

EDISON INTERNATIONAL
 Form 10-Q
 August 01, 2013

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

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
 For the quarterly period ended June 30, 2013
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
 For the transition period from _____ to _____

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

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

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

Edison International Yes No Southern California Edison Company Yes No

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

Edison International Yes No Southern California Edison Company Yes No

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

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

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

Edison International Yes No Southern California Edison Company Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common Stock outstanding as of July 30, 2013:

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

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

GLOSSARY

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

| | |
|------------------|--|
| 2012 Form 10-K | Edison International's and SCE's combined Annual Report on Form 10-K for the year-ended December 31, 2012 |
| APS | Arizona Public Service Company |
| ARO(s) | asset retirement obligation(s) |
| BACT | best available control technology |
| Bankruptcy Code | Chapter 11 of the United States Bankruptcy Code |
| Bankruptcy Court | United States Bankruptcy Court for the Northern District of Illinois, Eastern Division |
| Bcf | billion cubic feet |
| CAA | Clean Air Act |
| CAISO | California Independent System Operator |
| CARB | California Air Resources Board |
| CDWR | California Department of Water Resources |
| CEC | California Energy Commission |
| CPUC | California Public Utilities Commission |
| CRRs | congestion revenue rights |
| DOE | U.S. Department of Energy |
| EME | Edison Mission Energy |
| EMG | Edison Mission Group Inc. |
| EPS | earnings per share |
| ERRA | energy resource recovery account |
| FASB | Financial Accounting Standards Board |
| FERC | Federal Energy Regulatory Commission |
| FIP(s) | federal implementation plan(s) |
| Four Corners | coal fueled electric generating facility located in Farmington, New Mexico in which SCE holds a 48% ownership interest |
| GAAP | generally accepted accounting principles |
| GHG | greenhouse gas |
| GRC | general rate case |
| GWh | gigawatt-hours |
| IRS | Internal Revenue Service |
| ISO | Independent System Operator |
| kWh(s) | kilowatt-hour(s) |
| MD&A | Management's Discussion and Analysis of Financial Condition and Results of Operations in this report |
| MHI | Mitsubishi Heavy Industries, Inc. |
| Mohave | two coal fueled electric generating facilities that have been decommissioned and site remediated located in Clark County, Nevada in which SCE holds a 56% ownership interest |
| Moody's | Moody's Investors Service |
| MW | megawatts |
| MWh | megawatt-hours |
| NAAQS | national ambient air quality standards |
| NERC | North American Electric Reliability Corporation |
| Ninth Circuit | U.S. Court of Appeals for the Ninth Circuit |
| NRC | Nuclear Regulatory Commission |

| | |
|------------------------|--|
| NSR | New Source Review |
| Palo Verde | large pressurized water nuclear electric generating facility located near Phoenix, Arizona in which SCE holds a 15.8% ownership interest |
| PBOP(s) | postretirement benefits other than pension(s) |
| Petition Date | December 17, 2012 (date on which EME and certain of its wholly-owned subsidiaries filed for protection under Chapter 11 of the Bankruptcy Code) |
| PG&E | Pacific Gas & Electric Company |
| PSD | Prevention of Significant Deterioration |
| QF(s) | qualifying facility(ies) |
| ROE | return on equity |
| S&P | Standard & Poor's Ratings Services |
| San Onofre | large pressurized water nuclear electric generating facility located in south San Clemente, California in which SCE holds a 78.21% ownership interest |
| SCE | Southern California Edison Company |
| SCR | selective catalytic reduction equipment |
| SDG&E | San Diego Gas & Electric |
| SEC | U.S. Securities and Exchange Commission |
| SED | Safety and Enforcement Division of the CPUC, formerly known as the Consumer Protection and Safety Division or CPSD |
| Settlement Transaction | Certain transactions related to EME's Chapter 11 bankruptcy filing that the parties to the Support Agreement have by virtue of that agreement agreed to further document and support |
| Support Agreement | Transaction Support Agreement dated as of December 16, 2012 by and among Edison Mission Energy, Edison International and the Noteholders named therein |
| US EPA | U.S. Environmental Protection Agency |
| VIE(s) | variable interest entity(ies) |

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Consolidated Statements of Income

Edison International

| (in millions, except per-share amounts, unaudited) | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|---------|---------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| Operating revenue | \$3,046 | \$2,653 | \$5,678 | \$5,068 |
| Fuel | 81 | 61 | 154 | 138 |
| Purchased power | 1,076 | 822 | 1,855 | 1,437 |
| Operation and maintenance | 967 | 951 | 1,840 | 1,899 |
| Depreciation, decommissioning and amortization | 418 | 400 | 832 | 788 |
| Asset impairment and other | 575 | (1) | 575 | — |
| Total operating expenses | 3,117 | 2,233 | 5,256 | 4,262 |
| Operating income (loss) | (71) | 420 | 422 | 806 |
| Interest and other income | 34 | 40 | 63 | 73 |
| Interest expense | (133) | (134) | (265) | (260) |
| Other expenses | (14) | (19) | (21) | (26) |
| Income (loss) from continuing operations before income taxes | (184) | 307 | 199 | 593 |
| Income tax expense (benefit) | (102) | 100 | (4) | 192 |
| Income (loss) from continuing operations | (82) | 207 | 203 | 401 |
| Income (loss) from discontinued operations, net of tax | 12 | (109) | 24 | (193) |
| Net income (loss) | (70) | 98 | 227 | 208 |
| Dividends on preferred and preference stock of utility | 24 | 23 | 51 | 41 |
| Other noncontrolling interests | — | 1 | — | — |
| Net income (loss) attributable to Edison International common shareholders | \$(94) | \$74 | \$176 | \$167 |
| Amounts attributable to Edison International common shareholders: | | | | |
| Income (loss) from continuing operations, net of tax | \$(106) | \$183 | \$152 | \$360 |
| Income (loss) from discontinued operations, net of tax | 12 | (109) | 24 | (193) |
| Net income (loss) attributable to Edison International common shareholders | \$(94) | \$74 | \$176 | \$167 |
| Basic earnings (loss) per common share attributable to Edison International common shareholders: | | | | |
| Weighted-average shares of common stock outstanding | 326 | 326 | 326 | 326 |
| Continuing operations | \$(0.33) | \$0.56 | \$0.47 | \$1.10 |
| Discontinued operations | 0.04 | (0.33) | 0.07 | (0.59) |
| Total | \$(0.29) | \$0.23 | \$0.54 | \$0.51 |
| Diluted earnings (loss) per common share attributable to Edison International common shareholders: | | | | |
| Weighted-average shares of common stock outstanding, including effect of dilutive securities | 326 | 334 | 329 | 333 |
| Continuing operations | \$(0.33) | \$0.55 | \$0.47 | \$1.08 |
| Discontinued operations | 0.04 | (0.33) | 0.07 | (0.58) |
| Total | \$(0.29) | \$0.22 | \$0.54 | \$0.50 |
| Dividends declared per common share | \$0.3375 | \$0.325 | \$0.6750 | \$0.650 |

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

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| Consolidated Statements of Comprehensive Income | Edison International | | | |
|--|-----------------------------|--------|---------------------------|-------|
| (in millions, unaudited) | Three months ended June 30, | | Six months ended June 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Net income (loss) | \$(70 |) \$98 | \$227 | \$208 |
| Other comprehensive income (loss), net of tax: | | | | |
| Pension and postretirement benefits other than pensions: | | | | |
| Net loss arising during the period, net of income tax benefit of \$2 for the three months June 30, 2012 and \$4 and \$2 for the six months ended June 30, 2013 and 2012, respectively | — | (4 |) (2 |) (3 |
| Amortization of net loss included in net income, net of income tax expense of \$1 for both the three months ended June 30, 2013 and 2012 and \$2 and \$5 for the six months ended June 30, 2013 and 2012, respectively | 5 | 3 | 7 | 9 |
| Unrealized loss on derivatives qualified as cash flow hedges: | | | | |
| Unrealized holding loss arising during the period, net of income tax benefit of \$19 for the three months and \$2 for the six months ended June 30, 2012, respectively | — | (28 |) — | (3 |
| Reclassification adjustments included in net income, net of income tax benefit of \$6 for the three months and \$13 for the six months ended June 30, 2012, respectively | — | (9 |) — | (20 |
| Other comprehensive income (loss), net of tax | 5 | (38 |) 5 | (17 |
| Comprehensive income (loss) | (65 |) 60 | 232 | 191 |
| Less: Comprehensive income attributable to noncontrolling interests | 24 | 24 | 51 | 41 |
| Comprehensive income (loss) attributable to Edison International | \$(89 |) \$36 | \$181 | \$150 |

