

EXHIBIT 39



Russell G. Worden
Director
External Relations

March 20, 2014

ALJ Melanie Darling
ALJ Kevin Dudney
California Public Utilities Commission
501 Van Ness Avenue
San Francisco, CA 94102

Re: Proposed Settlement Conference Pursuant to Rule 12.1(b)

Dear ALJs Darling and Dudney:

The purpose of this letter is to inform you that Southern California Edison Company, San Diego Gas & Electric Company, The Utility Reform Network, and the Office of Ratepayer Advocates (the "Parties") will hold a settlement conference for the purpose of discussing terms to resolve the *Order Instituting Investigation Regarding San Onofre Nuclear Generating Station Units 2 and 3*, I.12-10-013, and all proceedings that have been consolidated therewith (including A. 13-01-016, A. 13-03-005, A. 13-03-013, and A. 13-03-014).

Pursuant to Rule 12.1(b) of the Commission's Rules of Practice and Procedure, the settlement conference will be held on March 27, 2014. The Parties hereby request that all aspects of this OII be stayed pending the conference. Specifically, the Settling Parties request that you refrain from any of the following actions pending the conference:

- Issuing a revised Proposed Decision on Phases 1 or 1A of the OII
- Issuing a Proposed Decision on Phase 2 of the OII
- Convening a pre-hearing conference or issuing a Scoping Memo on Phase 3 of the OII

Following the conference, the Parties will contact you to propose additional procedural steps.

Sincerely,

A handwritten signature in black ink that reads 'Russell G. Worden'.

Russell G. Worden
Director
Case Manager, I.12-10-013

cc: President Peevey, Commissioners Florio, Sandoval, Peterman, and Picker
Service List

2244 Walnut Grove Ave.
Rosemead, California 91770
(626) 302-4177
russell.worden@sce.com

EXHIBIT 40

Darling, Melanie

From: Michael Aguirre <maguirre@amslawyers.com>
Sent: Sunday, March 30, 2014 1:22 PM
To: Darling, Melanie; Case.Admin@sce.com
Cc: ALJ Docket Office
Subject: RE: Ex Parte Request for Stay

Greetings: The ex parte request for stay was filed by letter to you from SCE and TURN. The ex parte letter to you, based on your email, is not properly before you. Therefore, there should be no stay. Mike Aguirre

From: Darling, Melanie [mailto:melanie.darling@cpuc.ca.gov]
Sent: Thursday, March 27, 2014 12:42 PM
To: Mike Aguirre; Case.Admin@sce.com
Cc: ALJ Docket Office
Subject: RE: Ex Parte Request for Stay

Mr. Aguirre: This document is not properly before the Commission or the Administrative Law Judges. There is no provision in the CPUC Rules of Practice and Procedure for an "Ex Parte Request For Stay." If Ms. Henricks seeks to place such a request before the Commission, the proper procedure is to serve and file a Motion, in conformity with Rule 11.1, including a concise statement of the facts and law supporting the motion.

Melanie M. Darling and Kevin Dudney
Administrative Law Judges
California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102-3298
(415) 703-1461

From: Mike Aguirre [mailto:maguirre@amslawyers.com]
Sent: Wednesday, March 26, 2014 8:42 AM
To: Darling, Melanie; Case.Admin@sce.com
Subject: Ex Parte Request for Stay

ALJ Melanie Darling
ALJ Kevin Dudney
California Public Utilities Commission
501 Van Ness Avenue San
Francisco, CA 94102

Re: Proposed Settlement Conference Pursuant to Rule 12.1(b); convening a pre-hearing conference, Scoping Memo on Phase 3 of the OII

Dear ALJs Darling and Dudney:

The purpose of this letter is to object to any postponement of a pre-hearing conference and issuance of a Scoping Memo on Phase 3 of the Order of Investigation.

On 1 November 2012 the Commission issued this Order Instituting Investigation (OII). The public need was to determine who was responsible at SCE for the failure of the replacement steam generators. Once that was determined, a distribution of the financial burden of the failed steam generators could be made.

A decision was made to address lesser issues and postpone central ones for the past 16 months. Rather than build a record of reliable fact upon which a good faith settlement could be built time and resources were squandered on side issues. What we have learned from other sources is the SCE Design Team recognized that the design for the RSGs resulted in higher steam quality (void fraction) than previous designs and had considered making changes to the design to reduce the void fraction but did not do so because of concerns SCE would have to comply with additional regulations.

Ms. Henricks has an outstanding discovery request for documents relating to these facts to which SCE has failed to provide promised documents. Ms. Henricks has attempted to take depositions which would have been done had an SCE truck been involved in an auto accident this was not permitted. Ms. Henricks filed repeated motions urging the Commission to take up the key issues first, all were denied with the proviso that those matters would be raised in Phase III. While settlement of disputes is to be valued, collusion is not.

Fundamental rules of prudence and the Commission's own rules require there to be a well-grounded basis for any settlement. A careful assessment of the evidence relevant to what SCE officials knew when they deployed the replacement steam is needed before settlement of the case. The allocation of costs would be different if SCE officials acted good faith rather than recklessly or knowingly.

SCE acting as agent for TURN has sent ex parte communications to you requesting for a stay of the proceedings. This application should be denied. If going to be made it should be by noticed motion, based on a written record, with all parties permitted to oppose. There is no legal basis for the Commission or the assigned ALJs to postpone the convening of a pre-hearing conference and the issuing of a Scoping Memo on Phase 3 of the OII. A timely settlement requires a thorough investigation not the thwarting of it.

