GSE SYSTEMS INC
Form 8-K
May 27, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): May 26, 2005

GSE Systems, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

0-26494	52-1868008
(Commission File Number)	(IRS Employer Identification No.)

9189 Red Branch Road
Columbia, MD 21045

(Address of principal executive offices, including zip code)

(410) 772-3500
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

|_| Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

|_| Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

|_| Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

|_| Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On May 26, 2005, GSE Systems, Inc. (the "Company" or "we" or "us") issued and sold to Dolphin Direct Equity Partners, L.P. (the "Investor"), for an aggregate price of $2,000,000, a senior subordinated secured convertible note of the Company in the aggregate principal amount of $2,000,000 (the "Note") and a warrant (the "Warrant") to purchase 380,952 shares (the "Warrant Shares") of our common stock, pursuant to a Senior Subordinated Secured Convertible Note and Warrant Purchase Agreement, dated as of May 26, 2005 (the "Agreement"). We refer to this transaction as the "Financing." Our board of directors approved the Financing on May 19, 2005.

Our common stock is listed on the American Stock Exchange (the "Amex"), and we are therefore subject to the Amex's rules. Under Section 713 of the Amex Company Guide, companies with securities listed on the Amex must obtain stockholder approval before the sale, issuance, or potential issuance of their common stock, or securities convertible into their common stock, in connection with a transaction other than a public offering, equal to 20% or more of their outstanding common stock, for less than the greater of book or market value of their common stock.

The Note is convertible, in part or in whole, into shares of our common stock based on a conversion price of $1.925. However, the conversion price, and thus the number of shares into which the Note may be converted, is subject to adjustment. Under these adjustment provisions, it is possible that we would be required to issue, upon conversion of the Note (when aggregated with the number of shares of our common stock issued upon exercise of the Warrant), 20% or more of the outstanding shares of our common stock on May 26, 2005 for less than the greater of book or market value of their common stock. Accordingly, under the Amex's rules, we would be required to obtain stockholder approval for any such issuance.

Under the terms of the Agreement and Note, notwithstanding the adjustment provisions of the Note, the number of shares of our common stock actually issued on conversion of the Note, when aggregated with the number of shares of our common stock actually issued upon exercise of the Warrant, will not exceed 19.99% of the outstanding shares of our common stock on May 26, 2005 (the "Conversion Share Limit"). However, the Note provides that the Conversion Share Limit will terminate upon the effectiveness of the consent to the transaction by stockholders holding a majority of the outstanding shares of our common stock, in compliance with the stockholder approval requirements of the Amex.

On May 19, 2005, we obtained the written consent (the "Majority Consent") of GP Strategies Corporation ("GP Strategies"), as holder of a majority of the outstanding shares of our common stock. In accordance with Rule 14c-2 under the Securities Exchange Act of 1934, as amended, the effectiveness of the Majority Consent, and the termination of the Conversion Share Limit, will become effective on the day following the twentieth day after an Information Statement on Schedule 14C is mailed to our stockholders. No other approval is necessary or will be sought.

The following is a summary of the terms of the Financing.

The Agreement. On May 26, 2005, pursuant to the Agreement, we issued the Note and the Warrant to the Investor for an aggregate purchase price of $2,000,000, less certain fees we agreed to pay. Of such purchase price, $500,000 was placed in escrow until the termination of the Conversion Share Limit. If the Conversion Share Limit has not been terminated by the 75th day after the closing date, such $500,000 will be paid to the Investor.

Under the Agreement, we have agreed, among other things, not to, and to cause our subsidiaries not to, while the Note is outstanding, (i) acquire, sell or otherwise transfer any material assets or rights of the Company or a subsidiary, or enter into any contract or agreement relating to the sale of assets, which is not consummated pursuant to an arms length transaction, (ii) enter into any contract, agreement or transaction with any officer, director, stockholder or affiliate of the Company or a subsidiary other than ordinary course transactions that are consistent with past practice and pursuant to arms
left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;"> State or Other Jurisdiction ofIn
1-9936 EDISON INTERNATIONAL California 95-4137452
1-2313 SOUTHERN CALIFORNIA EDISON COMPANY California 95-1240335

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

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

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

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

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

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

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

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

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

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

Common Stock outstanding as of October 28, 2016:

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.

AFUDC	allowance for funds used during construction
2015 Form 10-K	Edison International's and SCE's combined Annual Report on Form 10-K for the year-ended December 31, 2015
ALJ	administrative law judge
APS	Arizona Public Service Company
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
CAA	Clean Air Act
CAISO	California Independent System Operator
CARB	California Air Resources Board
Competitive Businesses	businesses focused on providing energy solutions, including distributed generation and/or storage, to commercial and industrial customers; engaging in competitive transmission opportunities; and exploring distributed water treatment and recycling.
CPUC	California Public Utilities Commission
CRRs	congestion revenue rights
DOE	U.S. Department of Energy
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 the Competitive Businesses
EME	Edison Mission Energy
EME Settlement Agreement	Settlement Agreement entered into by Edison International, EME, and the Consenting Noteholders in February 2014
EMG	Edison Mission Group Inc., a wholly owned subsidiary of Edison International and the parent company of EME and Edison Capital
EPS	earnings per share
ERRA	energy resource recovery account
FERC	Federal Energy Regulatory Commission
Four Corners	coal fueled electric generating facility located in Farmington, New Mexico in which SCE held a 48% ownership interest
GAAP	generally accepted accounting principles
GHG	greenhouse gas
GRC	general rate case
GWh	gigawatt-hours
HLBV	hypothetical liquidation at book value
IRS	Internal Revenue Service
Joint Proxy Statement	Edison International's and SCE's definitive Proxy Statement filed with the SEC in connection with Edison International's and SCE's Annual Shareholders' Meeting held on April 28, 2016
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations in this report
MHI	Mitsubishi Heavy Industries, Ltd. and a related company

Moody's	Moody's Investors Service
MW	megawatts
MWdc	megawatts measured for solar projects representing the accumulated peak capacity of all the solar modules
MWh	megawatt-hours

NAAQS	national ambient air quality standards
NEIL	Nuclear Electric Insurance Limited
NEM	net energy metering
NERC	North American Electric Reliability Corporation
NRC	Nuclear Regulatory Commission
ORA	CPUC's Office of Ratepayers Advocates
OII	Order Instituting Investigation
Palo Verde	large pressurized water nuclear electric generating facility located near Phoenix, Arizona in which SCE holds a 15.8% ownership interest
PBOP(s)	postretirement benefits other than pension(s)
PG&E	Pacific Gas & Electric Company
QF(s)	qualifying facility(ies)
ROE	return on common equity
S&P	Standard & Poor's Ratings Services
San Onofre	retired nuclear generating facility located in south San Clemente, California in which SCE holds a 78.21% ownership interest
San Onofre OII Settlement Agreement	Settlement Agreement by and among SCE, The Utility Reform Network, the CPUC's Office of Ratepayer Advocates and SDG&E, which was later joined by the Coalition of California Utility Employees and Friends of the Earth, (together, the "Settling Parties"), dated November 20, 2014
SCE	Southern California Edison Company
SDG&E	San Diego Gas & Electric
SEC	U.S. Securities and Exchange Commission
SED	Safety and Enforcement Division of the CPUC, formerly known as the Consumer Protection and Safety Division or CPSD
SoCalGas	Southern California Gas Company
SoCore Energy LLC	a subsidiary of Edison Energy Group that provides solar energy solutions
TURN	The Utility Reform Network
US EPA	U.S. Environmental Protection Agency
VIE(s)	variable interest entity(ies)