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

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| Consolidated Balance Sheets | Edison International | |
|---|----------------------|----------------------|
| (in millions, unaudited) | June 30, 2013 | December 31, 2012 |
| ASSETS | | |
| Cash and cash equivalents | \$148 | \$ 170 |
| Receivables, less allowances of \$66 and \$75 for uncollectible accounts at respective dates | 815 | 762 |
| Accrued unbilled revenue | 741 | 550 |
| Inventory | 267 | 340 |
| Prepaid taxes | 27 | 22 |
| Derivative assets | 91 | 129 |
| Margin and collateral deposits | 8 | 8 |
| Regulatory assets | 803 | 572 |
| Other current assets | 122 | 119 |
| Total current assets | 3,022 | 2,672 |
| Nuclear decommissioning trusts | 4,181 | 4,048 |
| Investments in unconsolidated affiliates | 2 | 2 |
| Other investments | 194 | 184 |
| Total investments | 4,377 | 4,234 |
| Utility property, plant and equipment, less accumulated depreciation of \$7,578 and \$7,424 at respective dates | 29,301 | 30,200 |
| Nonutility property, plant and equipment, less accumulated depreciation of \$69 and \$123 at respective dates | 75 | 73 |
| Total property, plant and equipment | 29,376 | 30,273 |
| Derivative assets | 73 | 85 |
| Restricted deposits | 4 | 4 |
| Regulatory assets | 7,494 | 6,422 |
| Other long-term assets | 681 | 704 |
| Total long-term assets | 8,252 | 7,215 |
| | | |
| Total assets | \$45,027 | \$ 44,394 |

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

| Consolidated Balance Sheets | Edison International | |
|--|----------------------|----------------------|
| | June 30, 2013 | December 31, 2012 |
| (in millions, except share amounts, unaudited) | | |
| LIABILITIES AND EQUITY | | |
| Short-term debt | \$853 | \$ 175 |
| Current portion of long-term debt | 800 | — |
| Accounts payable | 1,288 | 1,423 |
| Accrued taxes | 33 | 61 |
| Accrued interest | 199 | 176 |
| Customer deposits | 199 | 193 |
| Derivative liabilities | 140 | 126 |
| Regulatory liabilities | 493 | 536 |
| Deferred income taxes | 79 | 64 |
| Other current liabilities | 804 | 990 |
| Total current liabilities | 4,888 | 3,744 |
| Long-term debt | 8,830 | 9,231 |
| Deferred income taxes | 6,304 | 6,127 |
| Deferred investment tax credits | 102 | 104 |
| Customer advances | 134 | 149 |
| Derivative liabilities | 1,027 | 939 |
| Pensions and benefits | 2,234 | 2,614 |
| Asset retirement obligations | 3,322 | 2,782 |
| Regulatory liabilities | 4,836 | 5,214 |
| Other deferred credits and other long-term liabilities | 2,242 | 2,299 |
| Total deferred credits and other liabilities | 20,201 | 20,228 |
| Total liabilities | 33,919 | 33,203 |
| Commitments and contingencies (Note 12) | | |
| Common stock, no par value (800,000,000 shares authorized; 325,811,206 shares issued and outstanding at each date) | 2,388 | 2,373 |
| Accumulated other comprehensive loss | (82 |) (87 |
| Retained earnings | 7,049 | 7,146 |
| Total Edison International's common shareholders' equity | 9,355 | 9,432 |
| Preferred and preference stock of utility | 1,753 | 1,759 |
| Total noncontrolling interests | 1,753 | 1,759 |
| Total equity | 11,108 | 11,191 |
| Total liabilities and equity | \$45,027 | \$ 44,394 |

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

| Consolidated Statements of Cash Flows | Edison International | |
|--|---------------------------|---------|
| (in millions, unaudited) | Six months ended June 30, | |
| | 2013 | 2012 |
| Cash flows from operating activities: | | |
| Net income | \$227 | \$208 |
| Less: Income (loss) from discontinued operations | 24 | (193) |
| Income from continuing operations | 203 | 401 |
| Adjustments to reconcile to net cash provided by operating activities: | | |
| Depreciation, decommissioning and amortization | 832 | 788 |
| Regulatory impacts of net nuclear decommissioning trust earnings | 161 | 114 |
| Other amortization and other | 33 | 34 |
| Asset impairment | 575 | — |
| Stock-based compensation | 12 | 16 |
| Deferred income taxes and investment tax credits | 85 | 11 |
| Proceeds from U.S. treasury grants | — | 29 |
| Changes in operating assets and liabilities: | | |
| Receivables | (47) | 10 |
| Inventory | 73 | 15 |
| Margin and collateral deposits, net of collateral received | (67) | (3) |
| Prepaid taxes | (5) | 98 |
| Other current assets | (190) | (204) |
| Accounts payable | 88 | 27 |
| Accrued taxes | (33) | (15) |
| Other current liabilities | (98) | (83) |
| Derivative assets and liabilities, net | 152 | (79) |
| Regulatory assets and liabilities, net | (11) | 252 |
| Other assets | (27) | (19) |
| Other liabilities | (475) | 122 |
| Operating cash flows from continuing operations | 1,261 | 1,514 |
| Operating cash flows from discontinued operations, net | — | (354) |
| Net cash provided by operating activities | 1,261 | 1,160 |
| Cash flows from financing activities: | | |
| Long-term debt issued | 398 | 395 |
| Long-term debt issuance costs | (4) | (4) |
| Long-term debt repaid | (3) | (3) |
| Bonds remarketed, net | 195 | — |
| Bonds purchased | (196) | — |
| Preference stock issued, net | 387 | 805 |
| Preference stock redeemed | (400) | (75) |
| Short-term debt financing, net | 678 | (121) |
| Settlements of stock-based compensation, net | (37) | (30) |
| Dividends to noncontrolling interests | (52) | (29) |
| Dividends paid | (220) | (212) |
| Financing cash flows from continuing operations | 746 | 726 |
| Financing cash flows from discontinued operations, net | — | 300 |
| Net cash provided by financing activities | \$746 | \$1,026 |

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

| Consolidated Statements of Cash Flows | Edison International | |
|--|---------------------------|------------|
| (in millions, unaudited) | Six months ended June 30, | |
| | 2013 | 2012 |
| Cash flows from investing activities: | | |
| Capital expenditures | \$(1,834) | \$(2,125) |
| Proceeds from sale of nuclear decommissioning trust investments | 1,956 | 1,097 |
| Purchases of nuclear decommissioning trust investments and other | (2,128) | (1,222) |
| Customer advances for construction and other investments | (23) | 7 |
| Investing cash flows from continuing operations | (2,029) | (2,243) |
| Investing cash flows from discontinued operations, net | — | (237) |
| Net cash used by investing activities | (2,029) | (2,480) |
| Net decrease in cash and cash equivalents | (22) | (294) |
| Cash and cash equivalents at beginning of period | 170 | 1,469 |
| Cash and cash equivalents at end of period | 148 | 1,175 |
| Cash and cash equivalents from discontinued operations | — | 1,009 |
| Cash and cash equivalents from continuing operations | \$148 | \$166 |