As Abraham Lincoln said long ago, "You can fool all the people some of the time, and some of the people all the time, but you cannot fool all the people all the time." What some of the people are seeing is a pattern of behavior at the Commission. A publicity event announcing an investigation, followed by obfuscating procedural maneuverings, followed by attenuated hearings restricted to avoid hard facts, followed by protracted settlement during which ratepayers continued to be charged, and then followed by a resolution when all the participants share in the bounty at ratepayer expense (e.g. San Bruno, 2007 Wildfires, San Onofre).

If the parties want to have settlement discussions they should proceed. However, there should be no further delays in convening of a pre-hearing conference and the issuance of a scoping memo for the Phase 3 proceedings.

Very truly yours,
/s/ Michael J. Aguirre

cc: President Peevey, Commissioners Florio, Sandoval, Peterman, and Picker
Service List

EXHIBIT 41



Home » Press Room



Recommend Share 17

- Home
- Energy
- Water
- Communications
- Legislation
- Press Room

Cheryl Cox, Policy Advisor, 415-703-2495, cxc@cpuc.ca.gov
ORA Press Room: <http://www.ora.ca.gov/newsroom.aspx>

ORA Reaches SONGS Settlement that Will Save Edison Customers \$1.12 Billion and SDG&E Customers \$286 Million

SAN FRANCISCO, March 27, 2014 – The Office of Ratepayer Advocates (ORA), the independent consumer advocate within the California Public Utilities Commission (CPUC), today signed a comprehensive settlement agreement with Southern California Edison Company (Edison), San Diego Gas & Electric Company (SDG&E), and The Utility Reform Network (TURN) that will prevent the utilities from charging customers, who were served by the defunct San Onofre Nuclear Generating Station (SONGS), for defective steam generators. The estimated benefit to ratepayers on a present value basis, compared with the utilities' \$4.7 billion original request, is \$1.12 billion for Edison customers and \$286 million for SDG&E customers.

In October 2012, the CPUC opened an investigation into the causes and accountability for the premature SONGS closure. Edison had shut down SONGS Generator Unit 2 on January 9, 2012 for scheduled maintenance, followed by the shutdown of SONGS Generator Unit 3 on January 31, 2012 due to a steam generator tube leak. Neither unit has ever returned to service, yet customers have continued to pay tens of millions of dollars each month to support the defunct plant and to buy replacement power. SONGS is owned and operated by Edison (78.21%) and served customers in the greater Los Angeles area including Inyo, Kern, Kings, Mono, Orange, Santa Barbara, Tulare, Ventura, and San Bernardino counties. It is co-owned with SDG&E (20%) and the City of Riverside (1.79%).

Today's settlement will eliminate cost recovery of the utilities' investment in the defective steam generators as of the February 2012 shutdown date, but will allow the utilities to receive a reduced rate of return for facilities other than the defective steam generators for a short period of time. Key customer benefits are summarized in the table below.

Major Settlement Elements	Reductions in Costs that Customers	
	Edison	SDG&E
Defective Replacement of Steam Generators, Retroactive to February 1, 2012	\$597 million	\$160 million
2012 Incremental Replacement Steam Generator Inspection and Repair Costs	\$99 million	\$5 million
Capital and Operation & Maintenance Revenue Refund, Feb 2012 – May 2014	\$480 million	\$121 million
SONGS Net Investment Rate of Return	2012: 2.95% 2013-2014: 2.62%	2012: 2.75% 2013-2014: 2.35%

The Settlement also allows customers to receive a portion of any funds that Edison or SDG&E recovers in any legal actions from either Mitsubishi Heavy Industries, Inc. (manufacturer of the defective steam generators) or Nuclear Energy Insurance Limited (NEIL).

In August 2012, ORA sent a letter to CPUC commissioners requesting they remove SONGS from Edison's and SDG&E's rates to protect customers from the mounting costs of the non-operational plant.

ORA argued that the utilities should have received no additional funding for the defective steam generators that caused SONGS

to stop operating.

“This settlement agreement is an extremely good deal for customers who will see a refund of hundreds of millions of dollars in the coming years,” said Joe Como, ORA’s acting director. “Customers will start to see a reduction in rates in 2015 of more than \$100 million in savings by disallowing the steam generators.”

- The signed settlement will be submitted to the CPUC for approval by the CPUC’s five commissioners. The settlement does not determine SONGS’ decommissioning costs, which will be addressed in another CPUC proceeding.

See ORA’s [SONGS webpage](#) for details and link to Settlement.

For more information on ORA, please visit www.ora.ca.gov.

[Home](#) | [Energy](#) | [Communications](#) | [Water](#) | [Legislation](#) | [Press Room](#)
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EXHIBIT 42

From: Prosper, Terrie D.
Sent: 3/27/2014 3:12:03 PM
To: Prosper, Terrie D. (terrie.prosper@cpuc.ca.gov)
Cc:
Bcc:
Subject: CPUC Comments on Proposed San Onofre Settlement: CPUC Press Release

**FOR IMMEDIATE RELEASE
PRESS RELEASE**

Media Contact: Terrie Prosper, 415.703.1366, news@cpuc.ca.gov

CPUC COMMENTS ON PROPOSED SAN ONOFRE SETTLEMENT

SAN FRANCISCO, March 27, 2014 - The California Public Utilities Commission's (CPUC) President Michael R. Peevey and Commissioner Mike Florio today made the following statements in response to the announcement by the CPUC's Office of Ratepayer Advocates, The Utility Reform Network (TURN), Southern California Edison, and San Diego Gas & Electric that they have reached a proposed settlement regarding the failed steam generator tubes at the San Onofre Nuclear Generating Station.

Said President Peevey, "I am pleased that the parties have come to a proposed settlement that they believe is in the interest of ratepayers. The proposed settlement will come before the CPUC for consideration after a public hearing to evaluate it closely."