FORWARD-LOOKING STATEMENTS

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

- ability of SCE to recover its costs in a timely manner from its customers through regulated rates, including regulatory assets related to San Onofre;
- decisions and other actions by the CPUC, the FERC, the NRC and other regulatory authorities, including the determinations of authorized rates of return or return on equity, outcome of San Onofre CPUC proceedings 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 cost allocation, including the potential movement of costs to bundled customers, caused by the ability of cities, counties and certain other public agencies to generate and/or purchase electricity for their local residents and businesses, along with other possible customer bypass or departure due to technological advancements in the generation, storage, transmission, distribution and use of electricity, and supported by public policy, government regulations and incentives;
- risks inherent in the construction of transmission and distribution infrastructure replacement and expansion projects, including those related to project site identification, public opposition, environmental mitigation, construction, permitting, power curtailment costs (payments due under power contracts in the event there is insufficient transmission to enable acceptance of power delivery), and governmental approvals;
- risks associated with the operation of transmission and distribution assets and power generating facilities including public safety issues, failure, availability, efficiency, and output of equipment and availability and cost of spare parts;
- risks associated with the retirement and decommissioning of nuclear generating facilities;
- physical security of 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 its Competitive Businesses, manage new business risks, and recover and earn a return on its investment in newly developed or acquired businesses;
- cost and availability of electricity, including the ability to procure sufficient resources to meet expected customer needs in the event of power plant outages or significant counterparty defaults under power-purchase agreements;
- environmental laws and regulations, at both the state and federal levels, or changes in the application of those laws, that could require additional expenditures or otherwise affect the cost and manner of doing business;
- changes in the fair value of investments and other assets;
- changes in interest rates and rates of inflation, including escalation rates, which may be adjusted by public utility regulators;
- governmental, statutory, regulatory or administrative changes or initiatives affecting the electricity industry, including the market structure rules applicable to each market adopted by the NERC, CAISO, WECC and similar regulatory bodies in adjoining regions;
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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;

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- cost and availability of labor, equipment and materials;
- ability to obtain sufficient insurance, including insurance relating to SCE's nuclear facilities and wildfire-related liability, and to recover the costs of such insurance or in the absence of insurance the ability to recover uninsured losses;
- 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;
- disruption of natural gas supply due to unavailability of storage facilities, which could lead to electricity service interruptions; and
- weather conditions and natural disasters.

Additional information about risks and uncertainties, including more detail about the factors described in this report, is contained throughout this MD&A and in Edison International's and SCE's combined 2015 Form 10-K, including the "Risk Factors" section. Readers are urged to read this entire report, including the information incorporated by reference, as well as the 2015 Form 10-K, and carefully consider the risks, uncertainties and other factors that affect Edison International's and SCE's businesses. Forward-looking statements speak only as of the date they are made and neither Edison International nor SCE are obligated to publicly update or revise forward-looking statements. Readers should review future reports filed by Edison International and SCE with the SEC. Additionally, Edison International and SCE provide direct links to SCE's regulatory filings with the CPUC and the FERC in open proceedings most important to investors at www.edisoninvestor.com (SCE Regulatory Highlights) so that such filings are available to all investors upon SCE filing with the relevant agency.

The MD&A for the nine months ended September 30, 2016 discusses material changes in the consolidated financial condition, results of operations and other developments of Edison International and SCE since December 31, 2015, and as compared to the nine months ended September 30, 2015. This discussion presumes that the reader has read or has access to Edison International's and SCE's MD&A for the calendar year 2015 (the "year-ended 2015 MD&A"), which was included in the 2015 Form 10-K.

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

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

MANAGEMENT OVERVIEW

Highlights of Operating Results

Edison International is the parent holding company of SCE. SCE is a public utility primarily engaged in the business of supplying and delivering electricity to an approximately 50,000 square mile area of southern California. Edison International is also the parent company of subsidiaries that are engaged in competitive businesses focused on providing energy solutions to commercial and industrial customers, including distributed energy resources, engaging in transmission opportunities, and exploring distributed water treatment and recycling (the "Competitive Businesses"). Such 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 report relates to both filers.

	Three months ended September 30,			Nine months ended September 30,		
(in millions)	2016	2015	Change	2016	2015	Change
Net income (loss) attributable to Edison International						
Continuing operations						
SCE	$435	$389	$ 46	$1,037	$1,079	$ (42)
Edison International Parent and Other	(16)	(11)	(5)	(71)	(23)	(48)
Discontinued operations	—	43	(43)	(1)	43	(44)
Edison International	419	421	(2)	965	1,099	(134)
Less: Non-core items						
SCE	—	—	—	—	—	—
Edison International Parent and Other	—	1	(1)	5	7	(2)
Discontinued operations	—	43	(43)	(1)	43	(44)
Total non-core items	—	44	(44)	4	50	(46)
Core earnings (losses)						
SCE	435	389	46	1,037	1,079	(42)
Edison International Parent and Other	(16)	(12)	(4)	(76)	(30)	(46)
Edison International	$419	$377	$ 42	$961	$1,049	$ (88)

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

SCE's earnings for the three months ended September 30, 2016 increased by $46 million, primarily due to increased revenue from the timing of the implementation of the 2015 proposed GRC decision and incremental return on pole loading rate base, partially offset by higher income tax expense.

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SCE's earnings for the nine months ended September 30, 2016 decreased by $42 million, which includes lower income tax benefits partially offset by an increase in revenue from the escalation mechanism set forth in the 2015 GRC decision and the 2016 incremental return on the pole loading rate base.
During the nine months ended September 30, 2015, SCE recorded $100 million of income tax benefits from revisions to liabilities for uncertain tax positions (see "Results of Operations—SCE" for further information).
During the first six months of 2015, pending the outcome of the 2015 GRC decision, SCE recognized GRC-related revenue largely based on the 2014 authorized revenue requirement. During 2015, SCE recorded revenue refunds to customers which totaled $451 million to reflect the final decision in the 2015 GRC. In the third quarter of 2015, SCE recorded a revenue refund of $233 million as a result of receiving the proposed GRC decision, of which a total of $70 million ($41 million after-tax) was attributable to the first six months of 2015. In addition, SCE's results of operations for the three and nine months ended September 30, 2016 included an increase in revenue of approximately $46 million ($27 million after-tax) and $142 million ($84 million after-tax), respectively, from the escalation mechanism set forth in the final 2015 GRC decision. The annual escalation increase implemented in customer rates for 2016 was $203 million.
Edison International Parent and Other losses from continuing operations for the third quarter and nine months ended September 30, 2016 increased by $5 million and $48 million, respectively. Losses for the third quarter consisted of $4 million of higher core losses and $1 million of lower non-core earnings. Losses for the nine months ended September 30, 2016 consisted of $46 million of higher core losses and $2 million of lower non-core earnings. During the second quarter of 2016, Edison International Parent and Other recorded an after-tax charge of $13 million related to the buy-out of an earn-out provision with the former shareholders of a company acquired by Edison Energy at the end of 2015. The buy-out was completed, together with modification to employment contracts, in order to align long-term incentive compensation. In addition, core losses for the three and nine months ended September 30, 2016 included higher operating and development costs and lower revenue and gross margin from the sale of solar systems at Edison Energy Group. Results during 2015 included income from Edison Capital's investments in affordable housing projects which were sold at the end of 2015.
Consolidated non-core items included:

- Income of $1 million for the three months ended September 30, 2015 and income of $5 million and $7 million for the nine months ended September 30, 2016 and 2015, respectively. The income was related to losses (net of distributions) allocated to tax equity investors under the HLBV accounting method. Edison International reflected in core earnings the operating results of the solar rooftop projects, related financings and the priority return to the tax equity investor. The losses allocated to the tax equity investor under HLBV accounting method results in income allocated to subsidiaries of Edison International, neither of which is due to the operating performance of the projects but rather due to the allocation of income tax attributes under the tax equity financing. Accordingly, Edison International has included the non-operating allocation of income as a non-core item. For further information on HLBV, see the 2015 Form 10-K, "Notes to Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies."
- Income from discontinued operations, net of tax, of $43 million for the three and nine months ended September 30, 2015. The income was due to $16 million in insurance recoveries ($28 million pre-tax) related to the EME bankruptcy and $27 million of income tax benefits based on filing of the 2014 tax returns in the third quarter of 2015.

