance with funding arrangements determined by EIX at the time of election or any time thereafter. To

the extent such Affiliate fails to comply with such funding arrangements or obtains any refund or offset of payments made from the Affiliate to EIX without the consent of EIX, the Affiliate that would otherwise be responsible for payment of benefits to the applicable Eligible Employee will remain responsible for such benefits. EIX will effectuate any such election pursuant to this Section 6.2 by providing written notice to the Administrator and the applicable Affiliates regarding the effective date of such election, and the benefits, Affiliates and Eligible Employees for which the election is applicable. The funding arrangements established by EIX at the time of its election, or from time to time thereafter, will set forth the method by which the Affiliates will remit funds to EIX in consideration of benefit obligations that are assumed by EIX.

### **6.3 Payment of Obligations Absolute**

Subject to the Eligible Employee's timely compliance with Section 10.1 and the agreement contemplated thereby, each Employer's obligation to make the payments and the arrangements provided for herein shall be absolute and unconditional, and shall not be affected by any circumstances, including, without limitation, any offset, counterclaim, recoupment, defense, or other right which the Employer may have against the Eligible Employee or anyone else. Each and every payment made hereunder by an Employer shall be final, and the Employer shall not seek to recover all or any part of such payment from the Eligible Employee or from whomsoever may be entitled thereto, for any reasons whatsoever, except as otherwise provided in Article 7 and subject to the Eligible Employee's timely compliance with Section 10.1 and the agreement contemplated thereby. Eligible Employees shall not be obligated to seek other employment in mitigation of the amounts payable or arrangements made under any provision of this Plan, and the obtaining of any such other employment shall in no event effect any reduction of an Employer's obligations to make the payments and arrangements required to be made under this Plan except as provided in Section 2.3.2(b). The foregoing provisions of this Section 6.3 are subject to the provisions of Section 2.6 and Section 10.9.

### **6.4 Other Benefit Plans**

All payments, benefits and amounts provided under this Plan shall be in addition to and not in substitution for any pension rights under EIX's or other Employer's tax-qualified pension plans in which the Eligible Employee participates, and any disability, workers' compensation or EIX or other Employer benefit plan distribution that an Eligible Employee is entitled to, under the terms of any such plan, at the time his or her employment by his or her Employer terminates. Notwithstanding the foregoing, this Plan shall not create an inference that any duplicate payments shall be required, and notwithstanding anything else contained herein to the contrary, any severance benefits otherwise payable or deliverable under this Plan to a Participant shall be offset or reduced by the amount of severance benefits payable or deliverable to the Participant under any other plan, program, or agreement of or with EIX, the Participant's Employer, or their respective Affiliates. Payments received by a person under this Plan shall not be deemed a part of the person's compensation for purposes of determining the person's benefits under any employee welfare, pension or other benefit plan or arrangement, if any, provided by an Employer, except where explicitly provided under the terms of such plan or arrangement.

## **6.5 Incapacity**

If any person entitled to payments under this Plan is incapacitated and unable to use such payments in his or her own best interest, EIX may direct that payments (or any portion) be made to that person's legal guardian or conservator, or that person's spouse, as an alternative to payment to the person unable to use the payments. EIX will have no obligation to supervise the use of such payments, and court-appointed guardianship or conservatorship may be required.

## **6.6 Six Month Delay**

Notwithstanding any other provisions of the plan, any payment or benefit otherwise required to be made after an Eligible Employee's Separation from Service that the Employer reasonably determines is subject to Section 409A(a)(2)(B)(i) of the Code shall not be paid until the earlier of (1) six months after the date of the Eligible Employee's Separation from Service or (2) the Eligible Employee's death.

## **6.7 Termination of Employment**

Notwithstanding anything else contained herein to the contrary, a Participant shall not be deemed to have terminated employment or had a Separation from Service if his or her employment by an Employer terminates but he or she continues as an employee of another Affiliate.

## **6.8 Re-Employment**

Notwithstanding anything else contained herein to the contrary, a Participant shall have no right to severance benefits hereunder (pursuant to Sections 2.3 or 2.4 or otherwise) with respect to a termination of his or her employment if, in connection with such termination, he or she is otherwise entitled to severance benefits under this Plan but, prior to the payment or delivery (or commencement of payment or delivery, as the case may be) of such benefits, the Participant becomes re-employed by his or her Employer or by another Affiliate. Notwithstanding anything else contained herein to the contrary, a Participant's right to continuing or additional benefits under this Plan (including any right to continue participating in or receive benefits under a plan as provided for in Section 2.3) shall automatically terminate (but the Participant shall have no obligation to re-pay benefits previously paid) if the Participant becomes re-employed by his or her Employer or by another Affiliate. If a Participant is re-employed and his or her employment is subsequently terminated and the Participant again becomes entitled to severance benefits under the terms of this Plan in connection with such later termination of employment, the amount of cash severance payments otherwise payable to the Participant pursuant to Section 2.3.1 in connection with such later termination of employment shall be reduced by the amount of any severance payments paid under this Plan to the Participant within the 24 months prior to such later termination of employment in connection with any prior termination of his or her employment.

**ARTICLE 7**  
**CLAIMS AND REVIEW PROCEDURES**

**7.1 Claims Procedures**

(a) The Administrator will notify an Eligible Employee or his or her Beneficiary (or person submitting a claim on behalf of an Eligible Employee or Beneficiary) (a “claimant”) in writing, within 90 days after his or her written application for benefits, of his or her eligibility or noneligibility for benefits under the Plan. If the Administrator determines that a claimant is not eligible for benefits or full benefits, the notice will set forth (1) the specific reasons for the denial, (2) a specific reference to the provisions of the Plan on which the denial is based, (3) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed, and (4) an explanation of the Plan’s claims review procedure and other appropriate information as to the steps to be taken if the claimant wishes to have the claim reviewed. If the Administrator determines that there are special circumstances requiring additional time to make a decision, the Administrator will notify the claimant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional 90-day period.

(b) If a claimant is determined by the Administrator not to be eligible for benefits, or if the claimant believes that he or she is entitled to greater or different benefits, the claimant will have the opportunity to have the claim reviewed by the Administrator by filing a petition for review with the Administrator within 60 days after receipt of the notice issued by the Administrator. Said petition will state the specific reasons which the claimant believes entitle him or her to benefits or to greater or different benefits. Within 60 days after receipt by the Administrator of the petition, the Administrator will afford the claimant (and counsel, if any) an opportunity to present his or her position to the Administrator in writing, and the claimant (or counsel) will have the right to review the pertinent documents. The Administrator will notify the claimant of its decision in writing within the 60-day period, stating specifically the basis of its decision, written in a manner calculated to be understood by the claimant and the specific provisions of the Plan on which the decision is based. If, due to special circumstances (for example, because of the need for a hearing), the 60-day period is not sufficient, the decision may be deferred for up to another 60-day period at the election of the Administrator, but notice of this deferral will be given to the claimant. In the event of the death of the Eligible Employee, the same procedures will apply to the Eligible Employee’s Beneficiaries.

**7.2 Dispute Arbitration**

(a) Effective as to any claims filed on or after June 19, 2014, final and binding arbitration under this Section 7.2 shall be the sole remedy available to a claimant after he or she has exhausted the claim and review procedures set forth in Section 7.1. Furthermore, exhaustion by the claimant of the claim and review procedures set forth in Section 7.1 is a mandatory prerequisite for binding arbitration under this Section 7.2. Any arbitration or civil action brought prior to the exhaustion of the claim and review procedures set forth in Section 7.1 shall be remanded to the Administrator to permit the claim and review procedures to be exhausted.



(b) After a claimant has exhausted the claim and review procedures set forth in Section 7.1, if the claimant is determined by the Administrator not to be eligible for benefits, or if the claimant believes that he or she is entitled to greater or different benefits, the claimant may submit his or her claim to final and binding arbitration under this Section 7.2.

Any arbitration under this Section 7.2 will be held in Los Angeles County, California, in accordance with the then-current JAMS Arbitration Rules and Procedures for Employment Disputes (“JAMS Rules”) and under the Federal Arbitration Act. The arbitration shall be before a sole arbitrator, selected by mutual agreement of the parties. If the parties are unable to agree upon an arbitrator, the arbitrator shall be selected by striking in accordance with the then-current JAMS Rules from a list of arbitrators supplied by JAMS. Any and all claims and/or defenses that would otherwise be available in a court of law will be fully available to the parties. The arbitrator selected pursuant to this paragraph (the “Arbitrator”) may order such discovery as is necessary for a full and fair exploration of the issues and dispute, consistent with the expedited nature of arbitration. The Arbitrator shall apply applicable substantive law to resolve the dispute. To the fullest extent provided by federal law, the decision rendered by the Administrator pursuant to the claim and review procedures set forth in Section 7.1 shall be upheld by the Arbitrator unless the Arbitrator determines that the Administrator abused its discretion. Notwithstanding the preceding sentence, if (1) a Change in Control occurs, then a claim review decision rendered by the Administrator within the three years following the Change in Control shall, if it is challenged by the claimant in accordance with this Section 7.2, be subject to *de novo* review by the Arbitrator, or (2) if the claimant is determined by the Administrator not to be eligible for benefits on account of the Administrator’s determination as to whether Cause, Disability or Good Reason exists, then such decision rendered by the Administrator as to whether Cause, Disability or Good Reason exists shall, if it is challenged by the claimant in accordance with this Section 7.2, be subject to *de novo* review by the Arbitrator. Subject to the applicable standard of review in the preceding two sentences, the Arbitrator may grant any award or relief available under applicable law that the Arbitrator deems just and equitable.

At the conclusion of the arbitration, the Arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the Arbitrator’s award or decision is based. Any award or relief granted by the Arbitrator hereunder shall be final and binding on the parties hereto, and may be enforced by any court of competent jurisdiction. All costs unique to arbitration (e.g., the Arbitrator’s fees and room fees) shall be paid by the Administrator. The parties shall otherwise bear their own costs (e.g., attorneys’ fees, expert fees, witness fees, etc.). If, however, any party prevails on a statutory claim that affords the prevailing party attorneys’ fees and costs, then the Arbitrator may award reasonable fees and costs to the prevailing party.

## **ARTICLE 8 SUCCESSORS AND ASSIGNMENT**

### **8.1 Successors to an Employer**

Subject to Section 8.2, each Employer will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Employer or of any division or subsidiary thereof (the business and/or assets of which constitute at least fifty percent (50%) of the total business and/or assets of the Employer)

to expressly assume and agree to perform the Employer's obligations under this Plan in the same manner and to the same extent that the Employer would be required to perform them if such succession had not taken place.

## **8.2 Sale, Spin-Off, or Liquidation of an Employer**

Except as provided in the following two sentences, if EIX sells (regardless of whether pursuant to a stock sale or sale of all or substantially all of the business and/or assets of the Employer), spins-off or liquidates an Employer (other than EIX), this Plan shall be deemed to have been terminated as to all Eligible Employees employed by that Employer and such Eligible Employees shall have no further rights under this Plan and shall have no right to any payment or benefits under this Plan in respect of such termination. If such a sale, spin-off or liquidation occurs after a Potential Change in Control has occurred (and the Board has not declared in good faith that the circumstances giving rise to the Potential Change in Control will not result in an actual Change in Control) or during a Protected Period, the preceding sentence shall not apply with respect to any Eligible Employee who was employed immediately prior to the Potential Change in Control or start of the Protected Period, as applicable, by EIX or an Employer other than the Employer that is sold, spun off, or liquidated. The first sentence of this Section 8.2 will not apply to an Eligible Employee if (i) the Employer has entered a written agreement with the Eligible Employee, (ii) the agreement has been approved by the CEO or the senior officer of EIX responsible for Human Resources (or by EIX's director responsible for executive compensation if EIX does not have an officer responsible for Human Resources other than the CEO), (iii) the agreement provides specific conditions under which the Eligible Employee will be eligible for the benefits described in Section 2.3 in connection with the sale or spin-off of the Employer, and (iv) those conditions are met.

## **ARTICLE 9 ADMINISTRATION OF THE PLAN**

### **9.1 Administrator Action**

The Administrator shall act at meetings by affirmative vote of a majority of the members of the Administrator. Any action permitted to be taken at a meeting may be taken without a meeting if, prior to such action, a written consent to the action is signed by all members of the Administrator and such written consent is filed with the minutes of the proceedings of the Administrator. A member of the Administrator shall not vote or act upon any matter which relates solely to himself or herself as an Eligible Employee. The Chair of the Administrator or any other member or members of the Administrator designated by the Chair of the Administrator may execute any certificate or other written direction on behalf of the Administrator.

### **9.2 Powers and Duties of the Administrator**

The Administrator shall enforce this Plan in accordance with its terms, shall be charged with the general administration of this Plan, and shall have all powers necessary to accomplish its purposes, including, but not by way of limitation, the power and authority to do the following:

- (a) To determine eligibility for and participation in this Plan;
- (b) To construe and interpret the terms and provisions of this Plan;
- (c) To compute and certify to the amount and kind of benefits payable to Eligible Employees and their Beneficiaries, and to determine the amount of withholding taxes to be deducted pursuant to Article 3;
- (d) To maintain all records that may be necessary for the administration of this Plan;
- (e) To provide for the disclosure of all information and the filing or provision of all reports and statements to Eligible Employees, Beneficiaries or governmental agencies as shall be required by law;
- (f) To make and publish such rules for the regulation of this Plan and procedures for the administration of this Plan as are not inconsistent with the terms hereof; and
- (g) To appoint a plan administrator or any other agent (which may include, without limitation, one or more employees of EIX), and to delegate to them such powers and duties in connection with the administration of this Plan as the Administrator may from time to time prescribe.

### **9.3 Plan Interpretation**

The Administrator will administer the Plan and interpret, construe and apply its provisions in accordance with its terms and will provide direction and oversight as necessary to management, staff, or contractors to whom day-to-day Plan operations may be delegated. The Administrator will establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. The Administrator will interpret and construe the Plan to comply with Section 409A of the Code. All decisions of the Administrator will be final and binding.

### **9.4 Information**

To enable the Administrator to perform its functions, each Employer shall supply full and timely information to the Administrator on all matters relating to the compensation of all Eligible Employees, their death or other cause of termination, and such other pertinent facts as the Administrator may require.