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, unaudited) | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|---------|---------------------------|---------|
| | 2013 | 2012 | 2013 | 2012 |
| Operating revenue | \$3,045 | \$2,651 | \$5,674 | \$5,063 |
| Fuel | 81 | 61 | 154 | 138 |
| Purchased power | 1,076 | 822 | 1,855 | 1,437 |
| Operation and maintenance | 879 | 866 | 1,665 | 1,717 |
| Depreciation, decommissioning and amortization | 417 | 399 | 832 | 788 |
| Property and other taxes | 72 | 73 | 151 | 156 |
| Asset impairment | 575 | — | 575 | — |
| Total operating expenses | 3,100 | 2,221 | 5,232 | 4,236 |
| Operating income (loss) | (55) | 430 | 442 | 827 |
| Interest and other income | 30 | 38 | 61 | 70 |
| Interest expense | (127) | (127) | (253) | (249) |
| Other expenses | (14) | (19) | (21) | (26) |
| Income (loss) before income taxes | (166) | 322 | 229 | 622 |
| Income tax expense (benefit) | (99) | 108 | 13 | 208 |
| Net income (loss) | (67) | 214 | 216 | 414 |
| Less: Dividends on preferred and preference stock | 24 | 23 | 51 | 41 |
| Net income (loss) available for common stock | \$(91) | \$191 | \$165 | \$373 |

Consolidated Statements of Comprehensive Income

| (in millions, unaudited) | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|-------|---------------------------|-------|
| | 2013 | 2012 | 2013 | 2012 |
| Net income (loss) | \$(67) | \$214 | \$216 | \$414 |
| Other comprehensive income (loss), net of tax: | | | | |
| Pension and postretirement benefits other than pensions: | | | | |
| Net loss arising the during period, net of income tax benefit of \$3 for the three months ended June 30, 2012 and \$3 for both the six months ended June 30, 2013 and 2012 | — | (4) | (4) | (4) |
| Amortization of net loss included in net income, net of income tax expense of \$1 for both the three months ended June 30, 2013 and 2012 and \$2 and \$3 for the six months ended June 30, 2013 and 2012, respectively | 2 | 1 | 3 | 4 |
| Other comprehensive income (loss), net of tax | 2 | (3) | (1) | — |
| Comprehensive income (loss) | \$(65) | \$211 | \$215 | \$414 |

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

Consolidated Balance Sheets

Southern California Edison Company

| (in millions, unaudited) | June 30, 2013 | December 31, 2012 |
|---|------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 49 | \$ 45 |
| Receivables, less allowances of \$66 and \$75 for uncollectible accounts at respective dates | 768 | 755 |
| Accrued unbilled revenue | 741 | 550 |
| Inventory | 267 | 340 |
| Prepaid taxes | 22 | 48 |
| Derivative assets | 91 | 129 |
| Regulatory assets | 803 | 572 |
| Other current assets | 129 | 123 |
| Total current assets | 2,870 | 2,562 |
| Nuclear decommissioning trusts | 4,181 | 4,048 |
| Other investments | 127 | 116 |
| Total investments | 4,308 | 4,164 |
| Utility property, plant and equipment, less accumulated depreciation of \$7,578 and \$7,424 at respective dates | 29,301 | 30,200 |
| Nonutility property, plant and equipment, less accumulated depreciation of \$63 and \$117 at respective dates | 73 | 70 |
| Total property, plant and equipment | 29,374 | 30,270 |
| Derivative assets | 73 | 85 |
| Regulatory assets | 7,494 | 6,422 |
| Other long-term assets | 531 | 531 |
| Total long-term assets | 8,098 | 7,038 |
| | | |
| Total assets | \$ 44,650 | \$ 44,034 |

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

Consolidated Balance Sheets

Southern California Edison Company

| (in millions, except share amounts, unaudited) | June 30, 2013 | December 31, 2012 |
|--|------------------|----------------------|
| LIABILITIES AND EQUITY | | |
| Short-term debt | \$ 828 | \$ 175 |
| Current portion of long-term debt | 800 | — |
| Accounts payable | 1,264 | 1,297 |
| Accrued taxes | 36 | 72 |
| Accrued interest | 194 | 172 |
| Customer deposits | 199 | 193 |
| Derivative liabilities | 140 | 126 |
| Regulatory liabilities | 493 | 536 |
| Deferred income taxes | 79 | 81 |
| Other current liabilities | 663 | 861 |
| Total current liabilities | 4,696 | 3,513 |
| Long-term debt | 8,427 | 8,828 |
| Deferred income taxes | 6,819 | 6,669 |
| Deferred investment tax credits | 102 | 104 |
| Customer advances | 134 | 149 |
| Derivative liabilities | 1,027 | 939 |
| Pensions and benefits | 1,727 | 2,245 |
| Asset retirement obligations | 3,322 | 2,782 |
| Regulatory liabilities | 4,836 | 5,214 |
| Other deferred credits and other long-term liabilities | 1,928 | 1,848 |
| Total deferred credits and other liabilities | 19,895 | 19,950 |
| Total liabilities | 33,018 | 32,291 |
| Commitments and contingencies (Note 12) | | |
| 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 | 584 | 581 |
| Accumulated other comprehensive loss | (30 |) (29 |
| Retained earnings | 7,115 | 7,228 |
| Total common shareholder's equity | 9,837 | 9,948 |
| Preferred and preference stock | 1,795 | 1,795 |
| Total equity | 11,632 | 11,743 |
| Total liabilities and equity | \$ 44,650 | \$ 44,034 |

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

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| Consolidated Statements of Cash Flows | Southern California Edison Company | | |
|--|------------------------------------|------|--------|
| (in millions, unaudited) | Six months ended June 30, | 2013 | 2012 |
| Cash flows from operating activities: | | | |
| Net income | \$216 | | \$414 |
| Adjustments to reconcile to net cash provided by operating activities: | | | |
| Depreciation, decommissioning and amortization | 832 | | 788 |
| Regulatory impacts of net nuclear decommissioning trust earnings | 161 | | 114 |
| Other amortization | 35 | | 37 |
| Asset impairment | 575 | | — |
| Stock-based compensation | 7 | | 8 |
| Deferred income taxes and investment tax credits | 50 | | 250 |
| Proceeds from U.S. treasury grants | — | | 29 |
| Changes in operating assets and liabilities: | | | |
| Receivables | (12 |) | 11 |
| Inventory | 73 | | 15 |
| Margin and collateral deposits, net of collateral received | (67 |) | (3 |
| Prepaid taxes | 26 | | 3 |
| Other current assets | (192 |) | (203 |
| Accounts payable | 96 | | 28 |
| Accrued taxes | (36 |) | (14 |
| Other current liabilities | (102 |) | (79 |
| Derivative assets and liabilities, net | 152 | | (72 |
| Regulatory assets and liabilities, net | (11 |) | 245 |
| Other assets | (12 |) | (21 |
| Other liabilities | (466 |) | (39 |
| Net cash provided by operating activities | 1,325 | | 1,511 |
| Cash flows from financing activities: | | | |
| Long-term debt issued | 398 | | 395 |
| Long-term debt issuance costs | (4 |) | (4 |
| Long-term debt repaid | (3 |) | (3 |
| Bonds remarketed, net | 195 | | — |
| Bonds purchased | (196 |) | — |
| Preference stock issued, net | 387 | | 805 |
| Preference stock redeemed | (400 |) | (75 |
| Short-term debt financing, net | 653 | | (125 |
| Settlements of stock-based compensation, net | (34 |) | (20 |
| Dividends paid | (292 |) | (261 |
| Net cash provided by financing activities | 704 | | 712 |
| Cash flows from investing activities: | | | |
| Capital expenditures | (1,834 |) | (2,125 |
| Proceeds from sale of nuclear decommissioning trust investments | 1,956 | | 1,097 |
| Purchases of nuclear decommissioning trust investments and other | (2,128 |) | (1,222 |
| Customer advances for construction and other investments | (19 |) | 11 |
| Net cash used by investing activities | (2,025 |) | (2,239 |
| Net increase (decrease) in cash and cash equivalents | 4 | | (16 |
| Cash and cash equivalents, beginning of period | 45 | | 57 |
| Cash and cash equivalents, end of period | \$49 | | \$41 |

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. Summary of Significant Accounting Policies

Organization and Basis of Presentation

Edison International is the parent holding company of Southern California Edison Company ("SCE"). SCE is an investor-owned public utility primarily engaged in the business of supplying electricity to an approximately 50,000 square mile area of southern California. Edison International is also the parent company of nonutility subsidiaries that are engaged in competitive businesses related to the delivery or use of electricity. Such competitive business activities are currently not material to report as a separate business segment. These combined notes to the consolidated financial statements apply to both Edison International and SCE unless otherwise described. Edison International's consolidated financial statements include the accounts of Edison International, SCE and other wholly owned and controlled subsidiaries. References to Edison International refer to the consolidated group of Edison International and its subsidiaries. References to Edison International Parent and Other refer to Edison International Parent and its nonutility subsidiaries. SCE's consolidated financial statements include the accounts of SCE and its wholly owned and controlled subsidiaries. All intercompany transactions have been eliminated from the consolidated financial statements.