2018 General Rate Case
In September 2016, SCE filed its 2018 GRC application for the three-year period 2018 – 2020, which requested a 2018 revenue requirement of $5.885 billion, an increase of $222 million over the projected 2017 GRC authorized revenue requirement. In addition, SCE requested $48 million in one-time balancing and memorandum account recoveries. This represents a 2.7% increase over presently authorized total rates. SCE's 2018 GRC request also includes proposed revenue requirement increases of $533 million in 2019 and $570 million in 2020. For 2019 and 2020, respectively, these represent 4.2% and 5.2% increases over presently authorized total rates.

The capital programs requested in SCE's 2018 GRC are focused on safety and reliability through investments in the distribution grid to replace aging equipment and enhance capabilities to integrate increasing amounts of Distributed Energy Resources ("DER"). For further information, see "—Capital Program" below.
SCE's 2018 GRC request identifies areas of reduced operating cost to partially mitigate the customer rate impacts of the request.

SCE requested that the CPUC issue a final decision by the end of 2017. If the schedule for a final decision is delayed, SCE will request the CPUC to issue an order directing that the authorized requirement changes be effective January 1, 2018. SCE cannot predict the revenue requirement the CPUC will ultimately authorize for 2018 through 2020 or forecast the timing of a final decision.

Capital Program

Based on the 2018 GRC request, SCE forecasts capital expenditures of up to $23.3 billion for 2016 – 2020. The requested CPUC capital expenditures include traditional capital spending, such as infrastructure replacement and maintenance, expansions and additions due to load growth and work requested by customers, as well as expenditures for grid modernization to support improved safety and reliability and increased levels of distributed energy resources. Traditional capital spending for 2016 – 2017 reflects SCE's forecast capital expenditures for CPUC and FERC capital projects. Also included in 2016 and 2017 capital expenditures is the approval of a memorandum account to facilitate recovery in rates of grid modernization expenditures. Traditional capital expenditures for 2018 – 2020 reflect the amounts requested in the 2018 GRC filing and FERC capital projects. 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 ultimately approved to be materially different from what has been approved in recent GRC decisions.

As noted above, SCE has requested approval from the CPUC to establish a memorandum account to facilitate the recovery in rates of 2016 – 2017 grid modernization capital expenditures. Failure to obtain CPUC approval of this memorandum account, or a similar cost recording mechanism, by the end of 2016 or early 2017 could delay or reduce SCE’s 2018 – 2020 grid modernization capital expenditures. SCE does not have prior approval experience with grid modernization capital expenditures and, therefore, is unable to predict an expected outcome. Forecasted expenditures for FERC capital projects is subject to timely receipt of permitting, licensing and regulatory approvals (see "Liquidity and Capital Resources—SCE—Capital Investment Plan" for details on major transmission projects). The following table sets forth a summary of capital expenditures for 2016 – 2020 on the basis described above:

(in millions)	2016	2017	2018	2019	2020	Total 2016 – 2020
Traditional capital expenditures						
Transmission	$536	$1,037	$912	$1,035	$900	$4,420
Distribution[1]	2,965	3,053	3,214	3,153	3,096	15,481
Generation	235	203	225	216	206	1,085
Total requested[2] traditional capital expenditures	$3,736	$4,293	$4,351	$4,404	$4,202	$20,986
Grid modernization capital expenditures	$26	$182	$637	$751	$714	$2,310
Total capital expenditures	$3,762	$4,475	$4,988	$5,155	$4,916	$23,296

1 Includes $12 million Charge Ready Pilot (2016) and $69 million of Energy Storage (2016 – 2020).

2 Capital expenditures for 2016 and 2017 reflect management's expectations based on the 2015 GRC decision.

Capital expenditures for traditional capital expenditures projects under CPUC jurisdiction for 2016 and 2017 are recovered through the authorized revenue requirement in SCE's 2015 GRC. The 2018 – 2020 capital expenditures are included in the 2018 GRC application request discussed above. Recovery for 2016 – 2020 planned expenditures for projects under FERC jurisdiction will be pursued through FERC-authorized mechanisms. For further information regarding the capital program, see "Liquidity and Capital Resources—SCE—Capital Investment Plan."

SCE’s estimated weighted average annual rate base for 2016 – 2020 using the capital expenditures set forth in the table above is as follows:

(in millions)	2016	2017	2018	2019	2020
Rate base for requested traditional capital expenditures	$24,943	$26,440	$29,348	$31,585	$33,739

Rate base for requested grid modernization capital expenditures	—	—	279	802	1,398
Total rate base	$24,943	$26,440	$29,627	$32,387	$35,137

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

RESULTS OF OPERATIONS

Southern California Edison Company

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

- Earning activities – representing revenue authorized by the CPUC and FERC which is intended to provide SCE a reasonable opportunity to recover its costs and earn a return on its net investment in generation, transmission and distribution assets. The annual revenue requirements are comprised of authorized operation and maintenance costs, depreciation, taxes and a return consistent with the capital structure. Also, included in earnings activities are revenue or penalties related to incentive mechanisms, other operating revenue, and regulatory charges or disallowances.
- Cost-recovery activities – representing certain 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.

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

Three months ended September 30, 2016 versus September 30, 2015

	Three months ended September 30, 2016			Three months ended September 30, 2015		
(in millions)	Earning Activities	Cost-Recovery Activities	Total Consolidated	Earning Activities	Cost-Recovery Activities	Total Consolidated
Operating revenue	$1,811	$1,941	$ 3,752	$1,711	$2,046	$ 3,757
Purchased power and fuel	—	1,719	1,719	—	1,785	1,785
Operation and maintenance	481	221	702	498	258	756
Depreciation, decommissioning and amortization	519	—	519	504	2	506
Property and other taxes	91	—	91	84	—	84
Total operating expenses	1,091	1,940	3,031	1,086	2,045	3,131
Operating income	720	1	721	625	1	626
Interest expense	(136)	(1)	(137)	(130)	(1)	(131)
Other income and expenses	23	—	23	14		14
Income before income taxes	607	—	607	509	—	509
Income tax expense	141	—	141	92	—	92
Net income	466	—	466	417	—	417
Preferred and preference stock dividend requirements	31	—	31	28	—	28
Net income available for common stock	$435	$—	$ 435	$389	$—	$ 389
Core earnings[1]			$ 435			$ 389
Non-core earnings			—			—
Total SCE GAAP earnings			$ 435			$ 389

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

Earning Activities

Earning activities were primarily affected by the following:

- Higher operating revenue of $100 million primarily due to the following:
  - An increase in CPUC revenue of approximately $116 million primarily due to the implementation of the 2015 GRC decision.