### **9.5 Compensation, Expenses and Indemnity**

The members of the Administrator shall serve without additional compensation for their services hereunder beyond that which they are entitled as authorized by the Board. The Administrator is authorized at the expense of EIX to employ such legal counsel as it may deem advisable to assist in the performance of its duties hereunder. EIX shall pay expenses and fees in connection with the administration of this Plan. To the extent permitted by applicable law, EIX shall indemnify and save harmless the Administrator and each member thereof, the Board and each member

thereof, and delegates of the Administrator who are employees of EIX against any and all expenses, liabilities and claims, including legal fees to defend against such liabilities and claims arising out of their discharge in good faith of responsibilities under or incident to this Plan, other than expenses and liabilities arising out of willful misconduct. This indemnity shall not preclude such further indemnities as may be available under insurance purchased by EIX or provided by EIX under any bylaw, agreement or otherwise, as such indemnities are permitted under state law.

**ARTICLE 10**  
**MISCELLANEOUS**

**10.1 Release and Agreement**

Notwithstanding anything else contained herein to the contrary, each Employer's obligation to pay benefits to an Eligible Employee is subject to the condition precedent that the Eligible Employee execute, not later than 45 days after the Eligible Employee's receipt of the Severance Agreement, a valid and effective Severance Agreement in the form attached hereto as Exhibit A (or such other form, which is substantially the same as the form attached hereto as Exhibit A, as the Administrator may require) and such executed agreement is received by EIX and the Eligible Employee's Employer no later than 52 days after the Eligible Employee's receipt of the Severance Agreement and is not revoked by the Eligible Employee or otherwise rendered unenforceable by the Eligible Employee. EIX will provide the applicable form of Severance Agreement to the Eligible Employee on or before the seventh day following the Eligible Employee's Termination Date. EIX may modify the form of Severance Agreement from time to time to comply with applicable laws, rules and regulations. If the 45-day period for the Eligible Employee to consider the Severance Agreement plus any revocation period afforded by applicable law (together, the "Release Period") spans two different calendar years, payment of the cash severance benefits pursuant to Section 2.3.1 (including any enhancement thereto pursuant to Section 2.4.1), shall be made within the period of time prescribed by Section 2.3.1 but in the second of those two calendar years and, to the extent required to avoid any tax, penalty or interest under Section 409A of the Code, any benefit payment or reimbursement pursuant to Sections 2.3.2 through 2.3.6 (including any enhancement thereto pursuant to Sections 2.4.1 and 2.4.2) that would otherwise be paid in the first of those two years shall not be paid until the second of those two years.

**10.2 Term of the Plan**

(a) This Plan will commence on the Effective Date and shall continue in effect through December 31, 2009. However, at the end of such initial period and, if extended, at the end of each additional year thereafter, the term of this Plan shall be extended automatically for one additional year, unless the Administrator (or the Board) delivers written notice at least six months prior to the end of such term, or extended term, to each Eligible Employee that this Plan will not be extended, and if such notice is timely given this Plan will terminate at the end of the term then in progress; provided, however, that this provision for automatic extension shall have no application following a Potential Change in Control (unless and until the Board declares in good faith that the circumstances giving rise to the Potential Change in Control will not result in an

actual Change in Control) or a Change in Control, in which case the provisions of Section 10.2(b) or Section 10.2(c), respectively, shall apply.

(b) If a Potential Change in Control occurs, the Administrator (or the Board) may not give notice that the term of this Plan will not be extended, or will not be further extended, as the case may be, unless and until the Board declares in good faith that the circumstances giving rise to the Potential Change in Control will not result in an actual Change in Control or an actual Change in Control occurs.

(c) In the event a Change in Control occurs during the initial or any extended term, this Plan will remain in effect for the longer of: twenty-four months beyond the month in which such Change in Control occurred; or

(1) as to any Eligible Employee who incurs a Qualifying Termination Event, until all obligations of each Employer hereunder to that Eligible Employee have been fulfilled. Any subsequent Change in Control (“Subsequent Change in Control”) that occurs during the initial or any extended term shall also continue the term of this Plan until the later of:

(i) twenty-four months beyond the month in which such Subsequent Change in Control occurred; or

(ii) as to any Eligible Employee who incurs a Qualifying Termination Event, until all obligations of each Employer hereunder have been fulfilled to that Eligible Employee; provided, however, that if a Subsequent Change in Control occurs, it shall only be considered a Change in Control under this Plan if it occurs no later than twenty-four months after the immediately preceding Change in Control or Subsequent Change in Control.

(d) The foregoing provisions of this Section 10.2 are subject to the provisions of Section 8.2 as to any Eligible Employee that is employed by an Employer that is sold or spun-off by EIX.

### **10.3 Employment Status**

Except as may be provided under any other written agreement between an Eligible Employee and his or her Employer, the employment of the Eligible Employee by his or her Employer is “at will,” and may be terminated by either the Eligible Employee or the Employer at any time, subject to applicable law. Payments made under this Plan shall not give any person the right to any benefits provided to persons retained in an Employer’s employ (such as, without limitation, health and dental benefits). Except as may otherwise be required by law or set forth specifically in such plans or as otherwise expressly provided in this Plan, such benefits shall terminate as of the date the Eligible Employee’s employment by an Employer terminates.

#### **10.4 Gender, Singular and Plural**

All pronouns and variations thereof will be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

#### **10.5 Validity**

If any provision of the Plan is held invalid, void or unenforceable, the same will not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

#### **10.6 Modification**

The Administrator or the Board may from time to time amend this Plan in any way it determines to be advisable; provided, however, that no such amendment shall be effective without the consent of each affected Eligible Employee (or the Eligible Employee's legal representative) if it is adopted (a) after a Potential Change in Control (unless and until the Board determines in good faith that the circumstances giving rise to the Potential Change in Control will not result in an actual Change in Control or an actual Change in Control occurs), or (b) during a Protected Period. No provision of this Plan may be waived unless as to an Eligible Employee such waiver is agreed to in writing and signed by the Eligible Employee (or the Eligible Employee's legal representative) and by an authorized member of the Administrator (or the Board) or its designee or legal representative.

#### **10.7 Notice**

For purposes of this Plan, notices, including Notice of Termination, and all other communications provided for in this Plan shall be in writing and shall be deemed to have been duly given when delivered or on the date stamped as received by the U.S. Postal Service for delivery by certified or registered mail, postage prepaid and addressed:

- (a) if to the Eligible Employee, to his or her latest address as reflected on the records of EIX or his or her Employer, and
- (b) if to an Employer, to the attention of EIX's Corporate Secretary at the address of EIX's principal executive offices; or to such other address as either party may furnish to the other in writing for the delivery of notices to that party, with specific reference to this Plan and the importance of the notice, except that a notice of change of address shall be effective only upon receipt by the other party.

#### **10.8 Applicable Law**

The Plan will be governed and construed in accordance with the laws of California except where the laws of California are preempted by ERISA.

## **10.9 WARN Act**

Benefits payable under this Plan are intended to satisfy, where applicable, any EIX or other Employer's obligations under the Federal Worker Adjustment and Retraining Notification Act ("WARN") and any similar obligations that EIX or any other Employer may have under any successor or other federal or state severance pay or pay continuation benefit statute ("Similar Severance Pay Law"). If it is determined that severance or pay continuation obligations to or for the benefit of the Eligible Employee exist under WARN or Similar Severance Pay Law that are in addition to benefits payable under this Plan (the "Additional Payments"), then the Eligible Employee's entitlement to benefits payable in cash pursuant to Section 2.3 or 2.4 shall be reduced by an aggregate amount equal to the aggregate Additional Payments that it is determined the Eligible Employee is entitled to receive, provided that the reduction shall not cause the Eligible Employee's aggregate benefit pursuant to Section 2.3.1 (giving effect to any adjustment thereto pursuant to Section 2.4, if applicable under the circumstances) to be less than the applicable Minimum Benefit. The Eligible Employee shall repay any amounts paid under this Plan to which he or she was not entitled after giving effect to the preceding sentence.

## **10.10 Statutes and Regulations**

Any reference to a statute or regulation herein shall include any successor to such statute or regulation.

**IN WITNESS WHEREOF**, EIX has caused its duly authorized executive to execute this amended and restated Plan effective December 31, 2017.

### **EDISON INTERNATIONAL**

/s/ Jacqueline Trapp  
Jacqueline Trapp  
Vice President, Human Resources

## EXHIBIT A

### SEVERANCE AGREEMENT

This Severance Agreement (this "Agreement") is made as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between [name], an individual (the "Individual"), and Edison International, a California corporation (the "Company"), it provides for a termination date of [date—usually the day after the last day on payroll] (the "Termination Date"), and it is a severance agreement that includes a release, a confidentiality agreement, and an agreement not to solicit employees or customers, and certain other terms and conditions.

### RECITALS

A. The Individual and the Company have reached agreement on the termination of the Individual's employment by the Company and/or one or more of its current or former subsidiaries or affiliates (collectively, the Company and its current or former subsidiaries and affiliates are referred to herein as the "Company Group").

B. The Individual and the Company further desire to resolve all pending and potential actions and issues between the Individual and each member of the Company Group without the further expenditure of time and expense of litigation and, for that reason, have entered into this Agreement.

C. The Company maintains the Edison International 2008 Executive Severance Plan (the "Plan"). The Company's (and/or another member of the Company Group's) obligation to pay or continue paying severance benefits to the Individual under and in accordance with the terms of the Plan, which benefits are summarized and attached to this Agreement as Exhibit A (the "Severance Benefits"), is subject to the requirement that the Company timely receive this Agreement from the Individual and that the Individual does not revoke or otherwise render this Agreement unenforceable.

### AGREEMENT

In consideration of the covenants undertaken and the releases contained in this Agreement, and the Individual's right to receive the Severance Benefits, the Individual and the Company agree as follows:

#### 1. Termination of Employment

The Individual and the Company agree that the Individual's employment by the Company and/or one or more of the other members of the Company Group is terminated effective the Termination Date. Accordingly, the Individual hereby resigns any and all of his or her positions, offices, and/or directorships with each entity in the Company Group and any employment agreement(s) between the Individual and one or more members of the Company Group be, and they hereby are, terminated effective the Termination Date.



## **2. Severance Benefit**

The Company and/or the appropriate member of the Company Group will pay to the Individual the Severance Benefits in accordance with the terms of the Plan.

## **3. Release by the Individual**

Except for those obligations created by or arising out of this Agreement, the Individual on behalf of himself or herself, his or her descendants, dependents, heirs, executors, administrators, assigns, and successors, and each of them, hereby covenants not to sue and fully releases and discharges the Company, its parent (if any), the Company's subsidiaries and affiliates, past and present, and each of them, as well as its and their trustees, directors, officers, agents, attorneys, insurers, employees, benefit plans, benefit plan fiduciaries, stockholders, representatives, assigns, and successors, past and present, and each of them, hereinafter together and collectively referred to as "Releasees," with respect to and from any and all claims, wages, demands, rights, liens, agreements, contracts, covenants, actions, suits, causes of action, obligations, debts, costs, expenses, attorneys' fees, damages, judgments, orders and liabilities of whatever kind or nature in law, equity or otherwise, whether now known or unknown, suspected or unsuspected, and whether or not concealed or hidden, which he or she now owns or holds or he or she has at any time heretofore owned or held or may in the future hold as against said Releasees, arising out of or in any way connected with the Individual's employment relationship with any member of the Company Group, or the termination of his or her employment or any other transactions, occurrences, acts or omissions or any loss, damage or injury whatever, known or unknown, suspected or unsuspected, resulting from any act or omission by or on the part of said Releasees, or any of them, committed or omitted prior to the date of this Agreement including, without limiting the generality of the foregoing, any claim under Section 1981 of the Civil Rights Act of 1866, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act of 1993, the Worker Adjustment and Retraining Notification Act, the California Fair Employment and Housing Act, the California Family Rights Act, the California Worker Adjustment and Retraining Notification Act, the California Labor Code, any other claim under any other federal, state or local law or regulation, and any other claim for severance pay, bonus or incentive pay, sick leave, holiday pay, vacation pay, life insurance, health or medical insurance or any other fringe benefit, medical expenses, or disability (except vested benefits that the Individual may be entitled to receive as outlined in Exhibit A hereto, or vested benefits that the Individual may be entitled to receive, if any, under and in accordance with the terms of the Southern California Edison Company Retirement Plan or other qualified Company Group pension plan, Edison 401(k) Savings Plan, Medical Program, Dental Program, Vision Care Plan, Health Care Reimbursement Account Program, Dependent Care Reimbursement Account Program, and Employee Assistance Program). Exhibit A is incorporated herein by this reference. Without limiting the generality of the foregoing release, the Individual agrees that effective as of the Termination Date (i) he or she is not eligible for benefits under the Southern California Edison Company Comprehensive Disability Plan (the "CDP") except to the extent (if any) the Individual is entitled to benefits under the CDP in the same amount and payable at the same time as would otherwise be payable under California State Disability Insurance, and (ii) he or she is not eligible

for benefits under the Edison International 2008 Executive Disability Plan (the “Executive Disability Plan”) unless the Individual qualifies for and receives long-term disability benefits under the Southern California Edison Company Long Term Disability Plan (the “LTD Plan”), and the amount and duration of CDP, LTD or Executive Disability Plan benefits provided to the Individual on and after the Termination Date (if any) shall be determined under the terms of the respective disability plan. Nothing in this Agreement should be construed to release claims that cannot be released as a matter of law.

#### **4. Known and Unknown Claims**

It is the intention of the Individual and the Company in executing this instrument that the same shall be effective as a bar to each and every claim, demand and cause of action hereinabove specified. In furtherance of this intention, the Individual hereby expressly waives any and all rights and benefits conferred upon him or her by the provisions of SECTION 1542 OF THE CALIFORNIA CIVIL CODE and expressly consents that this Agreement shall be given full force and effect according to each and all of its express terms and provisions, including those related to unknown and unsuspected claims, demands and causes of action, if any, as well as those relating to any other claims, demands and causes of action hereinabove specified. SECTION 1542 provides: “A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.” The Individual acknowledges that he or she may hereafter discover claims or facts in addition to or different from those which he or she now knows or believes to exist with respect to the subject matter of this Agreement and which, if known or suspected at the time of executing this Agreement, may have materially affected this settlement. Nevertheless, the Individual hereby waives any right, claim or cause of action that might arise as a result of such different or additional claims or facts. The Individual acknowledges that he or she understands the significance and consequence of such release and such specific waiver of SECTION 1542.