Said Commissioner Florio, "After an 18 month proceeding, it is encouraging that the parties have come to a proposed resolution. If approved, it would save us another two years of litigation and offer ratepayers a more expeditious relief."

For more information on the CPUC, please visit www.cpuc.ca.gov.

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Terrie Prosper


Director, News and Public Information Office

California Public Utilities Commission

Facebook | Twitter | www.cpuc.ca.gov

EXHIBIT 43

\$1.4 Billion In Savings Is A Good Deal For Customers!

 [turn.org/issues/energy/item/742-\\$14-billion-in-savings-is-a-good-deal-for-customers.html](http://turn.org/issues/energy/item/742-$14-billion-in-savings-is-a-good-deal-for-customers.html)

For Immediate Release From The Utility Reform Network

Thursday, March 27, San Francisco -- TURN and the Office of Ratepayer Advocates have reached an agreement with Southern California Edison (SCE) and San Diego Gas & Electric (SDG&E) that would relieve customers of bearing the costs of failed steam generator tubes at the San Onofre Nuclear Generating Station (SONGS). SONGS, located south of San Clemente, went offline in January 2012, after water leaks in its steam generator tubes were detected. It was later revealed that hundreds of other new steam tubes were also malfunctioning due to a faulty design, and that the plant's safety was compromised.

Under the proposed settlement, customers would pay about \$1.4 billion less than SCE and SDG&E wanted. Consumers would see the bulk of the reductions in the first few years with the remainder occurring through 2021. Most notably, ratepayers would not pay for the defective steam generators beginning on February 1, 2012 – one day after Unit 3 had to be taken offline. Shareholders of SCE and SDG&E would be responsible for their entire unrecovered investment in the plant as of that date.

"The proposed settlement represents a huge win for consumers," said TURN staff attorney Matthew Freedman. "It will hold utility shareholders accountable for the fiasco at SONGS and expedite refunds to customers. Ratepayers have been paying for the costs of Edison's mistakes at SONGS for over two years," Freedman said. "That's long enough."

The basic terms of the settlement are as follows:

- SCE customers would receive refunds of approximately \$480 million by the end of 2014. SDG&E customers would receive 2014 refunds of approximately \$121 million.
- SDG&E and SCE would refund 100% of the money they have collected from customers since February 1, 2012 for the replacement steam generators and be precluded from charging customers for any of their remaining investment after that date. Shareholders of SCE would also be prevented from charging ratepayers for their remaining investment of \$597 million, which, after unrealized profits, rises to \$696 million. SDG&E shareholders would be prevented charging ratepayers for their remaining investment of \$160.4 million, which, after unrealized profits, rises to \$221 million.
- Utility investments in the base plant (not including the steam generators) would be recovered over 10 years beginning on February 1, 2012 with no return on shareholder equity, only 50% of the authorized return for preferred stock and the actual cost of debt. For 2014, the overall return would be 2.62% for SCE and 2.35% for SDG&E. Compared to the litigation proposals of the utilities, this treatment results in a \$300 million savings for SCE ratepayers and a \$52.5 million savings for SDG&E ratepayers.
- SCE and SDG&E would refund any money collected from ratepayers since January 1, 2013 in excess of the actual operational costs of SONGS.
- SCE and SDG&E would refund to customers any money resulting from the sale of excess materials and supplies along with unused nuclear fuel.
- SCE and SDG&E would not be allowed to charge ratepayers for some of the incremental costs to inspect and repair the faulty steam generators in 2012. SCE shareholders would be responsible for \$99 million.

- Customers would receive a significant share of any proceeds recovered by the utilities from Mitsubishi Heavy Industries (the manufacturer of the defective steam generators) and Nuclear Energy Insurance Limited.

TURN expects the CPUC to consider the settlement in the coming months and hopes that they will act to approve it sometime this summer. "We think this is a good deal," Freedman said. "The CPUC litigation process doesn't offer consumers any assurances. This agreement does."

FOR ILLUSTRATIVE PURPOSES ONLY

\$ Millions

	SCE			
	TURN Litigation	ORA Litigation	Settlement	SCE Litigation
PVRR @ 10.00%	\$ 2,061	\$ 1,923	\$ 2,571	\$ 3,693
Components:				
RSG	-	86	-	696
Base Plant	900	708	1,115	1,416
O&M	659	627	673	773
Nuclear Fuel	419	419	394	419
Replacement Power ¹	83	83	389	389
Return (% 2013)				
RSG	0.00%	0.00%	0.00%	5.54%
Debt	0.00%	0.00%	0.00%	5.49%
Preferred	0.00%	0.00%	0.00%	5.79%
Equity	0.00%	0.00%	0.00%	5.54%
Base Plant - Required^{2,3,4}	0.00%	0.00%	2.62%	7.90%
Debt	0.00%	0.00%	5.49%	5.49%
Preferred	0.00%	0.00%	2.90%	5.79%
Equity	0.00%	0.00%	0.00%	10.45%
Base Plant - Not Required⁴	0.00%	0.00%	n/a	5.54%
Debt	0.00%	0.00%	n/a	5.49%
Preferred	0.00%	0.00%	n/a	5.79%
Equity	0.00%	0.00%	n/a	5.54%

1. Does not include forgone sales
2. In Settlement Agreement, Non-RSG plant is not distinguished as "required" or "not-required" as defined in the SCE litigation position.
As such, Base Plant, CWIP, and M&S earns the rate of return shown in the table
3. In SCE litigation position, higher return on required plant only applicable through 2017. Thereafter, rate of return on "not-required" plant applies.
4. Base Plant includes CWIP and M&S