During the third quarter of 2016, SCE increased authorized revenue approximately $46 million based on the escalation mechanism set forth in the 2015 GRC decision. In the third quarter of 2015, SCE recorded an estimated revenue refund to customers based on the proposed decision of which $70 million is attributable to the first and second quarters of 2015 (see "Management Overview—Highlights of Operating Results" above for further information).

- An increase in FERC-related revenue of $17 million primarily due to higher operating costs including amortization of the regulatory asset associated with the Coolwater-Lugo transmission project (see "Liquidity and Capital Resources—SCE—Capital Investment Plan—Major Transmission Projects—Coolwater-Lugo" for further information).
- An increase of $21 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 approximately $54 million for 2016 incremental tax benefits recognized through the tax accounting memorandum account ("TAMA") and the pole loading balancing account (offset in income taxes as discussed below).
- An increase in revenue of $17 million ($10 million after-tax) related to the 2016 incremental return on the pole loading rate base in the pole loading balancing account.
- Lower operation and maintenance costs of $17 million primarily related to lower outside service costs and lower labor costs due to workforce reductions. These lower costs were partially offset by increased transmission and distribution costs for fire storm and drought related activities.
- Higher depreciation, decommissioning and amortization expense of $15 million primarily related to depreciation on transmission and distribution investments and amortization of the regulatory asset related to the Coolwater-Lugo transmission project, as discussed above.
- Higher other income and expenses of $9 million primarily due to higher insurance benefits in 2016. See "Notes to Consolidated Financial Statements—Note 14. Interest and Other Income and Other Expenses" for further details.
- Higher income taxes of $49 million primarily due to higher pre-tax income. Included in income taxes is $32 million of 2016 incremental tax benefits for TAMA and the pole loading balancing accounts (offset in revenue above) offset by lower income tax benefits in 2016 on other property-related items.

Cost-Recovery Activities

Cost-recovery activities were primarily affected by the following:

- Lower purchased power and fuel costs of $66 million primarily driven by lower load related to cooler weather.
- Lower operation and maintenance expense of $37 million primarily due to lower transmission access charges and lower spending on various public purpose programs.

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

Nine months ended September 30, 2016 versus September 30, 2015

(in millions)	Nine months ended September 30, 2016			Nine months ended September 30, 2015		
	Earning Activities	Cost-Recovery Activities	Total Consolidated	Earning Activities	Cost-Recovery Activities	Total Consolidated
Operating revenue	$4,842	$4,114	$ 8,956	$4,870	$4,296	$ 9,166
Purchased power and fuel	—	3,576	3,576	—	3,648	3,648
Operation and maintenance	1,456	537	1,993	1,455	646	2,101
Depreciation, decommissioning and amortization	1,497	—	1,497	1,448	1	1,449
Property and other taxes	268	—	268	254	—	254
Total operating expenses	3,221	4,113	7,334	3,157	4,295	7,452
Operating income	1,621	1	1,622	1,713	1	1,714
Interest expense	(401)	(1)	(402)	(397)	(1)	(398)
Other income and expenses	71	—	71	54	—	54
Income before income taxes	1,291	—	1,291	1,370	—	1,370
Income tax expense	162	—	162	207	—	207
Net income	1,129	—	1,129	1,163	—	1,163
Preferred and preference stock dividend requirements	92	—	92	84	—	84
Net income available for common stock	$1,037	$ —	$ 1,037	$1,079	$ —	$ 1,079
Core earnings[1]			$ 1,037			$ 1,079
Non-core earnings			—			—
Total SCE GAAP earnings			$ 1,037			$ 1,079

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

Earning Activities

Earning activities were primarily affected by the following:

- Lower operating revenue of $28 million primarily due to the following:
  - During the second quarter of 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. See "Liquidity and Capital Resources—SCE—Regulatory Proceedings—Tax Repair Deductions and Memorandum Account" for further information.
  - A decrease in revenue of approximately $148 million for 2016 incremental tax benefits recognized through the tax accounting memorandum account ("TAMA") and the pole loading balancing account (offset in income taxes as discussed below).
  - An increase in revenue of $43 million ($25 million after-tax) related to the 2016 incremental return on the pole loading rate base recorded through the pole loading balancing account.
  - An increase in CPUC revenue of approximately $142 million primarily related to the increase in authorized revenue from the escalation mechanism set forth in the 2015 GRC decision (see "Management Overview—Highlights of Operating Results" above for further information).
  - An increase in FERC-related revenue of $49 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 revenue due to a change in estimate under the FERC formula rate mechanism.
  - An increase of $35 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).

- Higher operation and maintenance expense primarily due to an increase of $28 million related to transmission and distribution costs for rain and fire storm-related activities and drought related activities offset by lower labor and other costs due to the workforce reductions.

- Higher depreciation, decommissioning and amortization expense of $49 million primarily related to depreciation on transmission and distribution investments and amortization of the regulatory asset related to the Coolwater-Lugo plant, as discussed above.
- Higher property and other taxes of $14 million primarily due to higher property assessed values in 2016.
- Higher other income and expenses of $17 million primarily due to higher insurance benefits in 2016 and lower advertising expense in 2016. See "Notes to Consolidated Financial Statements—Note 14. Interest and Other Income and Other Expenses" for details.
- Lower income taxes of $45 million primarily due to lower pre-tax income and the following discrete items:
- Higher income tax benefits in 2016 primarily related to $79 million related to the flow-through of incremental tax benefits for 2012 – 2014 to customers and $88 million of 2016 incremental tax benefits for TAMA and pole loading balancing accounts (both offset in revenue above). These items were partially offset by lower tax benefits on other property-related items in 2016.
- 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.

Cost-Recovery Activities

Cost-recovery activities were primarily affected by the following:

- Lower purchased power and fuel of $72 million primarily due to lower load related to cooler weather.
- Lower operation and maintenance expense of $109 million primarily due to lower transmission access charges, and lower spending on various public purpose programs.

Supplemental Operating Revenue Information

SCE's retail billed and unbilled revenue (excluding wholesale sales and balancing account overcollections/undercollections) was $3.7 billion and $8.6 billion for the three and nine months ended September 30, 2016, respectively, compared to $4.3 billion and $9.7 billion for the respective periods in 2015.

Retail billed and unbilled revenue for the three and nine months ended September 30, 2016 reflects a rate decrease of $437 million and $858 million and a sales volume decrease of $232 million and $251 million, respectively. The rate decreases for both periods were due to implementations of the 2016 ERRA rate decrease and the 2015 GRC decision in January 2016. The sales volume decreases for both periods were due to lower load requirements related to cooler weather experienced in the third quarter of 2016 compared to the same period last year.

As a result of the CPUC-authorized decoupling mechanism, SCE earnings are not affected by changes in retail electricity sales (see "Business—SCE—Overview of Ratemaking Process" in the 2015 Form 10-K).

Income Taxes

SCE's income tax expense increased by $49 million and decreased by $45 million for the three and nine months ended September 30, 2016, respectively, compared to the same periods in 2015.

The effective tax rates were 23.2% and 18.1% for the three months ended September 30, 2016 and 2015, respectively. The effective tax rates were 12.5% and 15.1% for the nine months ended September 30, 2016 and 2015, respectively. SCE's effective tax rate is lower than the statutory rate primarily due to income tax benefits related to repair deductions, mainly due to flow-through income tax benefits recorded through balancing accounts. The decrease in the effective tax rate from 2015 to 2016 for the nine months ended September 30, 2016 is mainly due to the $133 million revenue refund to customers partially offset by revisions in liabilities related to uncertain tax positions.