#### **5. Other Waiver by the Individual**

The Individual expressly acknowledges and agrees that, by entering into this Agreement, he or she is waiving any and all rights or claims that he or she may have arising under the Age Discrimination in Employment Act of 1967, as amended, which have arisen on or before the date of execution of this Agreement.

#### **6. Confidentiality**

The Individual represents and covenants that he or she has not previously and that he or she will not at any time, unless compelled by lawful process, disclose or use for his or her own benefit or purposes or the benefit or purposes of any other person, firm, partnership, joint venture, association, corporation or other business organization, entity or enterprise other than the Company, any trade secrets, or other confidential data or information relating to customers, development programs, costs, marketing, trading, investment, sales activities, promotion, credit and financial data, financing methods, or plans of any member of the Company Group; provided

that the foregoing shall not apply to information which is generally known to the industry or the public other than as a result of the Individual's breach of this covenant. The Individual agrees that he or she will return to the Company immediately all memoranda, books, papers, plans, information, letters and other data, and all copies thereof or therefrom, in any way relating to the business of any entity within the Company Group, except that he or she may retain personal notes, notebooks and diaries that do not contain confidential information of the type described in the preceding sentence. The Individual further agrees that he or she will not retain or use for his or her account at any time any trade names, trademark or other proprietary business designation used or owned in connection with the business of any entity within the Company Group. Nothing in this Agreement shall be construed to prohibit the Individual from: (i) discussing the terms, wages, and working conditions of the Individual's employment to the extent such communication is protected by applicable labor law; (ii) filing a complaint or reporting any concern (including any safety concern) to any federal or state agency or legislature, including, but not limited to, the United States Nuclear Regulatory Commission, the Equal Employment Opportunity Commission, the Securities and Exchange Commission, and the National Labor Relations Board; (iii) disclosing confidential information in a confidential manner either to a federal or state agency or legislature where such disclosure is solely for the purpose of reporting or investigating a suspected violation of law; (iv) receiving an award from a government agency for information provided to that agency; or (v) disclosing confidential information in an anti-retaliation lawsuit or other legal proceeding, so long as that disclosure or filing is made under seal and the Individual does not otherwise disclose such confidential information, except pursuant to court order.

Pursuant to the Defend Trade Secrets Act of 2016, the Individual acknowledges that he or she may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of confidential information that: (a) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed in a lawsuit or other proceeding, provided that such filing is made under seal. Further, the Individual understands that the Company Group will not retaliate against the Individual in any way for any such disclosure made in accordance with the law. In the event a disclosure is made, and the Individual files any type of proceeding against any member of the Company Group alleging that a member of the Company Group retaliated against the Individual because of the Individual's disclosure, the Individual may disclose the relevant confidential information to the Individual's attorney and may use the confidential information in the proceeding if (x) the Individual files any document containing the confidential information under seal, and (y) the Individual does not otherwise disclose the confidential information except pursuant to court or arbitral order.

## **7. No Solicitation**

The Individual represents and covenants that he or she has not previously and that during the period commencing on the date hereof and ending on the second anniversary of the date hereof (the "Limitation Period") he or she will not influence or attempt to influence customers of any entity within the Company Group (as it may now or in the future be

composed), either directly or indirectly, to divert their business away from the Company Group to any individual, partnership, firm, corporation or other entity then in competition with the business of any entity within the Company Group. The Individual represents and covenants that he or she has not previously and that he or she will not at any time during the Limitation Period directly or indirectly solicit any person who is then, or at any time within six months prior thereto was, an employee of an entity within the Company Group who earned annually \$25,000 or more as an employee of such entity during the last six months of his or her own employment to work for any business, individual, partnership, firm, corporation, or other entity then in competition with the business of any entity within the Company Group.

## **8. Representations by the Individual**

The Individual further expressly acknowledges, represents, and agrees that:

a. He or she was not otherwise entitled to the Severance Benefits (in the event that the Individual is entitled to severance or pay continuation benefits under any federal or state law, including without limitation the Worker Adjustment and Retraining Notification Act ("WARN") or similar state law, the Individual acknowledges, represents and agrees that he or she was not otherwise entitled the level of Severance Benefits being offered and that such benefits exceed the minimum required statutory level of benefits that he or she may have otherwise been entitled to);

b. His or her right to receive the Severance Benefits is consideration for his or her agreements herein and the Severance Benefits (to the extent that they exceed any minimum required statutory level of benefits under WARN or otherwise) would not be paid if he or she did not execute and deliver this Agreement;

c. If, despite the Individual's release of claims as stated herein, it is determined that other severance or pay continuation obligations to or for the benefit of the Individual exist under WARN or similar state law (the "Additional Payments"), the Individual's entitlement to the Severance Benefits payable in cash shall be reduced by an aggregate amount equal to the aggregate Additional Payments that it is determined the Individual is entitled to receive, provided that the Individual will be entitled to the Minimum Benefit specified in Section 2.6 of the Plan, which Minimum Benefit the Individual agrees is, in and of itself, good and sufficient consideration for the Individual's agreements and releases set forth in this Agreement;

d. To the extent the Individual receives cash Severance Benefits that the Individual was not entitled to receive for any reason (including, without limitation, due to reduction for the Additional Payments), the Individual acknowledges, represents and agrees that he or she will promptly return the full amount of the excess payments;

e. The restrictions on him or her which are set forth in Sections 6 and 7 are reasonable;

f. The Severance Benefits are subject to termination or reduction pursuant to Sections 2.6 and 10.9 of the Plan, provided that in all cases the Individual will be entitled to the

Minimum Benefit specified in Section 2.6 of the Plan, which Minimum Benefit the Individual agrees is, in and of itself, good and sufficient consideration for the Individual's agreements and releases set forth in this Agreement;

g. He or she was orally advised by the Company and is hereby advised in writing by this Agreement to consult with an attorney before signing this Agreement;

h. He or she was given a copy of this Agreement prior to the date of its execution, and informed that he or she had up to forty-five (45) days within which to consider the Agreement; if he or she signs this Agreement before the end of such forty-five (45) day period, he or she will have done so voluntarily and with full knowledge that he or she is waiving his or her right to have forty-five (45) days to consider this Agreement; and in the event that there are any changes to this Agreement, he or she agrees that no changes, whether material or immaterial, will restart the running of the forty-five (45) day period;

i. He or she was informed that he or she has seven (7) days following the date of execution of the Agreement in which to revoke the Agreement; and

j. He or she has had the opportunity to consult with his or her advisors and attorneys regarding this Agreement (including, without limitation, its terms, conditions, and effects) and represents that he or she has so consulted with such advisors and attorneys.

#### **9. Confidentiality of the Agreement**

The parties agree that the terms and conditions of this Agreement shall remain confidential as between the parties and they shall not, except as required by law, disclose them to any other person other than family members, and legal and financial advisors. Without limiting the generality of the foregoing, the parties will not respond to or in any way participate in or contribute to any public discussion, notice or other publicity concerning, or in any way relating to, execution of this Agreement or the events (including any negotiations) which led to the termination of the Individual's employment. Without limiting the generality of the foregoing, the Individual specifically agrees that he or she shall not disclose information regarding this Agreement or the termination of his or her employment to any current or former employee of any entity in the Company Group (other than the Company's executive officers), except to the extent required by law or authorized in writing by the Company's General Counsel. The Individual hereby agrees that disclosure by him or her of any of the terms and conditions of this Agreement in violation of the foregoing shall constitute and be treated as a material breach of this Agreement.

#### **10. No Prior Assignment or Transfer**

The Individual warrants and represents to the Company that he or she has not heretofore assigned or transferred to any person not a party to this Agreement any released matter or any part or portion thereof and he or she shall defend, indemnify and hold harmless the Releasees from and against any claim (including the payment of attorneys' fees and costs

actually incurred whether or not litigation is commenced) based on or in connection with or arising out of any such assignment or transfer made, purported or claimed.

#### **11. No Further Employment Rights**

The Individual and the Company acknowledge that any employment relationship between the Individual and the Company Group terminated on the Termination Date, and that they have no further employment or contractual relationship except as may arise out of this Agreement and that the Individual waives any right or claim to reinstatement as an employee of any member of the Company Group. In the event any member of the Company Group receives inquiries about the Individual from prospective employers, such member shall provide to such persons or entities only the following information: confirmation of the Individual's employment dates, position history, salary history, and that the Individual's employment with the Company Group was mutually terminated.

#### **12. Taxes**

The Individual agrees that he or she shall be exclusively liable for the payment of all federal and state taxes which may be due as the result of the consideration that he or she receives pursuant to this Agreement and the Individual hereby represents that he or she shall make payments on such taxes at the time and in the amount required of him or her. In addition, the Individual hereby agrees fully to defend, indemnify and hold harmless Releasees and each of them from payment of taxes or penalties that are required of them by any government agency at any time as the result of payment of the consideration set forth herein. The Individual further agrees to provide the Releasees and each of them with any tax information that they or it may reasonably request.

#### **13. Beneficiaries and Successors**

Each Releasee shall be deemed to be a beneficiary of the Individual's promises and representations made herein. In the event of a merger, consolidation, or transfer or sale of all or substantially all of the assets of the Company with or to any other individual(s) or entity, this Agreement shall inure to the benefit of such successor. In the event of a merger, transfer or sale of the stock or assets of an entity in the Company Group that results in such entity not continuing as a member of the Company Group, the Individual's promises and representations made herein shall continue to inure to the benefit of such entity as well as the Company.

#### **14. Entire Agreement**

This instrument constitutes and contains the entire agreement and understanding concerning the Individual's relationship with the Company Group, the termination of the Individual's employment, and the other subject matters addressed herein between the parties, and supersedes and replaces all prior negotiations and all agreements proposed or otherwise, whether written or oral, concerning the subject matters hereof. This is an integrated document.

Notwithstanding the foregoing paragraph, any obligations of the Individual regarding confidentiality, trade secrets, inventions, no solicitation, or similar matters under an existing agreement or policy to which the Individual is a party or otherwise bound (“Additional Obligations”) shall continue in effect and, to that end, such Additional Obligations are outside of the scope of the foregoing paragraph. The provisions of this Agreement pertaining to confidentiality, trade secrets, inventions, no solicitation, or similar matters are in addition to (and not in lieu of) any such Additional Obligations.

#### **15. Revocability**

The Individual may revoke this Agreement in its entirety during the seven (7) days following execution of this Agreement by the Individual. Any revocation of this Agreement must be in writing, clearly state that it is a revocation of this Agreement, and be hand delivered to, or delivered in such a manner to ensure receipt by, the General Counsel of the Company during the revocation period. This Agreement will become effective, enforceable, and irrevocable upon seven (7) days following its execution by the Individual, unless it is revoked during the seven-day period.

#### **16. Severability**

If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable.

#### **17. Governing Law**

This Agreement shall be deemed to have been executed and delivered within the State of California, and the rights and obligations of the parties hereunder shall be construed and enforced in accordance with, and governed by, the laws of the State of California without regard to principles of conflict of laws.

#### **18. Mandatory Arbitration**

Except for the injunctive relief provided for in the last paragraph of this Section 18, any dispute or controversy between the Individual, on the one hand, and the Company (or any other Releasee), on the other hand, in any way arising out of, related to, or connected with this Agreement or the subject matter thereof, or arising out of or related to any other dispute between the Individual and the Company or any other member of the Company Group, now or in the future, shall be resolved through: (a) the claims and arbitration provisions contained in Article 7 of the Plan, to the extent the dispute or controversy involves the Severance Benefits or any other benefits under the Plan; (b) the claims and dispute resolution provisions of the applicable benefit plan, to the extent the dispute or controversy involves any claim not released under this Agreement with respect to a benefit plan that is (i) sponsored or maintained by the Company or any other member of the Company Group and (ii) subject to the Employee

Retirement Income Security Act of 1974; or (c) final and binding arbitration in accordance with the arbitration provisions in the following paragraph, for other disputes or controversies.

Any arbitration under this Section 18 will be held in Los Angeles County, California, in accordance with the then-current JAMS Arbitration Rules and Procedures for Employment Disputes (“JAMS Rules”) and under the Federal Arbitration Act. The arbitration shall be before a sole arbitrator, selected by mutual agreement of the parties. If the parties are unable to agree upon an arbitrator, the arbitrator shall be selected by striking in accordance with the then-current JAMS Rules from a list of arbitrators supplied by JAMS. Any and all claims and/or defenses that would otherwise be available in a court of law will be fully available to the parties. The arbitrator selected pursuant to this paragraph (the “Arbitrator”) may order such discovery as is necessary for a full and fair exploration of the issues and dispute, consistent with the expedited nature of arbitration. The Arbitrator shall apply applicable substantive law to resolve the dispute. At the conclusion of the arbitration, the Arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the Arbitrator’s award or decision is based. Any award or relief granted by the Arbitrator hereunder shall be final and binding on the parties hereto, and may be enforced by any court of competent jurisdiction. All costs unique to arbitration (e.g., the Arbitrator’s fees and room fees) shall be paid by the Company. The parties shall otherwise bear their own costs (e.g., attorneys’ fees, expert fees, witness fees, etc.). If, however, any party prevails on a statutory claim that affords the prevailing party attorneys’ fees and costs, then the Arbitrator may award reasonable fees and costs to the prevailing party.

It is further agreed that the Company will or would suffer irreparable injury if the Individual were to breach Section 6 or 7 of this Agreement and that, regardless of the dispute resolution provisions set forth in the foregoing paragraphs, the Company would by reason of such breach or potential breach be entitled to injunctive relief in a court of appropriate jurisdiction, and the Individual further consents and stipulates to the entry of such injunctive relief in such a court prohibiting the Individual from engaging in any act, conduct, or relationship in violation of, or that would reasonably result in a violation of, this Agreement.

#### **19. Counterparts, Headings**

This Agreement may be executed in counterparts, and each counterpart, when executed, shall have the efficacy of a signed original. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose. The headings in this Agreement are only for convenience and ease of reference and are not to be considered in construction or interpretation.

#### **20. Waiver, Amendment**

Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. No waiver shall be binding unless in writing and signed by the



party waiving the breach. No amendment of any term or provision of this Agreement shall be binding unless in writing and signed by all parties to this Agreement.