FOR ILLUSTRATIVE PURPOSES ONLY

All figures shown as 1,000,000.0 USD

	SDG&E			
	TURN Litigation	ORA Litigation	Settlement	SDG&E Litigation
PVRR @ 10.00%	613.5	597.2	727.6	1,015.2
Components:				
RSG ⁵	-	14.9	-	221.7
Base Plant	209.3	178.2	244.5	297.8
O&M	241.5	241.5	266.6	266.6
Nuclear Fuel	101.0	100.9	88.3	100.9
Replacement Power ¹	61.7	61.7	128.2	128.2
Return (% 2013)				
RSG	0.00%	0.00%	0.00%	5.07%
Debt	0.00%	0.00%	0.00%	5.00%
Preferred	0.00%	0.00%	0.00%	6.22%
Equity	0.00%	0.00%	0.00%	5.07%
Base Plant - Required^{2,3,4}	0.00%	0.00%	2.35%	7.79%
Debt	0.00%	0.00%	5.00%	5.00%
Preferred	0.00%	0.00%	3.11%	6.22%
Equity	0.00%	0.00%	0.00%	10.30%
Base Plant - Not Required^{2,4}	0.00%	0.00%	N/A	5.07%
Debt	0.00%	0.00%	N/A	5.00%
Preferred	0.00%	0.00%	N/A	6.22%
Equity	0.00%	0.00%	N/A	5.07%

1. Does not include foregone sales.

2. In Settlement Agreement, Non-RSG plant is not distinguished as "required" or "not-required" as defined in the SDG&E litigation position. As such, Base Plant, CWIP, and M&S earns the rate of return shown in the table.

3. In SDG&E litigation position, higher return on required plant only applicable through 2017. Thereafter, rate of return on "not-required" plant applies.

4. Base Plant includes CWIP and M&S.

5. RSG revenue requirement shown at nominal value for ORA and TURN Litigation and Settlement.

EXHIBIT 44

Event Brief of Edison International Investor Update Conference Call - Final

5261 words

27 March 2014

CQ FD Disclosure

FNDW

English

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CORPORATE PARTICIPANTS

- . Scott Cunningham - Edison International, VP of IR
- . Ted Craver - Edison International, Chairman, President & CEO
- . Jim Scilacci - Edison International, EVP, CFO & Treasurer
- . Ron Litzinger - Edison International, President of SCE
- . Bob Adler - Edison International, EVP, General Counsel

CONFERENCE CALL PARTICIPANTS

- . Greg Gordon - ISI Group, Analyst
- . Hugh Wynne - Sanford C. Bernstein & Company, Inc., Analyst
- . Michael Lapidès - Goldman Sachs, Analyst
- . Ali Agha - SunTrust Robinson Humphrey, Analyst
- . Michael Goldenberg - Luminus Management, Analyst
- . Ashar Khan - Visium Asset Management, Analyst
- . Kamal Patel - Wells Fargo Securities, Analyst
- . Rajeev Lalwani - Morgan Stanley, Analyst
- . Raymond Leung - Goldman Sachs, Analyst

OVERVIEW

EIX provided an update on SONGS settlement.

PRESENTATION SUMMARY -

SONGS Settlement Details (T.C.)

1. Overview:

1. On 03/27/14, **Southern California Edison** (SCE), San Diego Gas & Electric, CPUC (California Public Utilities Commission) Office of Ratepayer Advocates and The Utility Reform Network executed comprehensive settlement agreement.

1. Agreement resolves all matters related to Order Instituting Investigation (OII) involving San Onofre Nuclear Generating Station (SONGS).

2. Settlement must be presented to CPUC for its approval.

3. Believes settlement achieves balanced outcome.

2. Settlement:

1. Provides customers with refunds and significant reduction in revenue requirements going forward.

2. Resolves key uncertainty for Co. shareholders by determining allowable cost recoveries related to SONGS.

1. Cost recovery provisions require SCE to take estimated additional \$155m pre-tax impairment charge above what was taken last year when Co. announced shut-down of SONGS.

1. Taken together, total impairment will be approx. \$730m pre-tax.

3. Provides for full recovery of SONGS-related replacement power costs in fuel and purchase power balancing account known as ERRA.

4. SCE will receive no equity return on its remaining SONGS investment, but other provisions remove requirement to retain equity in capital structure to support remaining SONGS asset.

1. If settlement were in effect on March 31, this would reduce SCE's common equity requirement by over \$300m.

5. Clears path to pursue claims against Mitsubishi Heavy Industries, manufacturer of faulty steam generators and insurance recoveries with reasonable recovery-sharing mechanisms for customers and SCE.

3. Key Features:

1. SONGS replacement steam generators will be removed from rates as of 02/01/12, which was the day after tube leak was discovered in Unit 3.

1. Revenues for replacement steam generators collected since that date will be refunded to customers and SCE will not recover remaining investment in steam generators in rates going forward.
2. Remaining non-steam generator investment Co. has in SONGS, which includes base plant, construction work in progress (CWIP), nuclear fuel and materials and supplies, will be removed from rates as of 02/01/12.
 1. Net investment will be recovered as regulatory asset and amortized until 2022.
 2. As of 03/31/14, balance of SONGS regulatory asset is projected to be \$1.34b.
 3. SONGS net investment will earn reduced rate of return.
 1. Rate includes 100% of authorized long-term debt rate, 50% of preferred stock rate, but no common equity return.
 1. Rate will float over time as Commission updates debt and preferred rates as part of regular cost of capital proceedings.
 2. Currently, rate provided for in settlement is 2.62%.
 4. Full SONGS regulatory asset can be removed from ratemaking capital structure.
 1. Won't require SCE to maintain 48% common equity against it.
 1. This asset isn't earning equity return.
 5. SCE will recover all of its purchase power costs associated with replacing output of SONGS.
 1. SONGS purchased power will be substantially recovered in 2014 and completely recovered by 2015-end.
 6. SCE will recover majority of its O&M expenditures.
 1. For 2012, SCE will retain O&M amount authorized through its general rate case.
 2. SCE will not recover \$99m of incremental inspection and repair costs incurred during 2012.
 1. These costs were expensed in 2012 and are part of MHI warranty dispute.
 7. Refunds of revenues previously collected in rates will be returned to customers by reducing amount SCE receives through its under-collected fuel and purchased power balancing account.
 1. Co. expects customer bill benefits to show up in early 2015 should CPUC provide timely approval of 2015 ERRRA forecast filing, which EIX expects to make next qtr.