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 "Liquidity and Capital Resources—SCE—Regulatory Proceedings—Tax Repair Deductions and Memorandum Account" below for more information.

Edison International Parent and Other

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

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Income from Continuing Operations

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

(in millions)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Edison Energy Group and subsidiaries[1]	$(6)	$(3)	$(30)	$(3)
Edison Mission Group and subsidiaries	—	1	(4)	13
Corporate expenses and other[2]	(10)	(9)	(37)	(33)
Total Edison International Parent and Other	$(16)	$(11)	$(71)	$(23)

1 Includes income of $5 million for the nine months ended September 30, 2016 compared to income of $1 million and $7 million for the three and nine months ended September 30, 2015 related to losses (net of distributions) allocated to tax equity investors under the HLBV accounting method.

2 Includes interest expense (pre-tax) of $10 million and $7 million for the three months ended September 30, 2016 and 2015, respectively, and $27 million and $21 million for the nine months ended September 30, 2016 and 2015, respectively.

The loss from continuing operations of Edison International Parent and Other increased $5 million and $48 million for the three and nine months ended September 30, 2016, respectively, compared to the same periods in 2015. The increase in the loss for the first nine months of 2016 was primarily due to:

- An increase in losses of Edison Energy Group from a $13 million after-tax charge during the second quarter of 2016 from a buy-out of an earn-out provision contained in one of the 2015 acquisitions. The buy-out was completed, together with modification to employment contracts, in order to align long-term incentive compensation. In addition, there were higher operating and development expenses and lower revenue and gross margin from the sale of solar systems for the three and nine months ended September 30, 2016. The results during the first nine months of 2016 include the three businesses acquired by Edison Energy in December 2015 and expanded sales and support personnel. Revenue for Edison Energy Group for the three and nine months ended September 30, 2016 was $15 million and $30 million, respectively, compared to $7 million and $16 million for the respective periods in 2015.
- A decrease in income from Edison Mission Group and subsidiaries of $17 million for the nine months ended September 30, 2016 primarily due to income related to affordable housing projects in 2015. In December 2015, EMG's subsidiary, Edison Capital completed the sale of its remaining affordable housing investments portfolio which represents the exit from this business activity.

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

Loss from discontinued operations, net of tax, was $1 million for the nine months ended September 30, 2016 compared to income of $43 million for the three and nine months ended September 30, 2015. The 2015 income was due to $27 million of income tax benefits based on filing of the 2014 tax returns in the third quarter of 2015 and $16 million in insurance recoveries ($28 million pre-tax) related to the EME bankruptcy.

LIQUIDITY AND CAPITAL RESOURCES

Southern California Edison Company

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

In the next 12 months, SCE expects to fund its obligations, capital expenditures and dividends using 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 liquidity requirements.

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Available Liquidity

At September 30, 2016, SCE had approximately $2.35 billion available under its $2.75 billion multi-year revolving credit facility. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements."

Debt Covenant

The debt covenant in SCE's credit facility limits its debt to total capitalization ratio to less than or equal to 0.65 to 1. At September 30, 2016, SCE's debt to total capitalization ratio was 0.43 to 1.

Regulatory Proceedings

San Onofre CPUC Proceedings

In May 2016, and in consideration of the CPUC's December 2015 decision sanctioning SCE for failing to disclose ex parte communications relevant to the San Onofre OII, the Assigned Commissioner and ALJ issued a ruling to reopen the record upon which the CPUC had, in November 2014, approved the San Onofre OII Settlement Agreement among SCE, TURN, ORA, SDG&E, the Coalition of California Utility Employees, and Friends of the Earth. See "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies—San Onofre Related Matters—San Onofre CPUC Proceedings" for more information.

Energy Efficiency Incentive Mechanism

In September 2016, SCE filed a request for energy efficiency incentives of approximately $11 million related to Part 2 of its 2014 program year and approximately $12 million related to Part 1 of its 2015 program year. SCE expects a decision on these requests in the fourth quarter of 2016. There is no assurance that the CPUC will make an award for any given year.

In August 2016, a proposed settlement agreement between TURN, ORA and SCE was filed with the CPUC related to the rehearing of prior CPUC decisions for $74.5 million of incentive awards that SCE received for savings achieved by its 2006 – 2008 energy efficiency programs. The settlement agreement fully resolves the disputes as they relate to SCE in exchange for SCE refunding approximately $13.5 million of the incentives awarded over a three year period or, at SCE's option, for SCE making a one-time credit of the present value of that amount to the BRRBA. The CPUC issued a final decision approving the settlement agreement in October 2016.

Long Beach Service Interruptions

In July 2015, SCE's customers who are served via the network portion of SCE's electric system in Long Beach, California experienced service interruptions due to multiple underground vault fires and underground cable failures. The portion affected is the only significant portion of SCE’s distribution network that is arranged in a network configuration. In July 2016, the CPUC initiated an investigation ("Long Beach OII") of these events and their causes based on an investigation by the CPUC's Safety and Enforcement Division ("SED"). The SED investigation, among other things, identified problems with maintenance, inspection, and management of SCE's Long Beach electrical system, and emergency response and communications capabilities. The Long Beach OII will consider whether SCE violated statutes, rules or regulations, maintained adequate, accurate, and complete records, and provided sufficient emergency response and communications to various parties during the power outages. While SCE believes it is probable that penalties will be assessed, neither the CPUC nor SED has proposed a penalty amount. Consequently, although potential penalties in this matter could be significant, SCE is currently unable to estimate their amount. See "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies—Long Beach Service Interruptions" for more information.

Cost of Capital

As discussed in the year-ended 2015 MD&A, SCE and the other Joint Investor-Owned Utilities submitted a petition to the CPUC in connection with their request for a one-year extension of the due date for the filing of the next cost of capital applications. A final decision approving the Joint Investor-Owned Utilities' petition was approved on February 25, 2016. As extended, the Joint Investor-Owned Utilities must file their next cost of capital applications by April 20, 2017 instead of April 20, 2016. SCE's authorized rate of return and capital structure for CPUC-related activities will remain unchanged through December 31, 2017. See "Business—SCE—Overview of Ratemaking Process—CPUC" in the 2015 Form 10-K for details on SCE's cost of capital and authorized rates of return.

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FERC Formula Rates

In June 2016, SCE provided its preliminary 2017 annual transmission revenue requirement update to interested parties. The update provided support for an increase in SCE's transmission revenue requirement of $98 million or 9% over amounts currently authorized in rates. The increase is mainly due to the completion of several major transmission projects and an underrecovery in rates for revenue in 2015, which is being recovered through the formula rate true up process. SCE expects to file its 2017 annual update with the FERC by December 1, 2016 and the proposed rates would be effective January 1, 2017.

Tax Repair Deductions and Memorandum Account

SCE recognized earnings and a regulatory asset for deferred income taxes related to 2012 – 2014 tax repair deductions. As a result of the CPUC's rate base offset in the 2015 GRC decision, SCE wrote down this regulatory asset in full during 2015. The after-tax charge was reflected in "Income tax expense" on the December 31, 2015 consolidated statement 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 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 will result in flowing incremental tax benefits for 2012 – 2014 to customers. SCE refunded $133 million 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 general rate case proceedings.