Edison International's and SCE's significant accounting policies were described in Note 1 of "Notes to Consolidated Financial Statements" included in the 2012 Form 10-K. The same accounting policies are followed for interim reporting purposes, with the exception of accounting principles adopted as of January 1, 2013, discussed below in "—New Accounting Guidance." This quarterly report should be read in conjunction with the financial statements and notes included in the 2012 Form 10-K.

Beginning in the fourth quarter of 2012, EME met the definition of a discontinued operation and was classified separately in Edison International's consolidated financial statements. Except as indicated, amounts in the notes to the consolidated financial statements relate to continuing operations of Edison International. See Note 16 for information related to discontinued operations.

In the opinion of management, all adjustments, consisting of recurring accruals, have been made that are necessary to fairly state the consolidated financial position, results of operations and cash flows in accordance with accounting principles generally accepted in the United States of America for the periods covered by this quarterly report on Form 10-Q. The results of operations for the three- and six-month periods ended June 30, 2013 are not necessarily indicative of the operating results for the full year.

The December 31, 2012 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

Cash Equivalents

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

| (in millions) | Edison International | | SCE | |
|--------------------|----------------------|----------------------|------------------|----------------------|
| | June 30, 2013 | December 31, 2012 | June 30, 2013 | December 31, 2012 |
| Money market funds | \$ 72 | \$ 107 | \$ 10 | \$ 5 |

Cash is temporarily invested until required for check clearing from the primary disbursement accounts. 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 | |
|---------------------------------------|----------------------|----------------------|------------------|----------------------|
| | June 30, 2013 | December 31, 2012 | June 30, 2013 | December 31, 2012 |
| Cash reclassified to accounts payable | \$ 160 | \$ 247 | \$ 158 | \$ 242 |

Inventory

Inventory is stated at the lower of cost or market, cost being determined by the weighted-average cost method for fuel, and the average cost method for materials, supplies and spare parts. Inventory consisted of the following:

| (in millions) | June 30, 2013 | December 31, 2012 |
|-------------------------------------|------------------|----------------------|
| Materials, supplies and spare parts | \$ 244 | \$ 319 |
| Fuel | 23 | 21 |
| Total inventory | \$ 267 | \$ 340 |

As a result of the permanent retirement of San Onofre, SCE has reclassified \$100 million of its inventory to a regulatory asset, see Note 9 for further details.

Greenhouse Gas Allowances

SCE is allocated greenhouse gas ("GHG") allowances annually which it is then required to submit to quarterly auctions. GHG proceeds from the auction are recorded as a regulatory liability to be refunded to customers. SCE purchases GHG allowances from quarterly auctions or bilateral parties to satisfy its compliance obligations and recovers such costs of GHG from customers. GHG allowances held for use are classified as "Other current assets" on the consolidated balance sheets and are stated at the lower of weighted-average cost or market.

Earnings Per Share

Edison International computes earnings per 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 stock options, performance shares and restricted stock units, which earn dividend equivalents on an equal basis with common shares. Stock options awarded during the period 2003 through 2006 received dividend equivalents. EPS attributable to Edison International common shareholders was computed as follows:

| (in millions) | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|----------------|---------------------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Basic earnings per share – continuing operations: | | | | |
| Income (loss) from continuing operations available to common shareholders | \$(106) | \$ 183 | \$ 152 | \$ 360 |
| Weighted average common shares outstanding | 326 | 326 | 326 | 326 |
| Basic earnings per share – continuing operations | \$(0.33) | \$0.56 | \$0.47 | \$1.10 |
| Diluted earnings per share – continuing operations: | | | | |
| Income (loss) from continuing operations available to common shareholders | \$(106) | \$ 183 | \$ 152 | \$ 360 |
| Income impact of assumed conversions | — | — | — | — |
| Income (loss) from continuing operations available to common shareholders and assumed conversions | \$(106) | \$ 183 | \$ 152 | \$ 360 |
| Weighted average common shares outstanding | 326 | 326 | 326 | 326 |
| Incremental shares from assumed conversions | — | ¹ 8 | 3 | 7 |
| Adjusted weighted average shares – diluted | 326 | 334 | 329 | 333 |
| Diluted earnings per share – continuing operations | \$(0.33) | \$0.55 | \$0.47 | \$1.08 |

¹ Due to a loss for the three months ended June 30, 2013, there were no incremental shares in the computation because such shares would be considered antidilutive.

Stock-based compensation awards to purchase 3,266,857 shares of common stock for the three months ended June 30, 2012, and 1,587,370 and 4,928,510 for the six months ended June 30, 2013 and 2012, respectively, were outstanding, but were not included in the computation of diluted earnings per share because the exercise price of the awards was greater than the average market price of the common shares during the respective periods and, therefore, the effect would have been antidilutive.

Asset Retirement Obligation

SCE is in the process of developing a comprehensive decommissioning plan following its decision to permanently retire San Onofre. See Note 9 for further details. The total asset retirement obligation ("ARO") liability related to San Onofre was revised in the second quarter of 2013 based on an updated decommissioning cost estimate for the retirement of both San Onofre Units 2 and 3. The revised ARO liability at June 30, 2013 related to San Onofre increased \$455 million to \$2.7 billion.

The following table summarizes the changes in SCE's ARO liability, including San Onofre and Palo Verde:

| (in millions) | June 30, 2013 | December 31, 2012 |
|---------------------|------------------|----------------------|
| Beginning balance | \$2,782 | \$2,610 |
| Accretion expense | 85 | 161 |
| Revisions | 455 | 12 |
| Liabilities settled | — | (1) |
| Ending balance | \$3,322 | \$2,782 |

New Accounting Guidance

Accounting Guidance Adopted in 2013

Offsetting Assets and Liabilities

In January 2013, the FASB issued accounting standards updates modifying the disclosure requirements about the nature of an entity's rights of offsetting recognized assets and liabilities in the statement of financial position under master netting agreements and similar arrangements associated with derivative instruments, repurchase agreements and securities lending transactions. The guidance requires increased disclosure of the gross and net recognized assets and liabilities, collateral positions and descriptions of setoff rights. Edison International and SCE adopted this guidance effective January 1, 2013. The adoption of this standard did not impact the consolidated income statements, balance sheets or cash flows of Edison International or SCE.

Items Reclassified out of Accumulated Other Comprehensive Income

In February 2013, the FASB issued an accounting standards update which requires disclosure related to items reclassified out of AOCI. The guidance requires companies to present separately, for each component of other comprehensive income, current period reclassifications and the remainder of the current-period other comprehensive income. In addition, for certain current period reclassifications, an entity is required to disclose the effect of the item reclassified out of AOCI on the respective line item(s) of net income. Edison International and SCE adopted this guidance effective January 1, 2013. See Note 14 for further details.

Accounting Guidance Not Yet Adopted

In July 2013, the FASB issued an accounting standards update that will require that an unrecognized tax benefit be presented on the balance sheet as a reduction of a deferred tax asset for a net operating loss ("NOL") or tax credit carryforward under certain circumstances. This proposal is effective January 1, 2014 and is not expected to have a material impact on the consolidated financial statements.