**21. No Presumption**

In entering this Agreement, the parties represent that they have had full opportunity to consult with attorneys of their own choice, that the parties have completely read and understood the terms of this Agreement and voluntarily accepted such terms. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties, and no presumption or burden of proof will arise favoring or disfavoring any party because it or its representatives drafted any of the provisions of this Agreement.

**22. Additional Acts**

All parties agree to cooperate fully and to execute any and all supplementary documents and to take all additional actions that may be necessary or appropriate to give full force to the basic terms and intent of this Agreement and which are not inconsistent with its terms.

*[The remainder of this page has intentionally been left blank.]*

I have read the foregoing Agreement and I accept and agree to the provisions it contains and hereby execute it voluntarily with full understanding of its consequences.

EXECUTED on this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ (County and State where agreement is signed).

The Individual Signature: \_\_  
Print Name: \_\_

EXECUTED on this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ (County and State where agreement is signed).

Edison International

By: \_\_  
Print Name: \_\_  
Title: \_\_

EDISON INTERNATIONAL  
**2008 EXECUTIVE RETIREMENT PLAN**

Amended and Restated Effective  
August 24, 2016  
(as amended)

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**EDISON INTERNATIONAL**  
**2008 EXECUTIVE RETIREMENT PLAN**

Amended and Restated Effective August 24, 2016 (as amended)

**PREAMBLE**

The purpose of this Plan is to provide supplemental retirement benefits to Participants and surviving spouses or other designated Beneficiaries of such Participants.

This Plan applies to benefits that are accrued or vested after December 31, 2004, and is intended to comply with Section 409A of the Internal Revenue Code and the regulations promulgated thereunder. Benefits that were accrued and vested prior to 2005 shall be paid under the Predecessor Plan in accordance with the terms therein, and shall not be subject to any of the terms of this Plan. In no event shall a Participant receive benefits under this Plan and the Predecessor Plan with respect to the same years of service.

**ARTICLE 1**  
**DEFINITIONS**

Capitalized terms in the text of the Plan are defined as follows:

**401(k) Earnings** means the Participant's "Earnings" taken into account for purposes of determining "Deferrals" under the Savings Plan, with "Earnings" and "Deferrals" having the meanings set forth in the Savings Plan.

**Administrator** means the Compensation and Executive Personnel Committee of the Board of Directors of EIX.

**Affiliate** means EIX or any corporation or entity which (i) along with EIX, is a component member of a "controlled group of corporations" within the meaning of Section 414(b) of the Code, and (ii) has approved the participation of its Executives in the Plan.

**Beneficiary** means the person or persons or entity designated as such in accordance with Article 6 of the Plan.

**Benefit Feature** means one of the levels of benefit under the Plan as described in Section 3.2(a).

**Board** means the Board of Directors of EIX.

**Bonus** means the dollar amount of bonus (if any) awarded by the Employer to the Participant pursuant to the terms of the Executive Incentive Compensation Plan, the 2007 Performance Incentive Plan, or a successor plan governing annual executive bonuses.

**Change in Control** means a Change in Control of EIX as defined in the Severance Plan.

**Code** means the Internal Revenue Code of 1986, as amended.

**Contingent Event** means the Participant's Disability or death while employed by an Affiliate or Separation from Service for other reasons if such event occurs prior to the Participant's Retirement.

**Contingent Payment Election** means an election regarding the time and form of payment made or deemed made in accordance with Section 4.2.

**Crediting Rate** means the rate at which interest will be credited when interest at the "Crediting Rate" is specified pursuant the Plan. If the Valuation Date for a Participant is before 2018, the Crediting Rate will be the interest crediting rate in effect for the Qualified Plan. If the Valuation Date for a Participant is after 2017, the Crediting Rate will be determined annually in advance of the calendar year and will be equal to the average monthly Moody's Corporate Bond Yield for Baa Public Utility Bonds for the 60 months preceding September 1st of the prior year. Notwithstanding the foregoing, EIX reserves the right to prospectively change the definition of Crediting Rate.

**Disability** means the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, receiving income replacement benefits for a period of not less than three months under a plan covering employees of the Employer.

**EIX** means Edison International.

**Employer** means the Affiliate employing the Participant. Notwithstanding the foregoing, with respect to a particular Participant's benefits under the Plan, for purposes of determining which Affiliate is obligated to pay such benefits, Employer as to such Participant and benefits means the Affiliate employing the Participant upon the Participant's Separation from Service (or, as to any distribution of any benefit under the Plan prior to the Participant's Separation from Service, the Affiliate employing the Participant at the time of such distribution).

**ERISA** means the Employee Retirement Income Security Act of 1974, as amended.

**Executive** means an employee of an Affiliate who is designated an Executive by the Chief Executive Officer ("CEO") of that Affiliate or who is elected as a Vice President or officer of higher rank by the board of that Affiliate or by the Board.

**Executive Profit Sharing Credits** mean the amounts the Employer would have contributed to the Savings Plan if the Participant were not subject to Sections 415 and 401(a)(17) of the Code and if the Participant's elective deferrals under the EIX 2008 Executive Deferred Compensation Plan or predecessor or successor plans governing nonqualified deferrals were included in the definition of Earnings under the Savings Plan.

**Executive Retirement Account** or **ERA** means the notional cash balance account established for record keeping purposes for a Participant pursuant to Section 3.4 of the Plan.

**Executive Retirement Account Credits** or **ERA Credits** means the amounts credited to a Participant's Executive Retirement Account under Section 3.4 of the Plan.

**Executive Retirement Account Salary Base** or **ERA Salary Base** means (i) for a Participant who is described in Sections 3.1(c) or (d) below, the amount (if any) by which the Participant's Salary for the applicable calendar year exceeds his or her 401(k) Earnings for that year, and (ii) for any other Participant, the amount (if any) by which the Participant's Salary for the applicable calendar year exceeds the compensation limit for that year set by the Secretary of the Treasury for purposes of Section 401(a)(17) of the Internal Revenue Code.

**Executive Retirement Account Salary Base Differential** or **ERA Salary Base Differential** means (i) for a Participant who is described in Sections 3.1(c) or (d) below, the amount (if any) by which (1) the Participant's annual rate of Salary in effect immediately prior to the Participant's Separation from Service exceeds (2) the Participant's annual rate of 401(k) Earnings in effect immediately prior to the Participant's Separation from Service, and (ii) for any other Participant, the amount (if any) by which (1) the Participant's annual rate of Salary in effect immediately prior to the Participant's Separation from Service exceeds (2) the compensation limit set by the Secretary of the Treasury for purposes of Section 401(a)(17) of the Internal Revenue Code for the year in which the Participant's Separation from Service occurs.

**Officer** means the CEOs, Presidents, Executive Vice Presidents, Senior Vice Presidents and elected Vice Presidents of EIX and its Affiliates. Other employees of EIX and its Affiliates, including officers who are not elected Vice Presidents or above, shall not be treated as Officers for purposes of the Plan, unless the Administrator specifically designates any such employee as an Officer for purposes of the Plan.

**Participant** means either (1) an employee of an Affiliate, who (i) is a U.S. employee or an expatriate and is based and paid in the U.S.; (ii) has been designated as an Executive by the Administrator, the Affiliate's board or the Affiliate's CEO for purposes of the Plan; and (iii) qualifies as a member of the "select group of management or highly compensated employees" under ERISA; or (2) a person who has a vested benefit under the Plan by virtue of prior employment as an Executive of an Affiliate, which vested benefit has not yet been completely distributed.

**Payment Election** means a Primary Payment Election or a Contingent Payment Election. Payment Elections shall be made on a form and in a manner prescribed by the Administrator, which may include electronic elections.



**Plan** means the EIX 2008 Executive Retirement Plan.

**Predecessor Plan** means the Southern California Edison Company Executive Retirement Plan.

**Primary Payment Election** means an election regarding the time and form of payments made or deemed made in accordance with Section 4.1.

**Profit Sharing** means the programs under which some Affiliates have made profit sharing or gain sharing contributions to the Savings Plan.

**Qualified Plan** means the Southern California Edison Company Retirement Plan, or a successor plan, intended to qualify under Section 401(a) of the Code.

**Retirement** means Separation from Service upon attainment of at least age 55 with at least 5 Years of Service.

**Salary** means the Participant's basic pay from the Employer (excluding Bonuses, special awards, commissions, severance pay, and other non-regular forms of compensation) before reductions for deferrals under the Savings Plan or the EIX 2008 Executive Deferred Compensation Plan or predecessor or successor plans governing deferral of salary.

**Savings Plan** means the Edison 401(k) Savings Plan, or a successor plan.

**Separation from Service** occurs when a Participant dies, retires, or otherwise has a termination of employment from the Employer that constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

**Severance Plan** means the EIX 2008 Executive Severance Plan (or any similar successor plan).

**Similar Plan** means a plan required to be aggregated with this Plan under Treasury Regulation Section 1.409A-1(c)(2)(i).

**Specified Employee** means a Participant who is designated as an elected Vice President or above by the Administrator, using the identification date and methods determined by the Administrator.

**Target Bonus Amount** means, as to a particular Participant, the amount obtained by multiplying (1) the stated target bonus percentage (as a percentage of salary) in effect immediately prior to the Participant's Separation from Service for the bonus to be awarded to the Participant pursuant to the terms of the Executive Incentive Compensation Plan, the 2007 Performance Incentive Plan, or a successor plan governing annual executive bonuses, multiplied by (2) the Participant's annual rate of Salary in effect immediately prior to the Participant's Separation from Service.

**Termination of Employment** means the voluntary or involuntary Separation from Service for any reason other than Retirement or death.

**Total Compensation** means (i) for Participants not eligible for Benefit Feature (iii), the monthly average Salary based on the Participant's 36 highest consecutive months of Salary, and (ii) for Participants eligible for Benefit Feature (iii), the monthly average Salary plus Bonus based on the 36 consecutive months in which the Participant had the highest combination of Salary and Bonus. The 36 months need not be consecutive for individuals who were Participants in the Predecessor Plan and eligible for Benefit Feature (iii) before January 1, 2008. For purposes of determining the highest 36 months for Participants eligible for Benefit Feature (iii), each of the Participant's annual Bonuses will be spread evenly over the months worked in the years in which the Bonuses were earned. If a vested individual terminates prior to Retirement and was no longer an Officer or designated Executive at the time employment was terminated, the Plan benefit described in Section 3.3(a) will be based on the Participant's Total Compensation and service determined as of the last date of the Participant's status as an Officer or designated Executive.

**Unforeseeable Emergency** means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's Beneficiary, or the Participant's spouse or dependent (as defined in Code Section 152, without regard to Sections 152(b)(1), (b)(2) and (d)(1)(B)); loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control.

**Valuation Date** means the date as of which the Participant's benefit will be calculated, and is the first day of the month following the month in which the final day of employment falls prior to Separation from Service, death or Disability, except that if the Participant's Separation from Service is a Termination of Employment, the Valuation Date is the later of (1) the first day of the month of the Participant's 55th birthday or (2) the first day of the month following the month in which the Participant's final day of employment occurs prior to Termination of Employment.

**Year of Service** means a year of service as determined in accordance with the terms of the Qualified Plan. For Participants grandfathered in the defined-benefit final average pay benefit feature of the Qualified Plan (other than any such grandfathered Participants who were hired by an Affiliate or its subsidiaries in 1999 from Commonwealth Edison Company), years of service will be determined according to the same rules applicable to such benefit. For all other Participants, years of service will be determined according to the rules applicable to the cash-balance feature of the Qualified Plan. A Participant's prior service with Commonwealth Edison Company will be recognized for purposes of this Plan if the individual was a Participant on or before April 1, 2012 and was hired by an Affiliate (or its subsidiaries) in 1999 from Commonwealth Edison Company in connection with an acquisition transaction involving Edison Mission Energy. A Participant's prior service with Citizens Power LLC will be recognized for purposes of this Plan if the individual was a Participant on or before April 1, 2012 and was hired

by an Affiliate (or its subsidiaries) in 2000 in connection with the acquisition of Citizens Power LLC by Edison Mission Energy.

**ARTICLE 2**  
**PARTICIPATION**

Individuals are eligible to participate in the Plan when they become Officers or are designated as Executives by the Affiliate's board or the Affiliate's CEO for purposes of this Plan. Participation in the Plan will continue as long as the individual remains an Officer or a designated Executive (subject to any applicable Plan restrictions) or has a vested benefit under the Plan that has not been completely paid out.

**ARTICLE 3**  
**BENEFIT DETERMINATION AND VESTING**

**3.1 Overview**

(a) Benefits under the Plan will be payable with respect to any vested Participant following Retirement or the occurrence of a Contingent Event to the extent a benefit under the Plan is determined to exist by calculations as provided under the applicable provisions of this Article 3. Effective January 1, 2018, an ERA Credits feature has been added to the Plan as provided in Section 3.4 below. Prior to such date, a Participant's benefit under the Plan will be determined as provided in Sections 3.2 and 3.3 hereof. From and after such date, a Participant's benefit under the Plan will be determined as provided below in this Section 3.1. In each case, the Participant's benefit will be subject to vesting, as provided in Section 3.5, and to the provisions of Sections 3.6 and 3.7.

(b) If a Participant was an Officer or a designated Executive at any time prior to January 1, 2018, the Participant's benefit under the Plan (subject to vesting as provided in Section 3.5) will be equal to the lesser of the amounts determined under paragraphs (i) and (ii) of this Section 3.1(b), determined based on lump sum values as of the applicable Valuation Date.

(i) The Participant's total benefit as determined under Sections 3.2 and 3.3 below, taking into account the Participant's Total Compensation and Years of Service accrued at any time (whether before or after January 1, 2018). Such determination will be made without regard to Section 3.3(c) and will not include any ERA Credits under Section 3.4.

(ii) The Participant's total benefit determined as the sum of (x) the Participant's total benefit as determined under Sections 3.2 and 3.3 below (giving effect to Section 3.3(c) below), and (y) the amounts credited to the Participant's Executive Retirement Account.

(c) If a Participant first becomes an Officer or a designated Executive on or after January 1, 2018, the Participant will be eligible only to receive ERA Credits (and earnings thereon) to the Participant's Executive Retirement Account as provided in Section 3.4 and will not be eligible for any benefits under Sections 3.2 and 3.3.