Capital Investment Plan

Major Transmission Projects

A summary of SCE's large transmission and substation projects during the next five years is presented below:

Project Name	Project Lifecycle Phase	Direct Expenditures (in millions)[1]	Remaining Investment (in millions)[1]	Scheduled In-Service Date
Tehachapi 4-11	Construction	$2,450	$179	2016 – 2017
West of Devers	Licensing	$1,075	$1,031	2021
Mesa Substation	Licensing	$608	$592	2020 – 2021
Alberhill System	Licensing	$397	$361	2021
Riverside Transmission Reliability	Licensing	$233	$230	2021
Eldorado-Lugo-Mohave Upgrade	Planning	$269	$266	2019

1 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 forecasted for remaining investment.

Tehachapi

The Tehachapi Project consists of new and upgraded electric transmission lines and substations between eastern Kern County and San Bernardino County and was undertaken to bring renewable resources in Kern County to energy consumers in the Los Angeles basin and the California energy grid. The project consists of eleven segments. Segments 1-3 were placed in service beginning in 2009 through 2013. For more information, see "Liquidity and Capital Resources—SCE—Capital Investment Plan—Major Transmission Projects—Tehachapi" in the year-ended 2015 MD&A.

West of Devers

In August 2016, the CPUC approved the project as recommended by SCE. An alternative project with a modified scope had been considered as part of required environmental impact reviews as discussed in the year-ended 2015 MD&A. 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 SCE's project and should have approved the alternative project with the amended scope. SCE does not know when the CPUC will issue a decision on the Application. As a result of the delay in receipt of project approval from the CPUC, SCE is evaluating possible delays in the timing of project capital expenditures.

Mesa Substation

The Mesa Substation Project consists of demolishing the existing 220 kV Mesa Substation and constructing a new 500 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. SCE has filed its permit to construct the project with the CPUC and the project is included in the current 2016 – 2020 capital investment plan. In October 2016, the CPUC issued a final environmental impact report that identified project alternatives as being environmentally superior to SCE's proposed project. The $608 million estimated cost for this project reflects the scope proposed by SCE. Any possible project delays or cost increases that may result from a CPUC approval of an alternative scope have not been reflected in the capital investment plan table above.

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. The $397 million estimated cost for this project reflects the scope proposed by SCE. Any possible project delays or cost increases that may result from a CPUC approval of an alternative scope have not been reflected in the capital investment plan table above.

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, in July 2016 SCE informed the CPUC that it now supports a revised description of the Project. The CPUC is reviewing the revised Project and is expected to commence a supplemental environmental review in the fourth quarter of 2016. As a result of the delay in receipt of project approval from the CPUC, SCE is evaluating possible delays in the timing of project capital expenditures.

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.

Coolwater-Lugo

In February 2016, SCE filed an abandoned plant recovery request at FERC for the costs of the cancelled Coolwater-Lugo transmission project pursuant to the authority granted by FERC for SCE to recover 100% of all prudently-incurred costs if the project is cancelled for reasons beyond SCE's control. The project was cancelled by the CPUC in 2015 due to a reduction in need. SCE requested recovery of the $37.1 million in costs that SCE incurred for the project over a twelve-month period through the FERC transmission formula rate. In May 2016, the FERC issued an order finding that the project was cancelled for reasons beyond SCE's control, and granted SCE recovery of 100% of the prudently-incurred costs of the project, as proposed by SCE but set for hearing and settlement the $8.5 million in overhead costs assigned by SCE to the project to determine whether these costs are reasonable.

Dividend Restrictions

The CPUC regulates SCE's capital structure which limits the dividends it may pay Edison International. SCE may make distributions to Edison International as long as the common equity component of SCE's capital structure remains at or above 48% on a 13-month weighted average basis. At September 30, 2016, SCE's 13-month weighted-average common equity component of total capitalization was 50.4% and the maximum additional dividend that SCE could pay to Edison International under this limitation was approximately $567 million, resulting in a restriction on net assets of approximately $13.8 billion.

In the third quarter of 2016, SCE declared and paid a dividend to Edison International of $170 million. Future dividend amounts and timing of distributions are dependent on a number of factors including the level of capital expenditures, operating cash flows and earnings.

Margin and Collateral Deposits

Certain derivative instruments, power procurement contracts and other contractual arrangements contain collateral requirements. Future collateral requirements may differ from the requirements at September 30, 2016, due to the addition of incremental power and energy procurement contracts with collateral requirements, if any, and the impact of changes in wholesale power and natural gas prices on SCE's contractual obligations.

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

The table below provides the amount of collateral posted by SCE to its counterparties as well as the potential collateral that would have been required as of September 30, 2016.

(in millions)	
Collateral posted as of September 30, 2016[1]	$163
Incremental collateral requirements for power procurement contracts resulting from a potential downgrade of SCE's credit rating to below investment grade	19
Incremental collateral requirements for power procurement contracts resulting from adverse market price movement[2]	3
Posted and potential collateral requirements	$185

1 Net collateral provided to counterparties and other brokers consisted of $1 million of cash which was offset against net derivative liabilities in the consolidated balance sheets, $4 million of cash reflected in "Other current assets" on the consolidated balance sheets and $158 million in letters of credit and surety bonds.

2 Incremental collateral requirements were based on potential changes in SCE's forward positions as of September 30, 2016 due to adverse market price movements over the remaining lives of the existing power procurement contracts using a 95% confidence level.

Edison International Parent and Other

Edison International Parent and Other's liquidity and its ability to pay operating expenses and pay dividends to common shareholders are dependent on dividends from SCE, realization of tax benefits and access to bank and capital markets. Edison International may also finance working capital requirements, payment of obligations and capital investments, including capital contributions to subsidiaries to fund new businesses, with commercial paper or other borrowings, subject to availability in the capital markets.

At September 30, 2016, Edison International Parent had $732 million available under its $1.25 billion multi-year revolving credit facility. For further details, see "Notes to Consolidated Financial Statements—Note 5. Debt and Credit Agreements."

The debt covenant in Edison International Parent's credit facility requires a consolidated debt to total capitalization ratio as defined in the credit agreement of less than or equal to 0.65 to 1. At September 30, 2016, Edison International Parent's consolidated debt to total capitalization ratio was 0.46 to 1.

In August 2014, Edison International entered into an amendment of the EME Settlement Agreement that finalized the remaining matters related to the EME Settlement. Edison International made the final payment of $214 million in September 2016. Edison International has net operating loss and tax credit carryforwards retained by EME, which are available to offset future consolidated taxable income or tax liabilities. In December 2015, the PATH Act of 2015 extended 50% bonus depreciation for qualifying property retroactive to January 1, 2015 and through 2017 and provided for 40% bonus depreciation in 2018 and 30% in 2019. As a result, realization of these tax benefits has been deferred (currently forecasted through 2022). The timing of realization of these tax benefits may be further delayed in the event of future extensions of bonus depreciation and the value of the net operating loss carryforwards could be permanently reduced in the event that tax reform decreases the current corporate tax rate.

Historical Cash Flows

Southern California Edison Company

	Nine months ended September 30,	
(in millions)	2016	2015
Net cash provided by operating activities	$2,836	$2,951
Net cash used in financing activities	(380)	(96)
Net cash used in investing activities	(2,443)	(2,855)
Net increase in cash and cash equivalents	$13	$—

Net Cash Provided by Operating Activities

The following table summarizes major categories of net cash provided by operating activities as provided in more detail in SCE's consolidated statements of cash flows for the nine months ended September 30, 2016 and 2015.