Note 2. Consolidated Statements of Changes in Equity

The following table provides Edison International's changes in equity for the six months ended June 30, 2013:

| (in millions) | Equity Attributable to Edison International | | | | Noncontrolling Interests | | Total Equity |
|--|---|--------------------------------------|-------------------|----------|--------------------------------|--|--------------|
| | Common Stock | Accumulated Other Comprehensive Loss | Retained Earnings | Subtotal | Preferred and Preference Stock | | |
| Balance at December 31, 2012 | \$2,373 | \$(87) | \$7,146 | \$9,432 | \$1,759 | | \$11,191 |
| Net income | — | — | 176 | 176 | 51 | | 227 |
| Other comprehensive income | — | 5 | — | 5 | — | | 5 |
| Common stock dividends declared (\$0.675 per share) | — | — | (220) | (220) | — | | (220) |
| Dividends, distributions to noncontrolling interests | — | — | — | — | (51) | | (51) |
| Stock-based compensation and other | 3 | — | (40) | (37) | — | | (37) |
| Noncash stock-based compensation and other | 12 | — | (5) | 7 | (1) | | 6 |
| Issuance of preference stock | — | — | — | — | 387 | | 387 |
| Redemption of preference stock | — | — | (8) | (8) | (392) | | (400) |
| Balance at June 30, 2013 | \$2,388 | \$(82) | \$7,049 | \$9,355 | \$1,753 | | \$11,108 |

During the first quarter of 2013, SCE redeemed all outstanding shares of Series B and C preference stock and charged the issuance costs to retained earnings.

The following table provides Edison International's changes in equity for the six months ended June 30, 2012:

| (in millions) | Equity Attributable to Edison International | | | | Noncontrolling Interests | | Total Equity |
|--|---|--------------------------------------|-------------------|----------|--------------------------|--------------------------------|--------------|
| | Common Stock | Accumulated Other Comprehensive Loss | Retained Earnings | Subtotal | Other | Preferred and Preference Stock | |
| Balance at December 31, 2011 | \$2,360 | \$(139) | \$7,834 | \$10,055 | \$2 | \$1,029 | \$11,086 |
| Net income | — | — | 167 | 167 | — | 41 | 208 |
| Other comprehensive loss | — | (17) | — | (17) | — | — | (17) |
| Contributions from noncontrolling interests | — | — | — | — | 238 | — | 238 |
| Transfer of assets to Capistrano Wind Partners | (21) | — | — | (21) | — | — | (21) |
| Common stock dividends declared (\$0.65 per share) | — | — | (212) | (212) | — | — | (212) |
| Dividends, distributions to noncontrolling interests and other | — | — | — | — | — | (41) | (41) |
| Stock-based compensation and other | 15 | — | (56) | (41) | — | — | (41) |
| | 17 | — | (2) | 15 | — | — | 15 |

| | | | | | | | |
|--|---------|--------|-----------|---------|-------|---------|----------|
| Noncash stock-based compensation and other | | | | | | | |
| Issuance of preference stock | — | — | — | — | — | 805 | 805 |
| Redemption of preference stock | — | — | (1 |) (1 |) — | (74 |) (75 |
| Balance at June 30, 2012 | \$2,371 | \$(156 |) \$7,730 | \$9,945 | \$240 | \$1,760 | \$11,945 |

The following table provides SCE's changes in equity for the six months ended June 30, 2013:

| (in millions) | Equity Attributable to SCE | | | | | |
|--|----------------------------|----------------------------|--------------------------------------|-------------------|--------------------------------|--------------|
| | Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Preferred and Preference Stock | Total Equity |
| Balance at December 31, 2012 | \$2,168 | \$581 | \$(29) | \$7,228 | \$1,795 | \$11,743 |
| Net income | — | — | — | 216 | — | 216 |
| Other comprehensive loss | — | — | (1) | — | — | (1) |
| Dividends declared on common stock | — | — | — | (240) | — | (240) |
| Dividends declared on preferred and preference stock | — | — | — | (51) | — | (51) |
| Stock-based compensation and other | — | 1 | — | (35) | — | (34) |
| Noncash stock-based compensation and other | — | 7 | — | 5 | — | 12 |
| Issuance of preference stock | — | (13) | — | — | 400 | 387 |
| Redemption of preference stock | — | 8 | — | (8) | (400) | (400) |
| Balance at June 30, 2013 | \$2,168 | \$584 | \$(30) | \$7,115 | \$1,795 | \$11,632 |

During the first quarter of 2013, SCE redeemed all outstanding shares of Series B and C preference stock and charged the issuance costs to retained earnings.

The following table provides SCE's changes in equity for the six months ended June 30, 2012:

| (in millions) | Equity Attributable to SCE | | | | | |
|--|----------------------------|----------------------------|--------------------------------------|-------------------|--------------------------------|--------------|
| | Common Stock | Additional Paid-in Capital | Accumulated Other Comprehensive Loss | Retained Earnings | Preferred and Preference Stock | Total Equity |
| Balance at December 31, 2011 | \$2,168 | \$596 | \$(24) | \$6,173 | \$1,045 | \$9,958 |
| Net income | — | — | — | 414 | — | 414 |
| Dividends declared on common stock | — | — | — | (233) | — | (233) |
| Dividends declared on preferred and preference stock | — | — | — | (41) | — | (41) |
| Stock-based compensation and other | — | 10 | — | (30) | — | (20) |
| Noncash stock-based compensation and other | — | 8 | — | — | — | 8 |
| Issuance of preference stock | — | (20) | — | — | 825 | 805 |
| Redemption of preference stock | — | 1 | — | (1) | (75) | (75) |
| Balance at June 30, 2012 | \$2,168 | \$595 | \$(24) | \$6,282 | \$1,795 | \$10,816 |

Note 3. Variable Interest Entities

Variable Interest in VIEs that are not Consolidated

Power Purchase Contracts

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

As of the balance sheet date, the carrying amount of assets and liabilities in SCE's consolidated balance sheet that relate to its involvement with VIEs result from amounts due under the PPAs or the fair value of those derivative contracts. Under these contracts, SCE recovers the costs incurred through demonstration of compliance with its CPUC-approved long-term power procurement plans. SCE has no residual interest in the entities and has not provided or guaranteed any debt or equity support, liquidity arrangements, performance guarantees or other commitments associated with these contracts other than the purchase commitments described in Note 9 in the 2012 Form 10-K. As a result, there is no significant potential exposure to loss to SCE from its variable interest in these VIEs. The aggregate contracted capacity dedicated to SCE for these VIE projects was 4,057 MW and 2,014 MW at June 30, 2013 and 2012, respectively, and the amounts that SCE paid to these projects were \$99 million and \$57 million for the three months ended June 30, 2013 and 2012, respectively, and \$197 million and \$134 million for the six months ended June 30, 2013 and 2012, respectively. These amounts are recoverable in customer rates, subject to reasonableness review. As of June 30, 2013, SCE has additional VIE contracts with future aggregate contracted capacity of 1,358 MW to be delivered starting in August 2013 and January 2014.

Unconsolidated Trusts of SCE

SCE Trust I and Trust II were formed in 2012 and 2013, respectively, for the exclusive purpose of issuing the 5.625% and 5.10% 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.

In May 2012, SCE Trust I issued \$475 million (aggregate liquidation preference) of 5.625% trust securities (cumulative, liquidation amount of \$25 per share) to the public and \$10,000 of common stock (100%) to SCE. The trust invested the proceeds of these trust securities in Series F Preference Stock issued by SCE in the principal amount of \$475 million (cumulative, \$2,500 per share liquidation value) and which have substantially the same payment terms as the trust securities.

In January 2013, SCE Trust II issued \$400 million (aggregate liquidation preference) of 5.10% trust securities (cumulative, liquidation amount of \$25 per share) to the public and \$10,000 of common stock (100%) to SCE. The trust invested the proceeds of these trust securities in Series G Preference Stock issued by SCE in the principal amount of \$400 million (cumulative, \$2,500 per share liquidation value) and which have substantially the same payment terms as the trust securities.

The Series F and Series G Preference Stock and the corresponding trust securities do not have a maturity date. Upon any redemption of any shares of the Series F or Series G Preference Stock, a corresponding dollar amount of trust securities will be redeemed by the applicable trust (for further information see Note 13). The applicable trust will make distributions at the same rate and on the same dates on the applicable series of trust securities when and if the SCE board of directors declares and makes dividend payments on the Series F or Series G Preference Stock. The applicable trusts will use any dividends it receives on the Series F or Series G Preference Stock to make its corresponding distributions on the applicable series of trust securities. If SCE does not make a dividend payment to either trust, SCE would be prohibited from paying dividends on its common stock. SCE has fully and unconditionally guaranteed the payment of the trust securities and trust distributions, if and when SCE pays dividends on the Series F and Series G Preference Stock.