8. SCE and customers are strongly aligned to pursue recoveries from insurance and in arbitration proceeding just underway with Mitsubishi Heavy Industries.

1. Nuclear Regulatory Commission has well-documented MHI's embedded design errors with replacement steam generators.

2. Believes that their equipment failed to serve its intended purpose and that SCE's claims of over \$4b in damages to customers and to shareholders must be addressed.

3. Sharing mechanism for recoveries from MHI and insurance provides for further rate relief for customers and recovery of SCE's impairment.

9. Estimates this settlement results in over \$1b less in revenue on present value basis vs. what Co. argued for in OII proceeding.

1. SCE will have taken impairment charge of \$730m related to SONGS.

2. Co. believes settlement, if approved by CPUC puts to rest key uncertainty for customers and shareholders, allows EIX to focus on important job of safely decommissioning SONGS and providing reliable electric service to customers, stabilizes SCE's cash position, capital requirements and balance sheet, and facilitates pursuing recoveries from MHI and insurance.

4. Key Procedural Steps Required to Gain CPUC Approval:

1. Settling parties are requesting that CPUC withdraw its proposed decision on Phase 1 and 1A of OII and to place a hold on any decisions or other procedural steps regarding remaining Phases.

2. Parties will file a motion shortly, requesting CPUC to approve settlement agreement without change, find it reasonable and expedite its approval.

3. Under CPUC rules, other parties in OII will have opportunity to comment on agreement and CPUC can conduct evidentiary hearings if there are any objections raising factual disputes.

4. Settlement becomes binding on parties when CPUC finds that it is reasonable, consistent with law and in public interest.

5. CPUC has discretion to approve or disapprove settlement, or to condition approval on changes to settlement, which settling parties may accept or reject.

6. Hopeful that CPUC will recognize important compromises made in achieving this agreement and move quickly to approve it.

SONGS Settlement Financials (J.S.)

1. Asset Impairment:

1. In 2Q13, SCE recorded \$575m pre-tax impairment associated with SONGS:
 1. Impairment based on management's judgment of recoverability of investment in SONGS.
 2. Impairment currently reflected as reduction in SONGS net investment.
2. SONGS regulatory asset \$1.59b at 12/31/13 before \$266m of authorized revenues received in excess of what Co. has recorded as revenue.
3. Authorized revenues are O&M, depreciation, income taxes and return on SONGS investment.
2. Settlement Accounting:
 1. Based on settlement, SCE expects to record at 1Q-end increase of approx. \$155m in SONGS impairment or from \$575m to approx. \$730m.
 1. After taxes, impairment is expected to be approx. \$465m or increase of approx. \$100m.
 2. Settlement resets ratemaking clock back to 02/01/12.
 1. Recovery of costs associated with replacement steam generators is not allowed following this date.
 1. Replacement steam generator costs recovered prior to this date are allowed.
 3. Previously recorded earnings and took depreciation on replacement steam generators between 02/01/12 and when Co. announced plant shut-down.
 1. As part of settlement, Co. will refund revenues to customers representing earnings and depreciation on steam generators during this period.
 4. Total impairment's primary drivers are three-fold.
 1. Disallowance of replacement steam generators investment is \$542m at 05/31/13.
 2. Refund of replacement steam generator revenues previously recognized from 02/01/12 through 05/31/13 is \$153m.
 3. Implementation of other terms of Settlement Agreement, including refund of authorized revenues in excess return allowed for non-steam generator investments.
 5. Settlement terms provide for allocation methodology between customers and SCE should Co. be able to obtain recoveries from either NEIL or MHI.
 1. As general rule, Co. cannot record receivable for potential recoveries until it secures settlement or obtains court determination.

1. If Co. was able to obtain recovery, SCE portion will be reflected as non-core earnings.
2. From customer standpoint, it is instructive to compare what customers will pay to what Co. sought in Phase 2 of OII.

1. In ratemaking world, Co. refers to this difference as change in present value of revenue requirements.

6. For SCE, reduction in present value revenue requirement under settlement vs. opening position in Phase 2 of OII is in excess of \$1b.

1. Driven by disallowance of replacement steam generators back to 02/01/12, disallowance of 2012 inspection and repair costs and reduction of return on remaining net investment.

3. SONGS Regulatory Asset (based upon settlement terms):

1. Information provided is forecasted as of 03/31/14 and is therefore an estimate.

2. Base plant CWIP and materials and supplies will earn rate of return based on SCE's authorized cost of debt and 50% of its cost of preferred stock.

1. Rate is currently 2.62%.

3. As SCE's authorized cost of debt and preferred change, rate of return and effective SONGS regulatory asset will be adjusted.

4. SONGS nuclear fuel has different rate of return than other assets.

1. Since SONGS went into operation, nuclear fuel has been excluded from utilities rate base.

5. Under Commission rules, cost of nuclear fuel is recovered through fuel and purchase power account or ERRA.

6. Finances nuclear fuel inventory with commercial paper borrowings and recover actual financing costs through ERRA rates.