	Nine months ended September 30,		Change in cash flows
(in millions)	2016	2015	2016/2015
Net income	$1,129	$1,163	
Non-cash items[1]	1,606	1,307	
Subtotal	$2,735	$2,470	$ 265
Changes in cash flow resulting from working capital[2]	(32)	(682)	650
Derivative assets and liabilities, net	15	25	(10)
Regulatory assets and liabilities, net	189	1,318	(1,129)
Other noncurrent assets and liabilities, net[3]	(71)	(180)	109
Net cash provided by operating activities	$2,836	$2,951	$ (115)

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

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

3 Includes the nuclear decommissioning trusts.

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

- Net cash for working capital was $(32) million and $(682) million during the nine months ended September 30, 2016 and 2015, respectively. The net cash for each period was primarily related to seasonal usage, which resulted in timing of receipts from customers of $(230) million and $(825) during 2016 and 2015, respectively, and timing of disbursements for purchased power of $190 million and $180 million during 2016 and 2015, respectively.
- Net cash provided by regulatory assets and liabilities, including changes in over (under) collections of balancing accounts. 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. During the first nine months of 2016 and 2015, cash flows were impacted by the following:
- Lower cash due to a decrease in ERRA overcollections for fuel and purchased power of $231 million during the first nine months of 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. Higher cash due to a decrease in ERRA undercollections for fuel and purchased power of $1.1 billion during the first nine months of 2015 primarily due to lower power and gas prices experienced in 2015 and the 2015 application of 2013 and 2014 nuclear decommissioning costs refunds against ERRA undercollections.
- The BRRBA tracks differences between amounts authorized by the CPUC in the GRC proceedings and amounts billed to customers. BRRBA overcollections increased $190 million in the first nine months of 2016. The increase to BRRBA resulted from a $206 million reclassification from TAMA to BRRBA to refund customers and a refund to customers of $133 million for 2012 – 2014 incremental tax benefits related to repair deductions. See "Liquidity and Capital Resources—SCE—Regulatory Proceedings—Tax Repair Deductions and Memorandum Account" for further information. The increase to BRRBA overcollections from refunding tax benefits was partially offset by the implementation of the 2015 GRC decision in January 2016.
- The public purpose and energy efficiency programs track the differences between amounts authorized by the CPUC and amounts incurred to fund programs established by the CPUC. Overcollections increased by $300 million during the first nine months of 2016 due to higher funding and lower spending for these programs. Overcollections decreased by $120 million during the first nine months of 2015 due to increased spending for these programs.
- 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 authorized tax repair deductions and actual tax repair deductions will be adjusted through customer rates. Overcollections decreased by $143 million during the first nine months of 2016 primarily due to a $206 million reclassification from TAMA to BRRBA to refund customers as discussed above, partially offset by higher tax repair deductions than forecasted in rates.
- During the second quarter of 2016, the Department of Energy litigation memorandum account was established to track a refund of $122 million received by SCE in May 2016 from the federal government related to the Department of Energy's failure to meet its obligation to begin accepting spent nuclear fuel from San Onofre. These 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. See "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies—Spent Nuclear Fuel" for further discussion.
- Net cash provided by regulatory assets and liabilities also consisted of a cash inflow of $318 million in 2015 due to the revenue collected from customers that was estimated to be refunded as part of the 2015 GRC proposed decision.
- Cash flows used in other noncurrent assets and liabilities were $71 million and $180 million in the first nine months of 2016 and 2015, respectively. Major factors affecting cash flow related to noncurrent assets and liabilities were activities related to SCE's nuclear decommissioning trusts (principally related to the payment of decommissioning costs). Decommissioning costs of San Onofre were approximately $125 million and $129 million for the nine months ended September 30, 2016 and 2015, respectively (such costs were recorded as a reduction of SCE's asset retirement obligation).

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Net Cash Used in Financing Activities

The following table summarizes cash provided by financing activities for the nine months ended September 30, 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 SCE."

(in millions)	Nine months ended September 30, 2016	2015
Issuances of first and refunding mortgage bonds, net	$—	$1,287
Issuances of pollution control bonds, net	—	128
Long-term debt matured or repurchased	(81)	(761)
Issuances of preference stock, net	294	319
Redemptions of preference stock	(125)	(325)
Short-term debt financing, net	189	(251)
Payments of common stock dividends to Edison International	(510)	(441)
Payments of preferred and preference stock dividends	(97)	(91)
Other	(50)	39
Net cash used in financing activities	$(380)	$(96)

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 $2.7 billion and $3.1 billion for the nine months ended September 30, 2016 and 2015, respectively, primarily related to transmission, distribution and generation investments. The decrease in capital expenditures during 2016 was primarily due to lower FERC capital spending. Net proceeds of nuclear decommissioning trust investments were $159 million and $242 million for the nine months ended September 30, 2016 and 2015, respectively. The 2016 net proceeds from sale of nuclear decommissioning trust investments was due to disbursements less net earnings during the period. The 2015 net proceeds from sale of nuclear decommissioning trust investments was used to pay 2013 and 2014 decommissioning costs less net earnings during the period. In addition, during the third quarter of 2016, SCE received proceeds of $140 million for the available cash surrender value of life insurance policies. The proceeds were used for general corporate purposes.

Nuclear Decommissioning Trusts

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

(in millions)	Nine months ended September 30, 2016	2015
Net cash used in operating activities: Nuclear decommissioning trusts	$(159)	$(249)
Net cash flow from investing activities: Proceeds from sale of investments	2,075	2,507
Purchases of investments	(1,916)	(2,265)
Net cash impact	$—	$(7)

Net cash used in operating activities of the nuclear decommissioning trusts relate to interest and dividends less administrative expenses, taxes and decommissioning costs. See "Notes to Consolidated Financial Statements—Note 9. Investments" for further information. Such activities represent the source (use) of the funds for investing activities. The net cash impact represents the contributions made by SCE to the nuclear decommissioning trusts. During the nine months ended September 30, 2015, SCE made a contribution of $7 million to the non-qualified decommissioning trust pursuant to a CPUC decision related to decommissioning costs for San Onofre Unit 1.

In future periods, decommissioning costs of San Onofre will increase significantly. 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.

Edison International Parent and Other

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

(in millions)	Nine months ended September 30, 2016	2015
Net cash used in operating activities	$(336)	$(118)
Net cash provided by financing activities	280	122
Net cash used in investing activities	(34)	(2)
Net (decrease) increase in cash and cash equivalents	$(90)	$2

Net Cash Used in Operating Activities

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

- $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. See "Notes to Consolidated Financial Statements—Note 15. Discontinued Operations—EME Chapter 11 Bankruptcy" for further information.
- $122 million receipt of intercompany tax-allocation payments in 2015.
- $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—Income from Continuing Operations" for further information.
- $101 million cash outflow from operating activities in 2016 compared to $36 million cash outflow in 2015 due to the timing of payments and receipts relating to interest and operating costs.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was as follows:

(in millions)	Nine months ended September 30, 2016	2015
Dividends paid to Edison International common shareholders	$(469)	$(408)
Dividends received from SCE	510	441
Payment for stock-based compensation	(53)	(116)
Receipt from stock option exercises	30	65
Long-term debt issuance, net	397	—
Short-term debt financing, net	(129)	139
Other	(6)	1
Net cash provided by financing activities	$280	$122

Contingencies

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

Environmental Remediation

As of September 30, 2016, SCE had identified 19 material sites for remediation and recorded an estimated minimum liability of $130 million. SCE expects to recover 90% of its remediation costs at certain sites. See "Notes to Consolidated Financial Statements—Note 11. Commitments and Contingencies—Contingencies—Environmental Remediation" for further discussion.