The Trust I balance sheet as of June 30, 2013 and December 31, 2012, consisted of an investment of \$475 million in the Series F Preference Stock, \$475 million of trust securities and \$10,000 of common stock. The trust's income statement consisted of dividend income and dividend distributions of \$6 million and \$3 million each for the three months ended June 30, 2013 and 2012, respectively, and \$13 million and \$3 million each for the six months ended June 30, 2013 and 2012, respectively.

The Trust II balance sheet as of June 30, 2013, consisted of an investment of \$400 million in the Series G Preference Stock, \$400 million of trust securities and \$10,000 of common stock. The trust's income statement consisted of dividend income and dividend distributions of \$5 million each for the three months ended June 30, 2013 and \$9 million each for the six months ended June 30, 2013.

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 June 30, 2013 and December 31, 2012, 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. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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) | June 30, 2013 | | | Netting and Collateral ¹ | Total |
|---|----------------|----------------|-----------------|---|----------------|
| | Level 1 | Level 2 | Level 3 | | |
| Assets at Fair Value | | | | | |
| Money market funds | \$10 | \$— | \$— | \$— | \$10 |
| Mutual funds | 28 | — | — | — | 28 |
| Derivative contracts: | | | | | |
| Congestion Revenue Rights | — | — | 137 | — | 137 |
| Electricity | — | — | 17 | (10) | 7 |
| Natural gas | — | 13 | — | (1) | 12 |
| Tolling | — | — | 8 | — | 8 |
| Subtotal of derivative contracts | — | 13 | 162 | (11) | 164 |
| Long-term disability plan | 8 | — | — | — | 8 |
| Nuclear decommissioning trusts: | | | | | |
| Stocks ² | 2,085 | — | — | — | 2,085 |
| U.S. government and agency securities | 881 | 144 | — | — | 1,025 |
| Municipal bonds | — | 592 | — | — | 592 |
| Corporate bonds ³ | — | 347 | — | — | 347 |
| Short-term investments, primarily cash equivalents ⁴ | 168 | 112 | — | — | 280 |
| Subtotal of nuclear decommissioning trusts | 3,134 | 1,195 | — | — | 4,329 |
| Total assets | 3,180 | 1,208 | 162 | (11) | 4,539 |
| Liabilities at Fair Value | | | | | |
| Derivative contracts: | | | | | |
| Electricity | — | 2 | 6 | (1) | 7 |
| Natural gas | — | 68 | — | (31) | 37 |
| Tolling | — | — | 1,123 | — | 1,123 |
| Subtotal of derivative contracts | — | 70 | 1,129 | (32) | 1,167 |
| Total liabilities | — | 70 | 1,129 | (32) | 1,167 |
| Net assets (liabilities) | \$3,180 | \$1,138 | \$(967) | \$21 | \$3,372 |

| (in millions) | December 31, 2012 | | | Netting and Collateral ¹ | Total |
|---|-------------------|---------|----------|---|---------|
| | Level 1 | Level 2 | Level 3 | | |
| Assets at Fair Value | | | | | |
| Money market funds | \$5 | \$— | \$— | \$— | \$5 |
| Derivative contracts: | | | | | |
| Congestion Revenue Rights | — | — | 186 | — | 186 |
| Electricity | — | — | 31 | (13) | 18 |
| Natural gas | — | 8 | — | (2) | 6 |
| Tolling | — | — | 4 | — | 4 |
| Subtotal of derivative contracts | — | 8 | 221 | (15) | 214 |
| Long-term disability plan | 8 | — | — | — | 8 |
| Nuclear decommissioning trusts: | | | | | |
| Stocks ² | 2,271 | — | — | — | 2,271 |
| Municipal bonds | — | 644 | — | — | 644 |
| U.S. government and agency securities | 477 | 126 | — | — | 603 |
| Corporate bonds ³ | — | 410 | — | — | 410 |
| Short-term investments, primarily cash equivalents ⁴ | 121 | — | — | — | 121 |
| Subtotal of nuclear decommissioning trusts | 2,869 | 1,180 | — | — | 4,049 |
| Total assets | 2,882 | 1,188 | 221 | (15) | 4,276 |
| Liabilities at Fair Value | | | | | |
| Derivative contracts: | | | | | |
| Electricity | — | 2 | 5 | (2) | 5 |
| Natural gas | — | 113 | 2 | (60) | 55 |
| Tolling | — | — | 1,005 | — | 1,005 |
| Subtotal of derivative contracts | — | 115 | 1,012 | (62) | 1,065 |
| Total liabilities | — | 115 | 1,012 | (62) | 1,065 |
| Net assets (liabilities) | \$2,882 | \$1,073 | \$(791) | \$47 | \$3,211 |

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

² Approximately 70% and 66% of SCE's equity investments were located in the United States at June 30, 2013 and December 31, 2012, respectively.

³ At June 30, 2013 and December 31, 2012, SCE's corporate bonds were diversified and included collateralized mortgage obligations and other asset backed securities of \$58 million and \$56 million, respectively.

⁴ Excludes net payables of \$148 million and \$1 million at June 30, 2013 and December 31, 2012, respectively, 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

Assets measured at fair value consisted of money market funds of \$72 million and \$107 million at June 30, 2013 and December 31, 2012, 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) | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|------------|---------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Fair value of net liabilities at beginning of period | \$ (882) | \$ (1,097) | \$ (791) | \$ (754) |
| Total realized/unrealized gains (losses): | | | | |
| Included in regulatory assets and liabilities ¹ | (76) | 341 | (158) | (23) |
| Purchases | 20 | 29 | 38 | 50 |
| Settlements | (29) | (12) | (56) | (12) |
| Fair value of net liabilities at end of period | \$ (967) | \$ (739) | \$ (967) | \$ (739) |
| Change during the period in unrealized losses related to assets and liabilities held at the end of the period | \$ (43) | \$ 335 | \$ (125) | \$ (8) |

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

Edison International and SCE recognize the fair value for transfers in and transfers out of each level at the end of each reporting period. There were no transfers between any levels during 2013 and 2012.

Valuation Techniques Used to Determine Fair Value

Level 1

The fair value of Edison International 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 and derivatives, U.S. treasury securities, mutual funds and money market funds.

Level 2

SCE's Level 2 assets and liabilities include fixed income securities 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. For further discussion on fixed income securities, see "—Nuclear Decommissioning Trusts" below. The fair value of SCE's over-the-counter derivative contracts is determined using an income approach. SCE uses standard pricing models to determine the net present value of estimated future cash flows. Inputs to the pricing models include forward published or posted clearing prices from exchanges (New York Mercantile Exchange and Intercontinental Exchange) for similar instruments and discount rates. A primary price source that best represents trade activity for each market is used to develop observable forward market prices in determining the fair value of these positions. Broker quotes, prices from exchanges or comparison to executed trades are used to validate and corroborate the primary price source. These price quotations reflect mid-market prices (average of bid and ask) and are obtained from sources believed to provide the most liquid market for the commodity.

Level 3

The fair value of SCE's Level 3 assets and liabilities is determined using the income approach through various models and techniques that require significant unobservable inputs. This level includes over-the-counter options, tolling arrangements and derivative contracts that trade infrequently such as congestion revenue rights ("CRRs") and long-term power agreements.