(d) Notwithstanding any Plan provisions to the contrary, if a Participant who has experienced a Separation from Service is rehired on or after January 1, 2018 and becomes an Officer or designated Executive, the Participant will be treated for additional benefit accrual purposes as if he or she was a new participant in the Plan: he or she will be eligible to receive additional ERA Credits (and earnings thereon) as provided in Section 3.4, but will not be eligible for any additional benefit accruals under Sections 3.2 and 3.3.

## 3.2 Benefit Features

(a) The Plan provides a supplemental retirement benefit calculated in accordance with Section 3.3 below. This supplemental retirement benefit incorporates the following Benefit Features:

(i) Recognition of the amount of Salary that is not recognized for purposes of calculating benefits under the Qualified Plan or Profit Sharing contributions to the Savings Plan due to limits imposed by the Code under Sections 415(b) or 401(a)(17).

(ii) Recognition of deferred Salary that is not recognized for purposes of calculating benefits under the Qualified Plan or Profit Sharing contributions to the Savings Plan.

(iii) Recognition of Bonuses that are not recognized for purposes of calculating benefits under the Qualified Plan.

(b) Participants who are Officers on the date of their termination of employment are eligible for all three Benefit Features. Other Participants are eligible for Benefit Features (i) and (ii) only; provided, however, as to a Participant who was once an Officer but who is not described in the immediately preceding sentence, such Participant shall be eligible for Benefit Features (i) and (ii) only, but his or her benefits shall not be less than if the Participant had terminated employment on December 11, 2012 and had Bonuses recognized for purposes of determining his or her benefits as of December 11, 2012.

(c) Participants in the Predecessor Plan on December 31, 1994 and Participants who were CEOs, Presidents, Executive Vice Presidents or Senior Vice Presidents of EIX or its Affiliates or elected Vice Presidents of EIX, Southern California Edison Company or Edison Capital prior to January 1, 2006, are also eligible for all three Benefit Features and an additional 0.75% benefit accrual for each Year of Service up to ten Years of Service (this additional 0.75% benefit accrual is taken into account when calculating the value of the single life annuity benefit for purposes of Section 3.3(b)), unless they were participants in the Predecessor Plan on December 31, 1992 and elected not to participate in the Executive Disability and Survivor Benefit Program, in which case they are eligible for all three Benefit Features but not for the additional 0.75% benefit accrual.

(d) Notwithstanding the above, elected Vice Presidents of Edison Mission Energy, Edison Mission Marketing and Trading, and Midwest Generation whose Separation from Service occurred prior to January 1, 2006, are eligible for Benefit Features (i) and (ii) only.

(e) Notwithstanding anything to the contrary in this Section 3.2, the three Benefit Features in this Section 3.2 and the additional 0.75% benefit accrual in Section 3.2(c) are subject to the provisions of Section 3.1.

### 3.3 Benefit Computation

(a) EIX will calculate at the time of a Participant's death, Disability or Separation from Service the amount of any benefit payable under the Plan. The benefit payable under this Section 3.3 will be the greater of (1) the value of the single life annuity calculated pursuant to Section 3.3(b), reduced by (i) the value of the single life annuity (unreduced for a contingent annuitant) payable to the Participant under the terms of the Qualified Plan, or other Affiliate defined benefit plan, after taking into account any applicable restrictions or limitations as to such payments required by the Code or other applicable law or the terms of the Qualified Plan, or other applicable Affiliate defined benefit plan; (ii) the actuarial single life annuity value, as defined in the Qualified Plan, of the Participant's Profit Sharing Account under the Savings Plan, or a successor plan; and (iii) the portion of the Participant's Social Security benefit specified in the Qualified Plan or (2) the actuarial single life annuity value of the notional account derived from any Executive Profit Sharing Credits allocated to the Participant plus earnings thereon.

(b) The Participant's Total Compensation and Years of Service will be used to calculate the value of the single life annuity benefit based on the "Supplemental A" formula set forth in Section 4.02(a) of the Qualified Plan, including Subsection (1) but excluding Subsection (2), and Section 4.12(b) of the Qualified Plan (provided, however, that individuals who become Participants after December 31, 2016 shall not be entitled to a benefit in this Plan based on the benefit formula in Section 4.12(b) of the Qualified Plan), and also, in the case of Disability, Exhibit B of the Qualified Plan, or, in the case of Termination of Employment, Exhibit G of the Qualified Plan, notwithstanding the Participant's eligibility for such benefits under the terms of the Qualified Plan.

(c) Notwithstanding the foregoing, for purposes of determining a Participant's benefit under clause (x) of Section 3.1(b)(ii), the "Supplemental A" formula set forth in Section 4.02(a) of the Qualified Plan used to determine the value of the Participant's single life annuity benefit as provided in Section 3.3(b) with respect to any Years of Service accrued after December 31, 2017 shall be modified as follows: "one percent (1%)" shall replace "one and three-quarters percent (1-3/4%)" as applied to the Participant's Total Compensation for each of the Participant's first thirty (30) Years of Service; and "one-half of one percent (0.5%)" shall replace "one percent (1%)" as applied to the Participant's Total Compensation for each of the Participant's Years of Service in excess of thirty (30).

(d) If a Participant is entitled to benefits under the Severance Plan or any similar successor plan as in effect upon the Participant's Separation from Service, and has satisfied all conditions for such benefits, then an additional Year of Service credit (in the case of a Qualifying Termination Event associated with a Change in Control as defined in the Severance Plan, two years for Senior Vice Presidents and Executive Vice Presidents of EIX or Southern California Edison Company, but three years for the most senior officer of EIX, the most senior officer of Southern California Edison Company, the General Counsel of EIX, and the Chief Financial Officer of EIX) and an additional year of age (in the case of a Qualifying Termination Event associated with a Change in Control as defined in the Severance Plan, two years for Senior Vice Presidents and Executive Vice Presidents of EIX or Southern California Edison Company, but

three years for the most senior officer of EIX, the most senior officer of Southern California Edison Company, the General Counsel of EIX, and the Chief Financial Officer of EIX) shall be included for purposes of the benefit calculation under Section 3.3(b), including in applying the benefit formula under the Qualified Plan for grandfathered employees who are not yet age 55 but who have 68 points. The value added by this severance enhancement shall be the difference between (i) the gross benefit calculated as described in Section 3.3(b) but with the additional age and service credits, before any reduction for benefits under other plans pursuant to Section 3.3(a), and (ii) the unenhanced gross benefit calculated under Section 3.3(b). Notwithstanding anything to the contrary in this Section 3.3(d), if a Participant becomes entitled to benefits under the Severance Plan or any similar successor plan and is subsequently rehired as an Executive prior to the date lump sum payments or initial installment or annuity payments commence, the Participant shall not be entitled to any additional Year of Service or age credits under this Section 3.3.

(e) Participants who are also eligible for Profit Sharing may receive Executive Profit Sharing Credits. If any Profit Sharing contribution is reduced because a portion of the Participant's Salary is excluded either because of nonqualified Salary deferrals or the limits imposed by Sections 415 and 401(a)(17) of the Code, the amount by which the contribution was reduced will be credited to a notional Executive Profit Sharing Credit account under the Plan as of the date of the Profit Sharing contribution. Amounts in this notional account will earn notional interest at the rates in effect for cash balance interest credits in the Qualified Plan, credited daily and compounded annually. The resulting notional Executive Profit Sharing Credit amount will be taken into account in calculating the benefit described in Section 3.3(a).

(f) The lump sum value of the benefit payable under Sections 3.3 as of the Valuation Date will be actuarially determined as the present value of the Participant's single life annuity benefit under Section 3.3 as of that date, using the discount rate and mortality table then in effect for lump sum determination in the Qualified Plan, except that the lump sum value may not be less than the value of the notional Executive Profit Sharing Credit account balance as of that date.

(g) A vested Participant who remains employed with an Affiliate until Retirement but is no longer an Officer or designated Executive will retain a Section 3.3 benefit based on the Participant's Total Compensation and service determined as of the last date of the Participant's eligible status and reduced by the amounts specified in Section 3.3(a) determined upon the Participant's Retirement.

(h) As to a Participant whose Separation from Service occurs after December 31, 2016, the following additional rules shall apply in calculating the amount of any benefit payable under the Plan with respect to the Participant's accrued but unused Sick Time Allowance Credits (as that term is used in the Qualified Plan):

(i) In applying the benefit formula set forth in Section 4.12(b) of the Qualified Plan, the Participant's accrued but unused Sick Time Allowance Credits taken into account for purposes of this Section 3.3 shall be the lesser of (a) the Participant's accrued but unused Sick Time Allowance Credits as of December 31, 2016, or (b) the

Participant's accrued but unused Sick Time Allowance Credits as of the Participant's Separation from Service.

(ii) The form and timing of payment of the benefit attributable to such accrued but unused Sick Time Allowance Credits shall be deemed to be calculated under Section 4.12(b) of the Qualified Plan as in effect on January 1, 2015 (disregarding, for example, any change in the Qualified Plan that takes effect after that date to provide for such benefit to be paid in a single lump sum).

(i) Notwithstanding anything to the contrary in this Section 3.3, the benefits calculated pursuant to this Section 3.3 are subject to the provisions of Section 3.1.

### **3.4 Executive Retirement Account Credits**

(a) This Section 3.4 shall be effective January 1, 2018. For each calendar year (commencing with 2018), ERA Credits will be added by the Employer to the Participant's Executive Retirement Account in an amount equal to twelve percent (12%) of the Participant's ERA Salary Base for the calendar year. Beginning with the 2018 Bonus (which is payable in 2019), ERA Credits will be added by the Employer to the Participant's Executive Retirement Account in an amount equal to twelve percent (12%) of the Participant's Bonus. Notwithstanding the foregoing, no ERA Credits (other than interest credits pursuant to Section 3.4(b)) will be added with respect to ERA Salary Base or Bonus after a Participant ceases to be an Officer or designated Executive for any reason other than Retirement, death, or Disability; provided, however, that if a Participant has his or her employment transferred from an Affiliate to a non-participating affiliate of EIX, then ERA Credits will be added for the Participant's Bonus with respect to the Participant's employment by the Affiliate during the year in which the transfer occurred.

(b) ERA Credits under this Section 3.4 will be credited (conditionally until vesting and subject to Section 3.4(c)) to the Executive Retirement Account at the same time the ERA Salary Base or Bonus to which the ERA Credits relate is actually paid. The Administrator will credit interest at the Crediting Rate to the Participant's Executive Retirement Account on a daily basis, compounded annually, until the Valuation Date. No interest will be credited on ERA Credits for any date on or before the date when the ERA Salary Base or Bonus to which the ERA Credit relates is actually paid (for example, if a Participant's 2018 Bonus is paid on February 28, 2019, the related ERA Credits will be credited as of that date and interest will begin being credited on those ERA Credits on a go-forward basis as of March 1, 2019). After the Valuation Date, interest will be credited in accordance with Section 3.7.

(c) In the event a Participant is entitled to the benefit specified in Section 3.1(b)(i), the Participant's Executive Retirement Account shall be disregarded and automatically cancelled.

(d) In the event a Participant is entitled to the benefit specified in Section 3.1(b)(ii) or Section 3.1(c), the benefit attributable to the Participant's Executive Retirement Account shall be subject to the payment election provisions of Article 4 and, if the Participant's benefit is



determined under Section 3.1(b)(ii), the Participant's Executive Retirement Account shall be paid on the same schedule as the Participant's benefit determined under Sections 3.2 and 3.3.

(e) If a Participant is entitled to benefits under the Severance Plan or any similar successor plan as in effect upon the Participant's Separation from Service, and has satisfied all conditions for such benefits, then ERA Credits will be added by the Employer to the Participant's Executive Retirement Account in an amount equal to twelve percent (12%) times the sum of (i) the Participant's ERA Salary Base Differential plus (ii) the Participant's Target Bonus Amount. In the case of a Qualifying Termination Event associated with a Change in Control as defined in the Severance Plan, "twelve percent (12%)" in the preceding sentence will be replaced by: "twenty-four percent (24%)" if the Participant is a Senior Vice President or Executive Vice President of EIX or Southern California Edison Company; "thirty-six percent (36%)" if the Participant is the most senior officer of EIX, the most senior officer of Southern California Edison Company, the General Counsel of EIX, or the Chief Financial Officer of EIX. Such ERA credits will be credited effective as of the date of the Separation from Service. Notwithstanding anything to the contrary in this Section 3.4(e), if a Participant becomes entitled to benefits under the Severance Plan or any similar successor plan and is subsequently rehired as an Executive prior to the date lump sum payments or initial installment or annuity payments commence, the additional ERA credits under this Section 3.4(e) shall be disregarded and automatically cancelled.

### **3.5 Vesting**

The right to receive benefits under the Plan (including any amounts credited to a Participant's Executive Retirement Account, if a Participant is entitled to such amounts under Section 3.1) will vest (i) when the Participant has completed five Years of Service with an Affiliate, (ii) upon the Participant's Disability while employed with an Affiliate, (iii) upon the Participant's death while employed with an Affiliate, or (iv) upon the Participant's Separation from Service if the Participant is entitled to benefits under the Severance Plan and has satisfied all conditions for such benefits.

### **3.6 Adjustment for Final Bonus**

If the final Bonus is determined after benefits under the Plan are paid or commenced, the benefit will be recalculated from inception (as a point of clarity, ERA Credits for the final Bonus will be credited, in accordance with and subject to Section 3.4, as of the date the Bonus is actually paid, but for purposes of Section 3.1(b) the value of those ERA Credits will be calculated as of the Valuation Date using the discount rate in effect for lump sum determination in the Qualified Plan as of the Valuation Date) and a one-time adjustment will be made to true-up payments already made, and future payments, if any, will be adjusted accordingly. Any true-up payment will be made within two and one-half months of the date the final Bonus is determined.

### **3.7 Valuation Date Notional Account**

A notional account will be established as the Plan benefit as of the Valuation Date, with an initial value equal to the lump sum value calculated pursuant Article 3. The account will be

credited with interest at the Crediting Rate on a daily basis, compounded annually, until the account has been fully paid out (or annuity payments commence, as the case may be) according to the terms of the Plan and the Participant's Payment Election.