7. Cost recovery period is generally over 10 years beginning 02/01/12.

1. Some CWIP investments will be recovered over slightly different period depending upon timing of work related to asset, but in all cases, will obtain recovery starting no later than effective date of settlement agreement and ending on 01/31/22.

4. Cash Implications:

1. Cash implications are complicated given number of moving pieces.

2. At highest level, will apply customer refunds based on settlement generally against under-collected fuel and purchase power account, account referred to as ERRA.

3. At 2013-end, ERRA was under-collected about \$1b and is growing about \$100m a month.

1. CPUC has not authorized recovery of SONGS replacement power costs and has included this as part of SONGS OII proceeding.

4. Late last year, Commission authorized \$165m increase in 2013 ERRA proceeding.

5. On 03/25/14, received Proposed Decision in 2014 ERRA proceeding that would substantially increase fuel and purchase power rates consistent with [amending request].

1. Will file comments supporting adoption of Proposed Decision.

6. Intends to file 2015 ERRA forecast in 2Q to incorporate favorable impacts of settlement on customer rates.

7. Refunds and repayment of over collections through 2014-end are estimated to be \$480m.

8. Separately, requested CPUC allows Co. to tap into Nuclear Decommissioning Trusts for SONGS.

1. Requested majority of costs incurred since 06/07/13, Co. treats it as decommissioning costs.

2. Should Commission approve Co.'s request, this would provide in excess of \$200m that would be applied against under-collected ERRA balance.

5. Other Details:

1. Combination of refunds under settlement, CPUC authorization to access Nuclear Decommissioning Trusts and ERRA rate adjustment would substantially reduce under-collected ERRA balance by 2014-end.

2. As part of settlement agreement, settlement provides mechanism to share recoveries from NEIL or MHI.

3. For NEIL and MHI, any recoveries would first be credited against SCE's litigation costs incurred in pursuing such recoveries.

1. For NEIL, balance would be shared 82.5% to customers and 17.5% to SCE with customer share credited to SCE's ERRA account.

4. For MHI claims, first \$100m balance of SCE's portion of recoveries would be shared 85% to 15% between SCE and customers.

1. Next \$800m of SCE's portion of recoveries would be shared two-thirds, one-third between SCE and customers.

1. Remainder of SCE's portion of recoveries would be shared 25%, 75% between SCE and customers.

6. Guidance:

1. Last month provided 2014 core earnings guidance of \$3.70 per share with range of plus or minus \$0.10 per share.

1. As part of this guidance, assumed avg. rate base of \$22.1b.

1. Rate base excludes San Onofre.

2. Assumed \$0.07 per share drag from no return on long-term debt and preferred stock on SONGS portion of SCE capital structure.

3. Settlement provides for full return on long-term debt and 50% of return on preferred stock.

1. Settlement would restore \$0.03 of \$0.07 per share in 2014.

1. Annualized impact would be \$0.04 per share.

2. Will not adjust 2014 guidance until Co. receives final CPUC decision on settlement.

4. Although settlement does not provide equity return on any portion of SONGS regulatory asset, it provides ability to exclude SONGS regulatory asset, other than nuclear fuel from SCE's authorized capital structure for ratemaking purposes.

1. Means SCE can finance this portion of regulatory asset solely with debt.

5. For SCE, authorized capital structure is 48% common equity, 9% preferred stock and 43% long-term debt.

1. If settlement were implemented on March 31, this would free up more than \$300m of common equity.

2. Available equity reduces over time as regulatory asset is amortized.

6. SCE will pursue recoveries from MHI and NEIL.

7. Should Co. recover funds based on settlement allocation methodology, EIX would expect to record non-core earnings, which will have effect of further bolstering SCE's capital structure.

8. On Feb. 25 earnings call, discussed Co. saw no need for common equity.

1. Settlement will not change that position.

7. SCE Updates:

1. Linda Sullivan, outgoing CFO.

2. Stu Hemphill, acting CFO.

QUESTIONS AND ANSWERS

OPERATOR: Thank you.

(Operator Instructions)

Our first question comes from Greg Gordon from ISI Group. Your line is open.

GREG GORDON, ANALYST, ISI GROUP: Thanks. Good afternoon. Can you hear me?

TED CRAVER, CHAIRMAN, PRESIDENT & CEO, EDISON INTERNATIONAL: Yes, I can.

GREG GORDON: Sorry about that. So, thinking about the reduction in earnings power from SONGS going to the modified return, is it simply taking the \$1.344 billion of value on page 5 as of March 31 and applying the appropriate authorized returns coming up with the reduced net income, and that's how we get to the \$0.04?

JIM SCILACCI, EVP, CFO & TREASURER, EDISON INTERNATIONAL: It's a bit more complicated than that, Greg, because those numbers are based on essentially the equivalent of rate base and you don't have the deferred tax portion of it. So, later when we get into the end of the first quarter we'll provide some more detail, but you basically take the base plant, the materials and supplies, the construction work in process, you reduce it by the deferred tax in each one of those categories, and you then multiply it by the return that we talked about in the 2.62. And if that number is going to float over time, so it is going to be -- the maximum will be at \$0.04 a share and then it will decline over time as we start amortizing the balance.

GREG GORDON: Okay. That makes sense because the math seemed to be a bigger number because I didn't have the deferred tax as an offset.

JIM SCILACCI: The other piece is nuclear fuel which does not earn the same kind of return.