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

Level 3 Valuation Process

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 Level 3 assets and liabilities:

| | Fair Value (in millions) | | Valuation Technique(s) | Significant Unobservable Input | Range (Weighted Average) |
|----------------------------|--------------------------|-------------|-------------------------|--|---|
| | Assets | Liabilities | | | |
| June 30, 2013 | | | | | |
| Electricity: | | | | | |
| Options | \$22 | \$7 | Option model | Volatility of gas prices Volatility of power prices | 23% - 32% (29%) 28% - 81% (44%) |
| Forwards | 1 | 5 | Discounted cash flow | Power prices | \$45.20 - \$55.50 (\$49.60) |
| CRRs | 137 | — | Market simulation model | Load forecast | \$23.90 - \$49.30 (\$40.20) 7,597 MW - 26,612 MW |
| Tolling | 8 | 1,123 | Option model | Power prices Gas prices Volatility of gas prices Volatility of power prices | \$(13.90) - \$226.75 \$2.95 - \$7.78 15% - 32% (20%) 25% - 81% (29%) |
| Netting | (6 |) (6 |) | | |
| Total derivative contracts | \$162 | \$1,129 | | | |
| | | | | | |
| | Fair Value (in millions) | | Valuation Technique(s) | Significant Unobservable Input | Range (Weighted Average) |
| | Assets | Liabilities | | | |
| December 31, 2012 | | | | | |
| Electricity: | | | | | |
| Options | \$40 | \$12 | Option model | Volatility of gas prices Volatility of power prices | 25% - 36% (33%) 29% - 64% (42%) |
| Forwards | 2 | 4 | Discounted cash flow | Power prices | \$41.70 - \$59.20 (\$47.00) |
| CRRs | 186 | — | Market simulation model | Load forecast | \$23.10 - \$44.90 (\$31.10) 7,597 MW - 26,612 MW |
| Gas options | — | 2 | Option model | Power prices Gas prices Volatility of gas prices | \$(13.90) - \$226.75 \$2.95 - \$7.78 28% - 36% (34%) |
| Tolling | 4 | 1,005 | Option model | Volatility of gas prices Volatility of power prices | 17% - 36% (22%) 26% - 64% (29%) |

Power prices \$35.00 - \$84.10 (\$55.40)

| | | | |
|----------------------------|-------|---------|---|
| Netting | (11 |) (11 |) |
| Total derivative contracts | \$221 | \$1,012 | |

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Level 3 Fair Value Sensitivity

Gas Options, Electricity Options, and Tolling Arrangements

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

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

Forward Power Contracts

Generally, an increase (decrease) in long-term forward power prices at illiquid locations where SCE is the buyer relative to the contract price will increase (decrease) fair value.

Congestion Revenue Rights

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.

Fair Value of Long-Term Debt Recorded at Carrying Value

The carrying value and fair value of Edison International and SCE's long-term debt is as follows:

| (in millions) | June 30, 2013 | | December 31, 2012 | |
|----------------------|----------------|------------|-------------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| SCE | \$9,227 | \$10,168 | \$8,828 | \$10,505 |
| Edison International | 9,630 | 10,593 | 9,231 | 10,944 |

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

The carrying value of Edison International 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

In March 2013, SCE issued \$400 million of 3.90% first and refunding mortgage bonds due in 2043. The proceeds from these bonds were used to repay commercial paper borrowings and to fund SCE's capital program.

Credit Agreements and Short-Term Debt

At June 30, 2013, SCE's outstanding commercial paper was \$828 million at a weighted-average interest rate of 0.27%. This commercial paper was supported by a \$2.75 billion multi-year revolving credit facility. At June 30, 2013, letters of credit issued under SCE's credit facility aggregated \$96 million and are scheduled to expire in twelve months or less. At December 31, 2012, the outstanding commercial paper was \$175 million at a weighted-average interest rate of 0.37%.

At June 30, 2013, Edison International Parent's outstanding short-term debt was \$25 million at a weighted-average interest rate of 1.48%. This short-term debt was supported by a \$1.25 billion multi-year revolving credit facility. At December 31, 2012, Edison International had no outstanding short-term debt.

On July 18, 2013, SCE and Edison International Parent amended their credit facilities to extend the maturity dates to July 2018 for \$2.6 billion and \$1.182 billion, respectively. The remaining \$150 million and \$68 million of the SCE and Edison International Parent credit facilities, respectively, will mature in May 2017.

Note 6. Derivative Instruments

Derivative financial instruments are used to manage exposure to commodity price risk. SCE manages commodity price risk in part by entering into forward commodity transactions, including options, swaps and forwards, tolling arrangements and CRRs. To mitigate credit and default risk SCE enters into master netting agreements or similar agreements whenever possible. These transactions are approved by the CPUC or executed in compliance with CPUC-approved procurement plans. SCE recovers its related hedging costs through the energy resource recovery account ("ERRA"), and as a result, exposure to commodity price and credit and default risks are not expected to impact earnings, but may impact cash flows.

Commodity Price Risk

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

Credit and Default Risk

Credit and default risk represents 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 allows counterparties subject to the agreement to set-off 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 credit 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 pay the derivative liability or post additional collateral. The net fair value of all derivative liabilities with these credit-risk-related contingent features was \$59 million and \$6 million as of June 30, 2013 and December 31, 2012, respectively, for which SCE has posted no collateral to its counterparties for the respective periods. If the credit-risk-related contingent features underlying these agreements were triggered on June 30, 2013, SCE would be required to post collateral in the amount of \$6 million, excluding the impact of unpaid

closed positions as their settlement is not impacted by the credit-risk-related contingent features.

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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. The following table summarizes the gross and net fair values of SCE's commodity derivative instruments:

| (in millions) | June 30, 2013 | | | Derivative Liabilities | | | Net Liability |
|--|-------------------|-----------|----------|------------------------|-----------|----------|---------------|
| | Short-Term | Long-Term | Subtotal | Short-Term | Long-Term | Subtotal | |
| Commodity derivative contracts | | | | | | | |
| Gross amounts recognized | \$106 | \$74 | \$180 | \$170 | \$1,035 | \$1,205 | \$1,025 |
| Gross amounts offset in the consolidated balance sheets | (15) | (1) | (16) | (15) | (1) | (16) | — |
| Cash collateral posted ¹ | — | — | — | (15) | (7) | (22) | (22) |
| Net amounts presented in the consolidated balance sheets | \$91 | \$73 | \$164 | \$140 | \$1,027 | \$1,167 | \$1,003 |
| | December 31, 2012 | | | Derivative Liabilities | | | |
| (in millions) | Short-Term | Long-Term | Subtotal | Short-Term | Long-Term | Subtotal | Net Liability |
| Commodity derivative contracts | | | | | | | |
| Gross amounts recognized | \$151 | \$91 | \$242 | \$186 | \$954 | \$1,140 | \$898 |
| Gross amounts offset in the consolidated balance sheets | (22) | (6) | (28) | (22) | (6) | (28) | — |
| Cash collateral posted ¹ | — | — | — | (38) | (9) | (47) | (47) |
| Net amounts presented in the consolidated balance sheets | \$129 | \$85 | \$214 | \$126 | \$939 | \$1,065 | \$851 |

¹ In addition, SCE has posted \$8 million of collateral that is not offset against the derivative liabilities and is reflected in "Other current assets" on both the June 30, 2013 and December 31, 2012 consolidated balance sheets.

Income Statement Impact of Derivative Instruments

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

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

| (in millions) | Three months ended June 30, | | Six months ended June 30, | |
|-----------------|-----------------------------|---------|---------------------------|----------|
| | 2013 | 2012 | 2013 | 2012 |
| Realized losses | \$(7) | \$(67) | \$(23) | \$(122) |

| | | | | | | |
|---------------------------|-----|---|-----|------|---|----|
| Unrealized gains (losses) | (64 |) | 423 | (118 |) | 62 |
|---------------------------|-----|---|-----|------|---|----|

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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 | |
|---|-----------------|------------------|----------------------|
| | | June 30, 2013 | December 31, 2012 |
| Electricity options, swaps and forwards | GWh | 11,460 | 15,884 |
| Natural gas options, swaps and forwards | Bcf | 38 | 100 |
| Congestion revenue rights | GWh | 124,973 | 149,774 |
| Tolling arrangements | GWh | 99,926 | 101,485 |