## ARTICLE 4 PAYMENT ELECTIONS

### 4.1 Primary Payment Election

Each year, a Participant may make a Primary Payment Election specifying the payment schedule for the benefits to be accrued in the following Plan Year by submitting an election to the Administrator in such time and manner established by the Administrator. The election made in one year shall apply for subsequent years unless prior to a subsequent year the Participant submits a new payment election for the subsequent year. By way of example, benefits attributable to Bonus compensation will be treated as accrued during the Plan Year when the relevant services are performed (and not any later year when the Bonus is actually paid), and any benefits attributable to additional Year of Service or age credits triggered by a Participant's Separation from Service under the Severance Plan will be treated as accrued during the Plan Year when the Participant's Separation from Service occurs.

On or before December 31, 2008, Participants may make a special Primary Payment Election in accordance with the transition rule under Section 409A of the Code for Plan benefits previously scheduled to commence payment after the calendar year in which the special Primary Payment Election is made.

The choices available for a Primary Payment Election are as provided in the applicable Primary Payment Election form, but may include the following:

- (a) Joint and survivor life annuity paid in monthly installments; or
- (b) Contingent life annuity paid in monthly installments; or
- (c) Monthly installments for 60 to 180 months; or
- (d) A single lump sum; or
- (e) Two to fifteen installments paid annually; or
- (f) Any combination of the choices listed in (c), (d) and (e).

Payments under a Primary Payment Election may commence upon (i) the Participant's Retirement, (ii) the later of the Participant's Retirement or the first day of a specific month and year, or (iii) the first day of the month that is a specified number of months and/or years following the Participant's Retirement or the first day of a specified month a specified number of years following the calendar year in which the Participant's Retirement occurs (provided that if

the date otherwise determined pursuant to clauses (ii) and (iii) is later than the later of the Participant's Retirement or the month and year in which the Participant attains age 75, the date pursuant to clauses (ii) and (iii) shall be the later of the Participant's Retirement or the month and year in which the Participant attains age 75). If the Participant elects under a Primary Payment Election to receive payment pursuant to clause (ii) and the Participant dies prior to the later of Retirement or the specified payment date, payment shall be made pursuant to the Participant's Contingent Payment Election (if any) for the Participant's death (regardless of whether the Participant's death occurs while the Participant is employed by an Affiliate or thereafter).

Subject to Section 4.5, lump sum payments or initial installment or annuity payments will be made within 90 days (60 days in the case of a payment triggered by a specified payment date) of the scheduled dates, and interest will be added at the Crediting Rate to the payment amount for the days elapsed between the scheduled payment date and the actual date of payment. If the Participant's delivery of a release would change the amount of his or her Plan benefit, and the period for the Participant to consider, execute, and revoke such release spans two different calendar years, and the 90- or 60-day period, as applicable, specified above for the payment of any benefit contingent on such release also spans those two years, payment of the portion of the benefit contingent upon such release (and earnings thereon) shall be made in the time period otherwise specified above but in the second of those two years.

If paid in installments, the installments will be paid in amounts that will amortize the balance with interest credited at the Crediting Rate on a daily basis, compounded annually, over the period of time benefits are to be paid. For purposes of calculating installments, the account will be valued as of the Valuation Date and subsequently as of December 31 each year with installments adjusted for the next calendar year according to procedures established by the Administrator. Notwithstanding anything herein to the contrary, distribution in installments shall be treated as a single payment as of the date of the initial installment for purposes of Section 409A of the Code. If paid in monthly installments, the installments may be paid in a single check or in more than one check for any given month, provided that in either such case the total amount of the monthly payment shall not change.

If no Primary Payment Election has been made, the Primary Payment Election shall be deemed to be a joint and survivor annuity paid in monthly installments commencing upon the Participant's Retirement (or, if earlier, the Participant's death or Disability); provided, however, that if a Participant first becomes an Officer or a designated Executive on or after January 1, 2018, the Primary Payment Election shall be deemed (if no Primary Payment Election has been made) to be a lump sum payable upon Retirement (or, if earlier, the Participant's death or Disability).

If the applicable Payment Election or deemed Payment Election is for payment in the form of an annuity, the annuity value of the Plan benefit will be calculated in a manner consistent with the provisions of the Qualified Plan except that this Plan will govern where its provisions under Section 3.3 (which shall also apply to Section 3.4(d) for purposes of calculating the applicable annuity value of any benefit derived from an Executive Retirement Account) are inconsistent with those of the Qualified Plan.

## **4.2 Contingent Payment Elections**

Each year, a Participant may make Contingent Payment Elections for each of the Contingent Events of (1) the Participant's death while employed by an Affiliate, (2) the Participant's Disability while employed by an Affiliate, and (3) Termination of Employment for the benefits to be accrued in the following Plan Year, which election will take effect upon the first Contingent Event that occurs before the Participant's Retirement, by submitting an election to the Administrator in such time and manner established by the Administrator. The choices available for the Contingent Payment Elections are those specified in Section 4.1 except that the references to Retirement shall instead be the applicable Contingent Event if the event is death or Disability or the first day of the month of the Participant's 55th birthday (or, if later, Termination of Employment) if the Contingent Event is Termination of Employment. The election made in one year shall apply for subsequent years unless prior to a subsequent year the Participant submits a new Payment Election for the subsequent year.

If the Participant has made no Contingent Payment Election and a Contingent Event occurs prior to Retirement, the Administrator will pay the benefit as specified in the Participant's Primary Payment Election, except that payments scheduled for payment or commencement of payment "upon Retirement," or with a payment date determined by reference to Retirement, will be paid, commence or have payment determined by reference to the first day of the month following the date of the Contingent Event if the Contingent Event is the Participant's death or Disability, but will be the first day of the month of the Participant's 55th birthday (or, if later, Termination of Employment) if the Contingent Event is Termination of Employment. If a Contingent Event occurs prior to Retirement and the Participant has made neither a Primary Payment Election nor a Contingent Payment Election, the Payment Election shall be deemed to be a joint and survivor life annuity payable on the first day of the month following the date of the Contingent Event if the Contingent Event is the Participant's death or Disability, but payable on the first day of the month of the Participant's 55th birthday (or, if later, the first day of the month following the month in which the Participant's final day of employment occurs prior to Termination of Employment) if the Contingent Event is Termination of Employment.

## **4.3 Changes to Payment Elections**

Participants may change a Primary Payment Election or Contingent Payment Election, including a deemed Payment Election, by submitting a new written Payment Election to the Administrator, subject to the following conditions: (1) the new Payment Election shall not be effective unless made at least twelve months before the payment or commencement date scheduled under the prior Payment Election, (2) the new Payment Election must defer a lump sum payment or commencement of installment or life annuity payments for a period of at least five years from the date that the lump sum would have been paid or installment or life annuity payments would have commenced under the prior Payment Election and (3) the election shall not be effective until twelve months after it is filed with the Administrator. If at the time a new Payment Election is filed the Administrator determines that imposition of the five-year delay would require that a Participant's payments begin after he or she has attained age 75, then the Participant will not be permitted to make a new Payment Election. The payment schedules

available under a new Payment Election are those specified in Sections 4.1 and 4.2 (as applicable) that are available for new Payment Elections at the time the new Payment Election is made, subject to the conditions specified in this paragraph.

Participants who have elected a form of life annuity as their Primary Payment Election or Contingent Payment Election (including any deemed Payment Election) may change such election from one form of life annuity to another form of life annuity otherwise permitted by the Plan by submitting a new written Payment Election to the Administrator, subject to the following conditions: (1) the new Payment Election shall not be effective unless made before the payment or commencement date scheduled under the prior Payment Election, (2) the payment or commencement date under the prior Payment Election is not changed (or the change is made pursuant to the provisions of the preceding paragraph), and (3) the annuities are actuarially equivalent (within the meaning of Treasury Regulation Section 1.409A-2(b)(2)(ii)).

#### **4.4 Small Benefit Exception**

Notwithstanding the foregoing, the Administrator may, in its sole discretion and as determined by it in writing, pay the benefits in a single lump sum if the sum of all benefits payable to the Participant under this Plan and all Similar Plans is less than or equal to the applicable dollar amount under Section 402(g)(1)(B) of the Code.

#### **4.5 Six-Month Delay in Payment for Specified Employees**

Notwithstanding anything herein to the contrary, in the event that a Participant who is a Specified Employee is entitled to a distribution from the Plan due to the Participant's Separation from Service, the lump sum payment or the commencement of installment or life annuity payments, as the case may be, may not be scheduled to occur or occur before the date that is the earlier of (1) six months following the Participant's Separation from Service for reasons other than death or (2) the Participant's death.

#### **4.6 Conflict of Interest Exception, Etc.**

Notwithstanding the foregoing, the Administrator may, in its sole discretion, pay benefits in a single lump sum if permitted under Treasury Regulation Section 1.409A-3(j)(4)(iii). In addition, the Administrator may, in its sole discretion, accelerate benefits if and to the extent permitted under any of the other exceptions specified in Treasury Regulation Section 1.409A-3(j)(4) to the general rule in Section 409A of the Code prohibiting accelerated payments, provided that the terms of Section 4.4 of the Plan shall govern whether benefits will be paid in a single lump sum pursuant to the small benefit exception contained in Treasury Regulation Section 1.409A-3(j)(4)(v).

## **ARTICLE 5 SURVIVOR BENEFITS**

## **5.1 Payment**

Following the Participant's death, payment of the Participant's benefit will be made to the Participant's Beneficiary or Beneficiaries according to the payment schedule elected or deemed elected according to Article 4.

## **5.2 Benefit Computation**

In addition, if the applicable Payment Election or deemed Payment Election is for a joint and survivor life annuity, the survivor benefit is 50% of the Participant's annuity amount, payable only to the spouse married to the Participant at the earlier of the commencement of Plan benefit payments to the Participant or the Participant's death, but actuarially reduced if that spouse is more than five years younger than the Participant. If the election is for a contingent life annuity, the survivor benefit will be as elected. The survivor benefit associated with a life annuity will be calculated in a manner consistent with the survivor benefit provisions of the Qualified Plan except that this Plan will govern where its provisions under Sections 3.3 and 3.4(d) are inconsistent with those of the Qualified Plan.

## **ARTICLE 6 BENEFICIARY DESIGNATION**

The Participant will have the right, at any time, to designate any person or persons or entity as Beneficiary (both primary and contingent) to whom payment under the Plan will be made in the event of the Participant's death; provided that if the Participant has elected (or is deemed to have elected) a Payment Election in the form of a joint and survivor life annuity or a contingent life annuity and designates a new person or entity as Beneficiary after annuity payments have commenced, the annuity payments to such newly designated Beneficiary must be made in the same amounts and at the same times as payments would have been made to the designated Beneficiary immediately preceding the commencement of payments. The Beneficiary designation will be effective when it is submitted to the Administrator during the Participant's lifetime in accordance with procedures established by the Administrator.

The submission of a new Beneficiary designation will cancel all prior Beneficiary designations. Any finalized divorce or marriage of a Participant subsequent to the date of a Beneficiary designation will revoke such designation, unless in the case of divorce the previous spouse was not designated as a Beneficiary, and unless in the case of marriage the Participant's new spouse has previously been designated as Beneficiary. The spouse of a married Participant must consent in writing to any designation of a Beneficiary other than the spouse.

If a Participant fails to designate a Beneficiary as provided above, or if the Beneficiary designation is revoked by marriage, divorce, or otherwise without execution of a new designation, or if every person designated as Beneficiary predeceases the Participant, then the Administrator will direct the distribution of the benefits to the Participant's estate. If a primary Beneficiary dies after the Participant's death but prior to completion of the distribution of benefits under this Plan, and no contingent Beneficiary has been designated by the Participant,

any remaining payments will be made to the primary Beneficiary's Beneficiary, if one has been designated, or to the Beneficiary's estate.

## **ARTICLE 7 CONDITIONS RELATED TO BENEFITS**

### **7.1 Nonassignability**

The benefits provided under the Plan may not be alienated, assigned, transferred, pledged or hypothecated by or to any person or entity, at any time or any manner whatsoever. These benefits will be exempt from the claims of creditors of any Participant or other claimants and from all orders, decrees, levies, garnishment or executions against any Participant to the fullest extent allowed by law. Notwithstanding the foregoing, the benefit payable to a Participant may be assigned in full or in part, pursuant to a domestic relations order of a court of competent jurisdiction.

### **7.2 Unforeseeable Emergency**

A Retired Participant, a Participant who has a Disability, or a Participant who is age 55 or older may submit a hardship distribution request to the Administrator in writing setting forth the reasons for the request. The Administrator will have the sole authority to approve or deny such requests. Upon a finding that the Participant has suffered an Unforeseeable Emergency, the Administrator may in its discretion, permit the Participant to accelerate distributions of benefits under the Plan in the amount reasonably necessary to alleviate the Unforeseeable Emergency.

### **7.3 No Right to Assets**

A Participant's benefits paid under the Plan will be paid from the general funds of the Participant's Employer, and the Participant and any Beneficiary will be no more than unsecured general creditors of that Employer with no special or prior right to any assets of the Employer for payment of any obligations hereunder. Neither the Participant nor the Beneficiary will have a claim to benefits from any other Affiliate. Notwithstanding the foregoing or anything in the definition of "Employer" to the contrary, and at the sole discretion of EIX, EIX may determine that for purposes of benefits payable under the Plan, EIX shall be deemed to be the Employer obligated to pay such benefits. Such an election by EIX may be made, in EIX's sole discretion, as to all Plan benefits, as to only certain benefits, and/or as to only certain Affiliates or Participants, and will be deemed an assumption of the specified benefit obligations of the applicable Affiliates. Subject to the further provisions hereof, EIX will be solely obligated to pay any such benefits and no Participant (or Beneficiary) will have a claim as to any other Affiliate with respect to such benefits. Upon an election by EIX under this Section 7.3, benefits covered by the election will be paid from the general funds of EIX (and not the Affiliate that would otherwise pay the benefits), provided that EIX may require that as between EIX and the Affiliate that would otherwise pay such benefits, the Affiliate will be responsible to pay EIX for the assumption of such obligations in accordance with funding arrangements determined by EIX at the time of election or any time thereafter. To the extent such Affiliate fails to comply with such funding arrangements or obtains any refund or offset of payments made from the Affiliate to EIX

without the consent of EIX, the Affiliate that would otherwise be responsible for payment of benefits to the applicable Participant will remain responsible for such benefits. EIX will effectuate any such election pursuant to this Section 7.3 by providing written notice to the Administrator and the applicable Affiliates regarding the effective date of such election, and the benefits, Affiliates and Participants for which the election is applicable. The funding arrangements established by EIX at the time of its election, or from time to time thereafter, will set forth the method by which the Affiliates will remit funds to EIX in consideration of Plan benefit obligations that are assumed by EIX. Such a method may include, but is not limited to, lump sum payment by an Affiliate to EIX of relevant benefits accrued through the date of EIX's election based on the Projected Benefit Obligation ("PBO") with regular periodic payments to EIX of continuing accruals; regular periodic payments by an Affiliate to EIX of benefits accrued based on the PBO beginning with the date of EIX's election through the date such benefits become due under the Plan; lump sum payment by an Affiliate to EIX at the time benefits become due under the Plan; or intercompany payables and receivables used with funding on a "pay-as-you-go" basis.