GREG GORDON: Okay. Understood. Thanks. And then in terms of the way that you are flowing refunds back to customers, you explained it in a lot of detail, but just to sort of summarize it, basically the ERRA balancing account is going to be used for the mechanism for all the puts and takes associated with driving dollars back to customers, correct?

JIM SCILACCI: Correct.

GREG GORDON: Okay, thank you.

JIM SCILACCI: All right, Greg.

OPERATOR: Thank you. Hugh Wynne from Sanford Bernstein, your line is open.

HUGH WYNNE, ANALYST, SANFORD C. BERNSTEIN & COMPANY, INC.: I just want to understand a little better the waterfall of [ERRA] recovery. What is coming out of the decommissioning trust the \$250 million approximately of offset from the decommissioning trust and why does that not impede your abilities to settle your decommissioning liability lately?

TED CRAVER: I think this is a little bit complicated, but for all intents and purposes, we've been incurring decommissioning costs since we shut down the plant. So, we've been using dollars essentially under our general rate case to spend to pay for the decommissioning costs. And severance for the employees down there would be included in decommissioning and that's a substantial amount of money. So, we've filed with the commission.

There's an advice filing pending before the commission that, if approved, would allow us to tap into our decommissioning trust and that provides the, on page 7, the 186 that you see in the middle of the chart, and the 61. So, the combination of those two provide the dollars that we would then reimburse essentially what the customer has already paid for. That's why it's a credit back to the ER A account.

HUGH WYNNE: Okay, because you have been recovering on an ongoing basis these various decommissioning costs. Now you're going draw them out of the decommissioning trust fund and, as a result, you will be able to credit back to the customer the amounts that you recovered earlier from him?

JIM SCILACCI: Exactly. There's no earnings implication associated with this either.

HUGH WYNNE: Okay, good. And the cost of your covering are costs that are anticipated in the decommissioning trust, so there's no kind of erosion of your net position there?

JIM SCILACCI: Correct.

HUGH WYNNE: Got it. All right. Thanks a lot.

JIM SCILACCI: All right.

OPERATOR: Thank you. Michael Lapidés from Goldman Sachs. Your line is open.

MICHAEL LAPIDES, ANALYST, GOLDMAN SACHS: Hi, guys. Congrats on the settlement (inaudible). Real quick. One question for Jim, one for Ted. Jim, I want to make sure I understand the cash flow implications of this. Can you just like summary net of all the puts and takes, what is the net cash flow impact over the next 12 to 15, 12 to 18 months?

JIM SCILACCI: I don't think I can sit here and tell you all the puts and takes. So, I think from the highest level, by the mid part of the year we're going to be undercollected in the ERRA account by almost \$1.5 billion. So, that's an IOU from the customer. And so we're able to offset if you get the settlement and the decommissioning and the increase in the ERRA, the 2014 ERRA proceeding, that essentially puts us back to just a little bit over \$200 million of an undercollected position which from our perspective is positive because you're essentially netting out the cash flows back and forth. And then we would look to amortize the balance of the ERRA account by the end of 2015.

MICHAEL LAPIDES: So, how much of that is cash in to you versus a reduction of the ERRA for the refund? It strikes me as like \$600 million or \$700 million of cash to you and \$400 million of a refund that lowers the ERRA amount, but I want to make sure I'm following that correctly.

JIM SCILACCI: Yes, so when you think about it, the Nuclear Decommissioning Trust, that's new cash in and that's being applied to the ERRA undercollection. The other piece that's new is the 2014 fuel and purchase power, the ERRA recovery. That's all new cash that would come in, then be used to amortize down the undercollection. And then we would offset what we need to pay back through offsetting the undercollection through our refunds and the return of the excess dollars sitting in these SONGS accounts.

MICHAEL LAPIDES: Got it.

JIM SCILACCI: So, there's a lot of pieces here and I think we just need to spend some more time with you off-line and track through each one of these pieces, and we'll do it as we get to the end of the first quarter. We'll have additional pieces that we'll be able to track all the cash.

MICHAEL LAPIDES: Got it. Okay. Ted, I hate to sound like a broken record because I think I've probably asked this on seven of your last eight earnings or other special calls. You've done a great job on some of the potential overhangs, whether it's Edison mission related both prior to the bankruptcy and then coming out of the bankruptcy, the litigation regarding the bankruptcy, now the overhang related to SONGS.

At what point do you and the board then take a hard look at dividend policy and a structural change in the dividend policy at Edison International?

TED CRAVER: Well, I guess the first thing we'll figure out is whether you get a consistent answer from me. I think really as we've stated before, we know over the last several years, in part because of these various uncertainties that we've been working on that you've identified, but also because of our extremely high growth at **Southern California Edison**, our large capital expenditure plan. We've allowed our dividend payout ratio to drift through the bottom of our payout ratio range and really go to pretty low levels.

So, we know we want to address that. We need to address that prudently. We need to frankly get some of these things resolved. We've got a settlement agreement that's been signed, but it has to be approved. So, we need to get through the steps and make sure that we're really past these

points and then over time in steps, as we've said, we'll look to address the dividend to try to bring it back up to the targeted payout ratio range of 45% to 55%.

MICHAEL LAPIDES: Got it. Thank you, Ted. Much appreciated.

JIM SCILACCI: See you, Michael.

OPERATOR: Thank you. Ali Agha of SunTrust. Your line is open.

ALI AGHA, ANALYST, SUNTRUST ROBINSON HUMPHREY: Thank you. Jim, I want to be clear on the ongoing earnings impact as you laid out. That \$0.04 annualized, does that then flow through over the 10-year period as you were suggesting and, if so, what's the schedule on that or does that get trued up in the next rate case and is just a '14 event to think about? How should I think about that?