Note 7. Income Taxes

Effective Tax Rate

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

| (in millions) | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|-------|---------------------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Edison International: | | | | |
| Income (loss) from continuing operations before income taxes | \$(184) | \$307 | \$199 | \$593 |
| Provision for income tax at federal statutory rate of 35% | (64) | 107 | 70 | 207 |
| Increase (decrease) in income tax from: | | | | |
| State tax, net of federal benefit | (20) | 8 | (17) | 14 |
| Property-related | (22) | (10) | (64) | (19) |
| Uncertain tax positions | 11 | — | 18 | 1 |
| Other | (7) | (5) | (11) | (11) |
| Total income tax expense (benefit) from continuing operations | \$(102) | \$100 | \$(4) | \$192 |
| Effective tax rate | * | 32.6 | % * | 32.4 |
| SCE: | | | | |
| Income (loss) from continuing operations before income taxes | \$(166) | \$322 | \$229 | \$622 |
| Provision for income tax at federal statutory rate of 35% | (58) | 113 | 80 | 218 |
| Increase (decrease) in income tax from: | | | | |
| State tax, net of federal benefit | (23) | 10 | (9) | 20 |
| Property-related | (22) | (10) | (64) | (20) |
| Uncertain tax positions | 11 | (1) | 17 | — |
| Other | (7) | (4) | (11) | (10) |
| Total income tax expense (benefit) from continuing operations | \$(99) | \$108 | \$13 | \$208 |
| Effective tax rate | * | 33.5 | % 5.7 | % 33.4 |

* Not meaningful

The CPUC requires flow-through ratemaking treatment for the current tax benefit arising from certain property-related and other temporary differences which reverse over time. The accounting treatment for these temporary differences results in recording regulatory assets and liabilities for amounts that would otherwise be recorded to deferred income tax expense.

Property-related items include recognition of income tax benefits from repair deductions for income tax purposes.

Tax Disputes

Edison International's federal income tax returns and its California combined franchise tax returns are currently open for years subsequent to 2002. In addition, specific California refund claims made by Edison International for years 1991 through 2002 are currently under review by the Franchise Tax Board.

Tax Years 2003 – 2006

The IRS examination phase of tax years 2003 through 2006 was completed in the fourth quarter of 2010, which included proposed adjustments for the following two items:

A proposed adjustment increasing the taxable gain on the 2004 sale of EME's international assets, which if sustained, would result in a federal tax payment of approximately \$203 million, including interest and penalties through June 30, 2013 (the IRS has asserted a 40% penalty for understatement of tax liability related to this matter).

A proposed adjustment to disallow a component of SCE's repair allowance deduction, which if sustained, would result in a federal tax payment of approximately \$98 million, including interest through June 30, 2013.

Edison International disagrees with the proposed adjustments and filed a protest with the IRS in the first quarter of 2011. The appeals process to date has not resulted in a change in the proposed adjustment by the IRS on the taxable gain on the 2004 sale of EME's international assets. If a deficiency notice is issued on this item, it would require payment of the tax, interest and any penalties within 90 days of its issuance or a filing of a petition in United States Tax Court.

Tax Years 2007 – 2009

The IRS examination phase of tax years 2007 through 2009 was completed during the first quarter of 2013. Edison International received a Revenue Agent Report from the IRS on February 28, 2013 which included a proposed adjustment to disallow a component of SCE's repair allowance deduction (similar to the 2003 – 2006 tax years). The proposed adjustment to disallow a component of SCE's repair allowance deduction, which if sustained, would result in a federal tax payment of approximately \$74 million, including interest through June 30, 2013. Edison International disagrees with the proposed adjustments and filed a protest with the IRS in April 2013.

Note 8. Compensation and Benefit Plans

Pension Plans

Edison International made contributions of \$104 million during the six months ended June 30, 2013, which includes contributions of \$94 million by SCE. Edison International expects to make \$86 million during the remainder of 2013, which includes \$70 million from SCE. Annual contributions made to most of SCE's pension plans are anticipated to be recovered through CPUC-approved regulatory mechanisms. Annual contributions to these plans are expected to be, at a minimum, equal to the related annual expense.

Expense components for continuing operations are:

| (in millions) | Three months ended June 30, | | Six months ended June 30, | |
|---------------------------------------|-----------------------------|-------|---------------------------|--------|
| | 2013 | 2012 | 2013 | 2012 |
| Edison International: | | | | |
| Service cost | \$38 | \$39 | \$76 | \$77 |
| Interest cost | 42 | 45 | 84 | 91 |
| Expected return on plan assets | (57) | (55) | (114) | (111) |
| Settlement costs | 49 | — | 49 | — |
| Amortization of prior service cost | 1 | 1 | 2 | 2 |
| Amortization of net loss ¹ | 15 | 16 | 30 | 33 |
| Expense under accounting standards | \$88 | \$46 | \$127 | \$92 |
| Regulatory adjustment (deferred) | (31) | 27 | (14) | 54 |
| Total expense recognized | \$57 | \$73 | \$113 | \$146 |
| SCE: | | | | |
| Service cost | \$37 | \$37 | \$74 | \$74 |
| Interest cost | 41 | 45 | 82 | 90 |
| Expected return on plan assets | (57) | (55) | (114) | (110) |
| Settlement costs | 48 | — | 48 | — |
| Amortization of prior service cost | 1 | 1 | 2 | 2 |
| Amortization of net loss ¹ | 14 | 15 | 28 | 30 |
| Expense under accounting standards | \$84 | \$43 | \$120 | \$86 |
| Regulatory adjustment (deferred) | (31) | 27 | (14) | 54 |
| Total expense recognized | \$53 | \$70 | \$106 | \$140 |

Includes the amount of net loss reclassified from other comprehensive loss. The amount reclassified for Edison

¹ International and SCE was \$4 million and \$3 million for the three months ended June 30, 2013, respectively, and \$7 million and \$5 million for the six months ended June 30, 2013, respectively.

Under GAAP, a settlement is recorded when lump-sum payments exceed estimated annual service and interest costs. As of May 31, 2013, lump-sum payments to employees retiring in 2013 from the SCE Retirement Plan (primary due to workforce reductions described below) exceeded the estimated service and interest costs for the year. A settlement requires remeasurement of both the plan pension obligations and plan assets as of the date of the settlement. The remeasurement of the SCE Retirement Plan as of May 31, 2013 resulted in an actuarial gain of \$369 million, including \$362 million for SCE. The actuarial gain is primarily due to an increase in the discount rate to 4.25% from 3.75% (due to higher interest rates) and performance of the plan assets from January 1 to May 31, 2013.

After remeasurement, GAAP requires an acceleration of a portion of unrecognized net losses attributable to such lump-sum payments as additional pension expense. The additional pension expense from acceleration of the portion of unrecognized net losses during the second quarter of 2013 was \$49 million, including \$48 million for SCE. The additional pension expense related to SCE did not impact net income as such amounts are probable of recovery through future rates.

The projected benefit obligations exceeded the fair value of the SCE Retirement Plan assets by \$658 million at May 31, 2013 compared to \$1.1 billion at December 31, 2012.

Postretirement Benefits Other Than Pensions

Edison International made contributions of \$15 million during the six months ended June 30, 2013 and expects to make \$20 million during the remainder of 2013, all of which are expected to be made by SCE. Annual contributions made to SCE plans are anticipated to be recovered through CPUC-approved regulatory mechanisms and are expected to be, at a minimum, equal to the total annual expense for these plans. Benefits under these plans, with some exceptions, are generally unvested and subject to change.

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Expense components for continuing operations are:

| (in millions) | Three months ended June | | Six months ended June 30, | |
|---|-------------------------|-------|---------------------------|-------|
| | 30, 2013 | 2012 | 2013 | 2012 |
| Edison International: | | | | |
| Service cost | \$ 14 | \$ 12 | \$ 28 | \$ 24 |
| Interest cost | 26 | 29 | 52 | 57 |
| Expected return on plan assets | (30) | (27) | (60) | (54) |
| Special termination benefits ¹ | 10 | — | 10 | — |
| Amortization of prior service credit | (9) | (9) | (18) | (18) |
| Amortization of net loss ² | 7 | 11 | 14 | 23 |
| Total expense | \$ 18 | \$ 16 | \$ 26 | \$ 32 |
| SCE: | | | | |
| Service cost | \$ 14 | \$ 12 | \$ 27 | \$ 24 |
| Interest cost | 26 | 28 | 52 | 56 |