#### **7.4 Protective Provisions**

The Participant will cooperate with the Administrator by furnishing any and all information requested by the Administrator, in order to facilitate the payment of benefits hereunder, taking such physical examinations as the Administrator may deem necessary and signing such consents to insure or taking such other actions as may be requested by the Administrator. If the Participant refuses to cooperate, the Administrator and the Employer will have no further obligation to the Participant under the Plan.

#### **7.5 Constructive Receipt**

Notwithstanding anything to the contrary in this Plan, in the event the Administrator determines that amounts deferred under the Plan have failed to comply with Section 409A and must be recognized as income for federal income tax purposes, distribution of the amounts included in a Participant's income will be made to such Participant. The determination of the Administrator under this Section 7.5 will be binding and conclusive.

#### **7.6 Withholding**

The Participant or the Beneficiary will make appropriate arrangements with the Administrator for satisfaction of any federal, state or local income tax withholding requirements and Social Security or other employee tax requirements applicable to the accrual or payment of benefits under the Plan. If no other arrangements are made, the Administrator may provide, at its discretion, for such withholding and tax payments as may be required.

#### **7.7 Incapacity**

If any person entitled to payments under this Plan is incapacitated and unable to use such payments in his or her own best interest, EIX may direct that payments (or any portion) be made to that person's legal guardian or conservator, or that person's spouse, as an alternative to



payment to the person unable to use the payments. EIX will have no obligation to supervise the use of such payments, and court-appointed guardianship or conservatorship may be required.

**ARTICLE 8  
PLAN ADMINISTRATION**

**8.1 Plan Interpretation**

The Administrator will administer the Plan and interpret, construe and apply its provisions in accordance with its terms and will provide direction and oversight as necessary to management, staff, or contractors to whom day-to-day Plan operations may be delegated. The Administrator will establish, adopt or revise such rules and regulations as it may deem necessary or advisable for the administration of the Plan. The Administrator will interpret and construe the Plan to comply with Section 409A of the Code. All decisions of the Administrator will be final and binding.

**8.2 Limited Liability**

Neither the Administrator, nor any of its members or designees, will be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan.

**ARTICLE 9  
AMENDMENT OR TERMINATION OF PLAN**

**9.1 Authority to Amend or Terminate**

The Administrator will have full power and authority to prospectively modify or terminate this Plan, and the Administrator's interpretations, constructions and actions, including any determination of the Participant's account or benefits, or the amount or recipient of the payment to be made, will be binding and conclusive on all persons for all purposes. Absent the consent of the Participant, however, the Administrator will in no event have any authority to modify this section. However, no such amendment or termination will apply to any person who has then qualified for or is receiving benefits under this Plan.

**9.2 Limitations**

In the event of Plan amendment or termination which has the effect of eliminating or reducing a benefit under the Plan, the benefit payable on account of a retired Participant or Beneficiary will not be impaired, and the benefits of other Participants will not be less than the benefit to which each such Participant would have been entitled if he or she had retired immediately prior to such amendment or termination.

**ARTICLE 10  
CLAIMS AND REVIEW PROCEDURES**

## **10.1 Claims Procedure for Claims Other Than Due to Disability**

(a) Except for claims due to Disability, the Administrator will notify a Participant or his or her Beneficiary (or person submitting a claim on behalf of the Participant or Beneficiary) (a “claimant”) in writing, within 90 days after his or her written application for benefits, of his or her eligibility or noneligibility for benefits under the Plan. If the Administrator determines that a claimant is not eligible for benefits or full benefits, the notice will set forth (1) the specific reasons for the denial, (2) a specific reference to the provisions of the Plan on which the denial is based, (3) a description of any additional information or material necessary for the claimant to perfect his or her claim, and a description of why it is needed, and (4) an explanation of the Plan’s claims review procedure and other appropriate information as to the steps to be taken if the claimant wishes to have the claim reviewed. If the Administrator determines that there are special circumstances requiring additional time to make a decision, the Administrator will notify the claimant of the special circumstances and the date by which a decision is expected to be made, and may extend the time for up to an additional 90-day period.

(b) If a claimant is determined by the Administrator not to be eligible for benefits, or if the claimant believes that he or she is entitled to greater or different benefits, the claimant will have the opportunity to have the claim reviewed by the Administrator by filing a petition for review with the Administrator within 60 days after receipt of the notice issued by the Administrator. Said petition will state the specific reasons which the claimant believes entitle him or her to benefits or to greater or different benefits. Within 60 days after receipt by the Administrator of the petition, the Administrator will afford the claimant (and counsel, if any) an opportunity to present his or her position to the Administrator in writing, and the claimant (or counsel) will have the right to review the pertinent documents. The Administrator will notify the claimant of its decision in writing within the 60-day period, stating specifically the basis of its decision, written in a manner calculated to be understood by the claimant and the specific provisions of the Plan on which the decision is based. If, due to special circumstances (for example, because of the need for a hearing), the 60-day period is not sufficient, the decision may be deferred for up to another 60-day period at the election of the Administrator, but notice of this deferral will be given to the claimant. In the event of the death of the Participant, the same procedures will apply to the Participant’s Beneficiaries.

## **10.2 Claims Procedure for Claims Due to Disability**

(a) Within a reasonable period of time, but not later than 45 days after receipt of a claim due to Disability, the Administrator or its delegate shall notify the claimant of any adverse benefit determination on the claim, unless circumstances beyond the Plan’s control require an extension of time for processing the claim. Except as contemplated by this Section, no event may the extension period exceed 30 days from the end of the initial 45-day period. If an extension is necessary, the Administrator or its delegate shall provide the claimant with a written notice to this effect prior to the expiration of the initial 45-day period. The notice shall describe the circumstances requiring the extension and the date by which the Administrator or its delegate expects to render a determination on the claim. If, prior to the end of the first 30-day extension period, the Administrator or its delegate determines that, due to circumstances beyond the control

of the Plan, a decision cannot be rendered within that extension period, the period for making the determination may be extended for an additional 30 days, so long as the Administrator or its delegate notifies the claimant, prior to the expiration of the first 30-day extension period, of the circumstances requiring the extension and the date as of which the Administrator or its delegate expects to render a decision. This notice of extension shall specifically describe the standards on which entitlement to a benefit is based, the unresolved issues that prevent a decision on the claim, and the additional information needed to resolve those issues, and that the claimant has at least 45 days within which to provide the specified information.

(b) In the case of an adverse benefit determination, the Administrator or its delegate shall provide to the claimant written or electronic notification setting forth in a manner calculated to be understood by the claimant (i) the specific reason or reasons for the adverse benefit determination; (ii) reference to the specific Plan provisions on which the adverse benefit determination is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why the material or information is necessary; (iv) a description of the Plan's claim review procedures and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse final benefit determination on review; (v) if an internal rule, guideline, protocol or similar criterion ("internal standard") was relied upon in making the determination, a copy of the internal standard or a statement that the internal standard shall be provided to the claimant free of charge upon request; and (vi) if the determination is based on a medical necessity or experimental treatment or similar exclusion or limit, an explanation of the scientific or clinical judgment for the determination or a statement that such explanation shall be provided free of charge upon request.

(c) If a claimant is determined by the Administrator not to be eligible for benefits, or if the claimant believes that he or she is entitled to greater or different benefits, the claimant will have the opportunity to have the claim reviewed by the Administrator by filing a petition for review with the Administrator within 180 days after receipt of the notice issued by the Administrator. Said petition will state the specific reasons which the claimant believes entitle him or her to benefits or to greater or different benefits. Within 45 days after receipt by the Administrator of the petition, the Administrator will afford the claimant (and counsel, if any) an opportunity to present his or her position to the Administrator in writing, and the claimant (or counsel) will have the right to review the pertinent documents. The Administrator will notify the claimant of its decision in writing within the 45-day period, stating specifically the basis of its decision, written in a manner calculated to be understood by the claimant and including the information described in Section 10.2(b) above. If, due to special circumstances (for example, because of the need for a hearing), the 45-day period is not sufficient, the decision may be deferred for up to another 45-day period at the election of the Administrator, but notice of this deferral will be given to the claimant. In the event of the death of the Participant, the same procedures will apply to the Participant's Beneficiaries.

### 10.3 Dispute Arbitration

(a) Effective as to any claims filed on or after June 19, 2014, final and binding arbitration under this Section 10.3 shall be the sole remedy available to a claimant after he or she has exhausted the claim and review procedures set forth in Section 10.1. Furthermore, exhaustion by the claimant of the claim and review procedures set forth in Section 10.1 is a mandatory prerequisite for binding arbitration under this Section 10.3. Any arbitration or civil action brought prior to the exhaustion of the claim and review procedures set forth in Section 10.1 shall be remanded to the Administrator to permit the claim and review procedures to be exhausted.

(b) After a claimant has exhausted the claim and review procedures set forth in Section 10.1, if the claimant is determined by the Administrator not to be eligible for benefits, or if the claimant believes that he or she is entitled to greater or different benefits, the claimant may submit his or her claim to final and binding arbitration under this Section 10.3.

Any arbitration under this Section 10.3 will be held in Los Angeles County, California, in accordance with the then-current JAMS Arbitration Rules and Procedures for Employment Disputes (“JAMS Rules”) and under the Federal Arbitration Act. The arbitration shall be before a sole arbitrator, selected by mutual agreement of the parties. If the parties are unable to agree upon an arbitrator, the arbitrator shall be selected by striking in accordance with the then-current JAMS Rules from a list of arbitrators supplied by JAMS. Any and all claims and/or defenses that would otherwise be available in a court of law will be fully available to the parties. The arbitrator selected pursuant to this paragraph (the “Arbitrator”) may order such discovery as is necessary for a full and fair exploration of the issues and dispute, consistent with the expedited nature of arbitration. The Arbitrator shall apply applicable substantive law to resolve the dispute. To the fullest extent provided by federal law, the decision rendered by the Administrator pursuant to the claim and review procedures set forth in Section 10.1 shall be upheld by the Arbitrator unless the Arbitrator determines that the Administrator abused its discretion. Notwithstanding the preceding sentence, if a Change in Control occurs, then a claim review decision rendered by the Administrator within the three years following the Change in Control shall, if it is challenged by the claimant in accordance with this Section 10.3, be subject to *de novo* review by the Arbitrator. Subject to the applicable standard of review in the preceding two sentences, the Arbitrator may grant any award or relief available under applicable law that the Arbitrator deems just and equitable.

At the conclusion of the arbitration, the Arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the Arbitrator’s award or decision is based. Any award or relief granted by the Arbitrator hereunder shall be final and binding on the parties hereto, and may be enforced by any court of competent jurisdiction. All costs unique to arbitration (e.g., the Arbitrator’s fees and room fees) shall be paid by the Administrator. The parties shall otherwise bear their own costs (e.g., attorneys’ fees, expert fees, witness fees, etc.). If, however, any party prevails on a statutory claim that affords the prevailing party attorneys’ fees and costs, then the Arbitrator may award reasonable fees and costs to the prevailing party.

(c) Notwithstanding any contrary provisions of this Section 10.3, if the claim is for Disability benefits, the following rules apply: (1) arbitration under this Section 10.3 shall be the mandatory second level of appeal following the exhaustion by the claimant of the claim and review procedures set forth in Section 10.2, and such exhaustion is a mandatory prerequisite for arbitration under this Section 10.3—any arbitration or civil action brought with respect to a claim for Disability benefits prior to the exhaustion of the claim and review procedures set forth in Section 10.2 shall be remanded to the Administrator to permit the claim and review procedures to be exhausted; (2) arbitration of a claim for Disability benefits under this Section 10.3 shall not be binding, and the claimant shall not be precluded from challenging the decision of the Arbitrator in a civil action brought pursuant to Section 502(a) of ERISA; and (3) except as specifically set forth in this Section 10.3(c), if the claim is for Disability benefits, the arbitration shall be conducted as set forth in Section 10.3(b).

## **ARTICLE 11 MISCELLANEOUS**

### **11.1 Participation in Other Plans**

Participation in this Plan will not limit a Participant's ability to continue to participate in any other employee benefit program of an Employer, subject to and in accordance with the terms of the applicable employee benefit program.

### **11.2 Relationship to Qualified Plan**

This Plan will to the fullest extent possible under currently applicable law be administered in accordance with, and where practicable according to the terms of the Qualified Plan and/or Savings Plan. Notwithstanding the foregoing, the terms of this Plan shall control benefits payable under this Plan whenever the terms of the Qualified Plan and/or Savings Plan differ from this Plan.

### **11.3 Forfeiture**

The payments to be made pursuant to the Plan require the Participant, for so long as the Participant remains in the active employ of the Employer, to devote substantially all of his or her time, skill, diligence and attention to the business of the Employer and not to actively engage, either directly or indirectly, in any business or other activity adverse to the best interests of the business of the Employer. In addition, the Participant will remain available during Retirement for consultation in any matter related to the affairs of the Employer. Any breach of these conditions by a Participant will result in complete forfeiture by the Participant of any further benefits under the Plan. If the Participant fails to observe any of the above conditions, or if he or she is discharged by the Employer for malfeasance or willful neglect of duty, then in any of said events, the Participant's benefits under this Plan will terminate and will not be paid, and EIX and the Employer will have no further liability therefor.

#### **11.4 Successors**

The rights and obligations of each Employer under the Plan will inure to the benefit of, and will be binding upon, the successors and assigns of the Employer.

