Executive Summary of Revised Settlement and Utility Shareholder Agreements

On January 30, 2018, Edison International's subsidiary, Southern California Edison Company ("SCE"), San Diego Gas & Electric Co. ("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, The Office of Ratepayer Advocates, The Utility Reform Network, and Women's Energy Matters (together, the "Parties") entered into a settlement agreement ("Revised Settlement Agreement") in the San Onofre Nuclear Generating Station Units 2 and 3 ("San Onofre") Order Instituting Investigation proceeding ("OII"). If approved by the California Public Utilities Commission ("CPUC"), the Revised Settlement Agreement will resolve all issues under consideration in the OII and will modify the prior settlement agreement approved by the CPUC in November 2014 ("Prior Settlement Agreement"). If approved by the CPUC, the Revised 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 Settlement Agreement was the result of multiple mediation sessions in 2017 and January 2018 and was signed January 30, 2018 following a settlement conference in the OII, as required under CPUC rules.

In connection with the Revised Settlement Agreement, and in exchange for the release of certain San Onofre-related claims, SCE and SDG&E (collectively, "Utilities") have 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 Settlement Agreement but will not receive upon implementation of the Revised Settlement Agreement.

Implementation of the terms of the Revised Settlement Agreement is subject to the approval of the CPUC, as to which there is no assurance. The Parties to the Revised Settlement Agreement 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.

A summary of the Revised Settlement and Utility Shareholder Agreements follows. The summary of the Revised Settlement Agreement is qualified in its entirety by reference to the complete text of the agreement.

Disallowances, Refunds and Recoveries

If the Revised 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 U.S. Department of Energy ("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 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 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 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 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 Settlement Agreement.

If approved by the CPUC, the Revised 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 Settlement Agreement from its ratemaking capital structure.

Accounting and Financial Impacts

Under the Prior Settlement Agreement, generally accepted accounting principles (“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. Regulatory assets recorded under the Prior Settlement Agreement that are no longer probable of recovery through future rates will be written off and regulatory liabilities for amounts not required to be refunded to customers will be reversed in SCE's year-end financial statements. Additionally, under the Utility Shareholder Agreement, SCE will pay SDG&E the amounts it would have received under the Prior Settlement Agreement but will not receive under the Revised Settlement Agreement. As of December 19, 2017, SDG&E’s regulatory asset was approximately $151 million. In connection with its year-end financial statements, SCE will record an accrued liability of $143 million for the present value of this obligation. The following table summarizes the financial impact of the Revised 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

The CPUC regulates SCE’s capital structure which limits the dividends it may pay Edison International. After giving effect to the above accounting charge, SCE continues to expect its capital structure to remain at or above the CPUC-mandated 48% on a 13-month weighted average basis. However, the timing and amount of SCE’s future dividends are also dependent on a number of other factors including SCE’s requirements to fund other obligations and capital expenditures, its ability to access the capital markets and its ability to generate operating cash flows and earnings.