MARKET RISK EXPOSURES

Edison International's and SCE's primary market risks are described in the 2015 Form 10-K. For a further discussion of market risk exposures, including commodity price risk, credit risk and interest rate risk, see "Notes to Consolidated Financial Statements—Note 4. Fair Value Measurements" and "—Note 6. Derivative Instruments."

Commodity Price Risk

The fair value of outstanding derivative instruments used to mitigate exposure to commodity price risk was a net liability of $1.2 billion at both September 30, 2016 and December 31, 2015. For further discussion of fair value measurements and the fair value hierarchy, see "Notes to Consolidated Financial Statements—Note 4. Fair Value Measurements" and "— Note 6. Derivative Instruments."

Credit Risk

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

As of September 30, 2016, the amount of balance sheet exposure as described above broken down by the credit ratings of SCE's counterparties, was as follows:

	September 30, 2016		
(in millions)	Exposure[2]	Collateral	Net Exposure
S&P Credit Rating[1]			
A or higher	$ 125	$ —	$ 125
Not rated	6	(16)	—
Total	$ 131	$ (16)	$ 125

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

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

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CRITICAL ACCOUNTING ESTIMATES AND POLICIES

For a complete discussion on Edison International's and SCE's critical accounting policies, see "Critical Accounting Estimates and Policies" in the year-ended 2015 MD&A.

NEW ACCOUNTING GUIDANCE

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

RISK FACTORS

The risk factors appearing in the 2015 Form 10-K under the headings set forth below are supplemented and updated as follows:

RISKS RELATING TO SOUTHERN CALIFORNIA EDISON COMPANY

Regulatory Risks

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. The construction, planning, and siting of SCE's power plants and transmission lines in California are also subject to regulation by the CPUC.

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's business could be materially affected. The process of obtaining licenses and permits from regulatory authorities may be delayed or defeated by concerted community opposition and such delay or defeat could have a material effect on SCE's business.

In September 2016, the California Governor signed into law several CPUC reform bills that establish rules governing, among other subjects, communications between the CPUC officials, staff and the regulated utilities. Changes to the rules 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.

Competitive and Market Risks

The electricity industry is undergoing change, including increased competition, technological advancements, and political and regulatory developments

California utilities are experiencing increasing deployment of distributed energy resources, such as solar, energy storage, energy efficiency and demand response technologies. This growth will eventually 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 distributed energy resources. 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 distributed energy resources; consider future grid modernization and grid reinforcement investments; evaluate if traditional grid investments can be deferred by distributed energy resources, and if feasible, what, if any, compensation would be appropriate; and clarify the role of the electric distribution grid operator. The outcome of these proceedings is unknown. These changes could materially affect SCE's business model and its financial condition and results of operations.

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Customer-owned generation itself reduces the amount of electricity those customers purchase from utilities and has 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 their use. For example, customers in California that 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. Such increases influence the public discussion regarding changes in the electric utility business model.

In addition, the FERC has adopted changes that have 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" in the 2015 Form 10-K.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

FINANCIAL STATEMENTS
Consolidated Statements of Income

	Edison International			
	Three months ended September 30,		Nine months ended September 30,	
(in millions, except per-share amounts, unaudited)	2016	2015	2016	2015
Total operating revenue	$3,767	$3,763	$8,985	$9,183
Purchased power and fuel	1,719	1,785	3,576	3,648
Operation and maintenance	740	780	2,090	2,159
Depreciation, decommissioning and amortization	521	506	1,504	1,451
Property and other taxes	92	84	269	255
Impairment and other charges	—	—	21	—
Total operating expenses	3,072	3,155	7,460	7,513
Operating income	695	608	1,525	1,670
Interest and other income	32	32	97	114
Interest expense	(147)	(138)	(431)	(420)
Other expenses	(9)	(15)	(29)	(40)
Income from continuing operations before income taxes	571	487	1,162	1,324
Income tax expense	122	82	113	195
Income from continuing operations	449	405	1,049	1,129
Income (loss) from discontinued operations, net of tax	—	43	(1)	43
Net income	449	448	1,048	1,172
Preferred and preference stock dividend requirements of SCE	31	28	92	84
Other noncontrolling interests	(1)	(1)	(9)	(11)
Net income attributable to Edison International common shareholders	$419	$421	$965	$1,099
Amounts attributable to Edison International common shareholders:				
Income from continuing operations, net of tax	$419	$378	$966	$1,056
Income (loss) from discontinued operations, net of tax	—	43	(1)	43
Net income attributable to Edison International common shareholders	$419	$421	$965	$1,099
Basic earnings per common share attributable to Edison International common shareholders:				
Weighted-average shares of common stock outstanding	326	326	326	326
Continuing operations	$1.29	$1.16	$2.96	$3.24
Discontinued operations	—	0.13	—	0.13
Total	$1.29	$1.29	$2.96	$3.37
Diluted earnings per common share attributable to Edison International common shareholders:				
Weighted-average shares of common stock outstanding, including effect of dilutive securities	329	328	329	329
Continuing operations	$1.27	$1.15	$2.94	$3.21
Discontinued operations	—	0.13	—	0.13
Total	$1.27	$1.28	$2.94	$3.34
Dividends declared per common share	$0.4800	$0.4175	$1.4400	$1.2525

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

Consolidated Statements of Comprehensive Income			Edison International	
	Three months ended September 30,		Nine months ended September 30,	
(in millions, unaudited)	2016	2015	2016	2015
Net income	$449	$448	$1,048	$1,172
Other comprehensive income (loss), net of tax:				
Pension and postretirement benefits other than pensions:				
Net loss arising during the period plus amortization included in net income	2	2	5	4
Other	—	(1)	—	(1)
Other comprehensive income, net of tax	2	1	5	3
Comprehensive income	451	449	1,053	1,175
Less: Comprehensive income attributable to noncontrolling interests	30	27	81	73
Comprehensive income attributable to Edison International	$421	$422	$972	$1,102

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

Consolidated Balance Sheets	Edison International	
(in millions, unaudited)	September 30, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	$84	$ 161
Receivables, less allowances of $58 and $62 for uncollectible accounts at respective dates	999	771
Accrued unbilled revenue	570	565
Inventory	310	267
Derivative assets	60	79
Regulatory assets	321	560
Other current assets	261	251
Total current assets	2,605	2,654
Nuclear decommissioning trusts	4,376	4,331
Other investments	76	203
Total investments	4,452	4,534
Utility property, plant and equipment, less accumulated depreciation and amortization of $8,753 and $8,548 at respective dates	36,064	34,945
Nonutility property, plant and equipment, less accumulated depreciation of $96 and $85 at respective dates	167	140
Total property, plant and equipment	36,231	35,085
Derivative assets	67	84
Regulatory assets	7,844	7,512
Other long-term assets	358	360
Total long-term assets	8,269	7,956
Total assets	$51,557	$ 50,229

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

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Consolidated Balance Sheets	Edison International	
(in millions, except share amounts, unaudited)	September 30, 2016	December 31, 2015
LIABILITIES AND EQUITY		
Short-term debt	$ 757	$ 695
Current portion of long-term debt	881	295
Accounts payable	1,180	1,310
Accrued taxes	130	72
Customer deposits	264	242
Derivative liabilities	223	218
Regulatory liabilities	1,030	1,128
Other current liabilities	877	967
Total current liabilities	5,342	4,927
Long-term debt	10,407	10,883
Deferred income taxes and credits	8,177	7,480
Derivative liabilities	1,070	1,100
Pensions and benefits	1,776	1,759
Asset retirement obligations	2,592	2,764