#### **11.5 Trust**

The Employers will be responsible for the payment of all benefits under the Plan. At their discretion, the Employers may establish one or more grantor trusts for the purpose of providing for payment of benefits under the Plan. The trust or trusts may be irrevocable, but an Employer's share of the assets thereof will be subject to the claims of the Employer's creditors. Benefits paid to the Participant from any such trust will be considered paid by the Employer for purposes of meeting the obligations of the Employer under the Plan.

#### **11.6 Employment Not Guaranteed**

Nothing contained in the Plan nor any action taken hereunder will be construed as a contract of employment or as giving any Participant any right to continue in employment with the Employer or any other Affiliate.

#### **11.7 Gender, Singular and Plural**

All pronouns and variations thereof will be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

#### **11.8 Captions**

The captions of the articles and sections of the Plan are for convenience only and will not control or affect the meaning or construction of any of its provisions.

#### **11.9 Validity**

If any provision of the Plan is held invalid, void or unenforceable, the same will not affect, in any respect whatsoever, the validity of any other provisions of the Plan.

#### **11.10 Waiver of Breach**

The waiver by EIX or the Administrator of any breach of any provision of the Plan by the Participant will not operate or be construed as a waiver of any subsequent breach by the Participant.

#### **11.11 Applicable Law**

The Plan will be governed and construed in accordance with the laws of California except where the laws of California are preempted by ERISA.

### **11.12 Notice**

Any notice or filing required or permitted to be given to the Administrator under the Plan will be sufficient if in writing and hand-delivered, or sent by first class mail to the principal office of EIX, directed to the attention of the Administrator. The notice will be deemed given as of the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark.

### **11.13 ERISA Plan**

The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for “a select group of management or highly compensated employees” within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA. EIX is the named fiduciary.

### **11.14 Statutes and Regulations**

Any reference to a statute or regulation herein shall include any successor to such statute or regulation.

**IN WITNESS WHEREOF**, EIX has amended this Plan on the 6<sup>th</sup> day of December, 2017.

**EDISON INTERNATIONAL**

/s/ Jacqueline Trapp  
Jacqueline Trapp  
Vice President, Human Resources

## SIGNIFICANT SUBSIDIARIES

Parent of Significant Subsidiary	Name of Significant Subsidiary	Jurisdiction of Formation of Subsidiary	Name under which Significant Subsidiary does business
Edison International	Southern California Edison Company	CA	Southern California Edison Company; SCE
Southern California Edison Company	None	—	—



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-206993 and 333-221286 ) and Form S-8 (Nos. 333-162989 and 333-211070) of Edison International of our report dated February 22, 2018 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California

February 22, 2018

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No.333-206060) of Southern California Edison Company of our report dated February 22, 2018 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California

February 22, 2018

**2018 SOUTHERN CALIFORNIA EDISON COMPANY  
10-K, 10-Q, AND 8-K POWER OF ATTORNEY**

The undersigned, SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation, and certain of its officers and/or directors do each hereby constitute and appoint, RUSSELL C. SWARTZ, WILLIAM M. PETMECKY III, BARBARA E. MATHEWS, DANIEL S. WOOD, AARON MOSS, GEORGE T. TABATA, ALEXANDRO HERRERA, MICHAEL A. HENRY, KATHLEEN BRENNAN DE JESUS, RUSHIKA DE SILVA, and DARLA F. FORTE, or any of them, to act as attorney-in-fact, for and in their respective names, places, and steads, to execute, sign, and file or cause to be filed an Annual Report on Form 10-K for the fiscal year ended December 31, 2017, Quarterly Reports on Form 10-Q for each of the first three quarters of fiscal year 2018, any Current Reports on Form 8-K from time to time during 2018 from the date hereof through December 31, 2018, or in the event this Board of Directors does not hold a regular meeting in December 2018, through the last day of the month in which this Board holds the next succeeding regular meeting, and any and all supplements and amendments thereto, to be filed by Southern California Edison Company with the Securities and Exchange Commission, under the Securities Exchange Act of 1934 as amended, (the "Act"), for the purpose of complying with Sections 13 or 15(d) of the Act, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform all and every act and thing whatsoever requisite, necessary and appropriate to be done in and about the premises as fully and to all intents and purposes as the undersigned or any of them might or could do if personally present, hereby ratifying and approving the acts of each of said attorneys-in-fact.

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Executed at Rosemead, California, as of this 7th day of December, 2017.

SOUTHERN CALIFORNIA EDISON COMPANY

By: /s/ Kevin M. Payne  
Kevin M. Payne  
Chief Executive Officer

Attest:

/s/ Barbara E. Mathews  
Barbara E. Mathews  
Vice President, Associate General Counsel,  
Chief Governance Officer, and Corporate Secretary

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**2018 Southern California Edison Company  
10-K, 10-Q, and 8-K Power of Attorney**

Principal Executive Officer:

/s/ Kevin M. Payne  
Kevin M. Payne

Chief Executive Officer and Director

Principal Financial Officer:

/s/ William M. Petmecky III  
William M. Petmecky III

Senior Vice President and Chief Financial Officer

Controller and Principal Accounting Officer:

/s/ Aaron Moss  
Aaron Moss

Vice President and Controller

Additional Directors:

<u>/s/ Michael C. Camuñez</u>	Director	<u>/s/ Linda G. Stuntz</u>	Director
Michael C. Camuñez		Linda G. Stuntz	
	Director		Director
<u>/s/ Vanessa C.L. Chang</u>	Director	<u>/s/ William P. Sullivan</u>	Director
Vanessa C.L. Chang		William P. Sullivan	
	Director		Director
<u>/s/ Louis Hernandez, Jr.</u>	Director	<u>/s/ Ellen O. Tauscher</u>	Director
Louis Hernandez, Jr.		Ellen O. Tauscher	
	Director		Director
<u>/s/ James T. Morris</u>	Director	<u>/s/ Peter J. Taylor</u>	Director
James T. Morris		Peter J. Taylor	
	Director		Director
<u>/s/ Timothy T. O'Toole</u>	Director	<u>/s/ Brett White</u>	Director
Timothy T. O'Toole		Brett White	
	Director		Director
<u>/s/ Pedro J. Pizarro</u>	Director		
Pedro J. Pizarro			

The undersigned, EDISON INTERNATIONAL, a California corporation, and certain of its officers and/or directors do each hereby constitute and appoint, ADAM S. UMANOFF, MARIA RIGATTI, AARON MOSS, BARBARA E. MATHEWS, ROBERT C. BOADA, GEORGE T. TABATA, MICHAEL A. HENRY, KATHLEEN BRENNAN DE JESUS, RUSHIKA DE SILVA, and DARLA F. FORTE, or any of them, to act as attorney-in-fact, for and in their respective names, places, and steads, to execute, sign, and file or cause to be filed an Annual Report on Form 10-K for the fiscal year ended December 31, 2017, Quarterly Reports on Form 10-Q for each of the first three quarters of fiscal year 2018, any Current Reports on Form 8-K from time to time during 2018 from the date hereof through December 31, 2018, or in the event this Board of Directors does not hold a regular meeting in December 2018, through the last day of the month in which this Board holds the next succeeding regular meeting, and any and all supplements and amendments thereto, to be filed by Edison International with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended, (the "Act"), for the purpose of complying with Sections 13 or 15(d) of the Act, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform all and every act and thing whatsoever requisite, necessary and appropriate to be done in and about the premises as fully and to all intents and purposes as the undersigned or any of them might or could do if personally present, hereby ratifying and approving the acts of each of said attorneys-in-fact.

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Executed at Rosemead, California, as of this 7th day of December, 2017.

EDISON INTERNATIONAL

By: /s/ Pedro J. Pizarro  
Pedro J. Pizarro  
President and  
Chief Executive Officer

Attest:

/s/ Barbara E. Mathews  
Barbara E. Mathews  
Vice President, Associate General Counsel,  
Chief Governance Officer and Corporate Secretary

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**2017 Edison International  
10-K, 10-Q, and 8-K Power of Attorney**

Principal Executive Officer:

/s/ Pedro J. Pizarro

Pedro J. Pizarro

President, Chief Executive Officer, and Director

Principal Financial Officer:

/s/ Maria Rigatti

Maria Rigatti

Executive Vice President and Chief Financial Officer

Controller and Principal Accounting Officer:

/s/ Aaron Moss

Aaron Moss

Vice President and Controller

Additional Directors:

/s/ Michael C. Camuñez

Michael C. Camuñez

Director

/s/ Linda G. Stuntz

Linda G. Stuntz

Director

/s/ Vanessa C.L. Chang

Vanessa C.L. Chang

Director

/s/ William P. Sullivan

William P. Sullivan

Director

/s/ Louis Hernandez, Jr.

Louis Hernandez, Jr.

Director

/s/ Ellen O. Tauscher

Ellen O. Tauscher

Director

/s/ James T. Morris

James T. Morris

Director

/s/ Peter J. Taylor

Peter J. Taylor

Director

/s/ Timothy T. O'Toole

Timothy T. O'Toole

Director

/s/ Brett White

Brett White

Director



RESOLUTION OF THE BOARD OF DIRECTORS OF  
EDISON INTERNATIONAL

Adopted: December 7, 2017

RE: FORMS 10-K, 10-Q, AND 8-K

WHEREAS, the Securities Exchange Act of 1934, as amended, and regulations thereunder, require that Annual, Quarterly, and Current Reports be filed with the Securities and Exchange Commission ("Commission"), and it is desirable to effect such filings over the signatures of attorneys-in-fact;

NOW, THEREFORE, BE IT RESOLVED, that each of the officers of this corporation is hereby authorized to execute and file or cause to be filed with the Commission the Annual Report on Form 10-K of this corporation for the fiscal year ended December 31, 2017, Quarterly Reports on Form 10-Q for each of the first three quarters of fiscal year 2018, Current Reports on Form 8-K from time to time during 2018 through December 31, 2018, or in the event this Board of Directors does not hold a regular meeting in December 2018, through the last day of the month in which this Board holds the next succeeding regular meeting, and any required or appropriate supplements or amendments to such reports, all in such forms as the officer acting or counsel for this corporation considers appropriate.

BE IT FURTHER RESOLVED, that each of the officers of this corporation is hereby authorized to execute and deliver on behalf of this corporation a power or powers

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of attorney appointing Adam S. Umanoff, Maria Rigatti, Aaron Moss, Barbara E. Mathews, Robert C. Boada, George T. Tabata, Michael A. Henry, Kathleen Brennan de Jesus, Rushika de Silva, and Darla F. Forte, and each of them, to act severally as attorney-in-fact in their respective names, places and steads, and on behalf of this corporation, for the purpose of executing and filing with the Commission the above-described reports and any amendments and supplements thereto.

ADOPTED:

/s/ Barbara E. Mathews  
Corporate Secretary

RESOLUTION OF THE BOARD OF DIRECTORS OF  
SOUTHERN CALIFORNIA EDISON COMPANY

Adopted: December 7, 2017

RE: FORMS 10-K, 10-Q, AND 8-K

WHEREAS, the Securities Exchange Act of 1934, as amended, and regulations thereunder, require that Annual, Quarterly, and Current Reports be filed with the Securities and Exchange Commission ("Commission"), and it is desirable to effect such filings over the signatures of attorneys-in-fact;

NOW, THEREFORE, BE IT RESOLVED, that each of the officers of this corporation is hereby authorized to execute and file or cause to be filed with the Commission the Annual Report on Form 10-K of this corporation for the fiscal year ended December 31, 2017, Quarterly Reports on Form 10-Q for each of the first three quarters of fiscal year 2018, Current Reports on Form 8-K from time to time during 2018 through December 31, 2018, or in the event this Board of Directors does not hold a regular meeting in December 2018, through the last day of the month in which this Board holds the next succeeding regular meeting, and any required or appropriate supplements or amendments to such reports, all in such forms as the officer acting or counsel for this corporation considers appropriate.

BE IT FURTHER RESOLVED, that each of the officers of this corporation is hereby authorized to execute and deliver on behalf of this corporation a power or powers

---

of attorney appointing Russell C. Swartz, William M. Petmecky III, Barbara E. Mathews, Aaron Moss, Daniel S. Wood, George T. Tabata, Alexandro Herrera, Michael A. Henry, Kathleen Brennan de Jesus, Rushika de Silva, and Darla F. Forte, and each of them, to act severally as attorney-in-fact in their respective names, places and steads, and on behalf of this corporation, for the purpose of executing and filing with the Commission the above-described reports and any amendments and supplements thereto.

ADOPTED:

/s/ Barbara E. Mathews  
Corporate Secretary

CERTIFICATION

I, PEDRO J. PIZARRO, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of Edison International;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ PEDRO J. PIZARRO

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PEDRO J. PIZARRO

Chief Executive Officer

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## CERTIFICATION

I, MARIA RIGATTI, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of Edison International;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ MARIA RIGATTI

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MARIA RIGATTI  
Chief Financial Officer

## CERTIFICATION

I, KEVIN M. PAYNE, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of Southern California Edison Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ KEVIN M. PAYNE

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KEVIN M. PAYNE  
Chief Executive Officer

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## CERTIFICATION

I, WILLIAM M PETMECKY III, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017, of Southern California Edison Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2018

/s/ WILLIAM M PETMECKY III

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WILLIAM M. PETMECKY III  
Chief Financial Officer



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

In connection with the accompanying Annual Report on Form 10-K for the year ended December 31, 2017 (the "Annual Report"), of Edison International (the "Company"), and pursuant to 18 U.S.C. Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies, to the best of his knowledge, that:

1. The Annual Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2018

/s/ PEDRO J. PIZARRO

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PEDRO J. PIZARRO  
Chief Executive Officer  
Edison International

/s/ MARIA RIGATTI

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MARIA RIGATTI  
Chief Financial Officer  
Edison International

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

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

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

In connection with the accompanying Annual Report on Form 10-K for the year ended December 31, 2017 (the "Annual Report"), of Southern California Edison Company (the "Company"), and pursuant to 18 U.S.C. Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies, to the best of his or her knowledge, that:

1. The Annual Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2018

/s/ KEVIN M. PAYNE

KEVIN M. PAYNE  
Chief Executive Officer  
Southern California Edison Company

/s/ WILLIAM M. PETMECKY III

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

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

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