JIM SCILACCI: Think about \$0.04 is going to be the highest because the regulatory asset will be amortized each year and it will decline from where it is today to 0 by 2022 or if we get potential recoveries it could be accelerated. So, the \$0.04 is the maximum we could earn off that regulatory asset.

ALI AGHA: So, the rate case does not change. It's the schedule of reduction that will happen over a 10-year period?

JIM SCILACCI: Correct.

ALI AGHA: Okay. And then secondly you talked about your taking \$300 million out from the cancellation for the equity. But looking at it from another perspective, so pro forma the settlement is (inaudible) done. What will be the underlying equity ratio at SCE?

JIM SCILACCI: In effect, the authorized, the rate making capital structure will still remain 48%. So, we're not going to deviate from. That we have to maintain that under the holding company decision. Now, the outside, if you look at the total, it would probably -- if we were to finance the regulatory asset with 100% debt, then it would drift higher than that logically. I can't tell you what it is going to be. There's a lot of moving parts here, but that's -- you would expect that to occur as a result of essentially leveraging up that portion of the capital structure.

ALI AGHA: Okay, but I recall at the end of the year you told us I think your equity ratio was maybe 120 basis points or so above the authorized level. So, the charge and the other movements, does that leave you then at the same level?

JIM SCILACCI: I can't tell you what the actual level is going to be. It is based on so many things in terms of the capital expenditures, the rate of closings, taxes, so -- but your point is we were overequitized at the end of the year so the \$300 million would be in addition to whatever that position, but I can't tell you where it is right now based on our financing activity and the capital expenditures but, again, it leaves us net-net-net in a position we'll have excess equity.

ALI AGHA: Understood. Last question. Obviously, the CPUC has to approve this but we've heard from the CPUC president a number of times talking about settlement and his hope for that et cetera. Just to get a sense, how involved is the CPUC in this proceeding, although they're not directly a party, or is this something that's completely autonomous and separate from the CPUC side of it?

JIM SCILACCI: Well, I'll start here and let Ron kick in. It's a normal investigation that's going on here. So, the CPUC, the commissioners themselves, the five of them, will asset the proposed settlement and make a determination. So, it's the normal process. It will be before the commission to make a decision. Ron, anything else you want to add?

RON LITZINGER, PRESIDENT OF SCE, EDISON INTERNATIONAL: No, it's the normal settlement process. You reach a settlement agreement with the parties involved in the proceeding, not with the commissioners. So, they were not involved other than encouraging settlement publicly and then now we -- the commissioners weigh in at this stage in the process after we file the agreement with them and that's where the administrative law judges and then the commissioners get to weigh in on the settlement.

ALI AGHA: Got it. Thank you.

JIM SCILACCI: You're welcome.

OPERATOR: Thank you. Michael Goldenberg from Luminus Management. Your line is open.

MICHAEL GOLDENBERG, ANALYST, LUMINUS MANAGEMENT: Yes. Hi. My questions have been asked and answered. Thank you.

OPERATOR: Ashar Khan from Visium. Your line is open.

ASHAR KHAN, ANALYST, VISIUM ASSET MANAGEMENT: Thank you. My questions have been answered.

OPERATOR: Kamal Patel from Wells Fargo. Your line is open.

KAMAL PATEL, ANALYST, WELLS FARGO SECURITIES: Just one quick question. Is securitization an alternative?

JIM SCILACCI: I haven't thought that much about it. In the classic sense it is complicated to do a securitization like we've done in the past. You need legislation. I guess you could financially engineer it, but I think we will look to do that anyway and finance it based on some kind of -- we'll issue some debt and have some kind of amortizing security, but we're still figuring it out right now and we need to get the commission to approve it first before we actually issue any kind of debt, but we will think about it. If you have some great ideas, let us know.

KAMAL PATEL: All right, thanks.

OPERATOR: Thank you. Rajeev Lalwani from Morgan Stanley. Your line is open.

RAJEEV LALWANI, ANALYST, MORGAN STANLEY: Thanks. Quick question. To the extent that you're successful with your [proceeded] funds from MHI and NEIL, what's the maximum amount of dollars that your shareholders would get?

JIM SCILACCI: There is a allocation methodology that I went through in my script. So, I guess you could take that methodology and apply whatever kind of recovery amount that you would estimate. And so it's just math. And I don't know -- we've said in our claims it's in excess of \$4 billion, Bob, in total claims?

BOB ADLER, EVP, GENERAL COUNSEL, EDISON INTERNATIONAL: Against MHI. And then plus we have claims against NEIL.

JIM SCILACCI: Right. So, I can't sit here and calculate a number for you. I think you can just do the math based on the allocation methodology.

RAJEEV LALWANI: That's exactly what I was looking for. Thank you.

JIM SCILACCI: But we can work off-line to show you what the numbers are.

RAJEEV LALWANI: Okay.

OPERATOR: Thank you. Raymond Leung from Goldman Sachs. Your line is open.

RAYMOND LEUNG, ANALYST, GOLDMAN SACHS: Hi, guys. Just a follow up on -- you indicated potential debt funding needs and also that you would keep 48% equity layer. Does that sort imply that you would look to potentially issue debt out of your parent company or would you fund it out of utility?

JIM SCILACCI: It would be out of the utility.

RAYMOND LEUNG: Okay. And then separately, can you talk a little bit about where you are with MHI in terms of the arbitration process? What are sort of maybe the next key hurdle points that we can look towards?

JIM SCILACCI: Ron, would you like to take that?

RON LITZINGER: We're just early on in the procedural steps. It's outlined in our disclosures. Nothing much has changed since our 10-K disclosure.

RAYMOND LEUNG: Okay, thanks.

JIM SCILACCI: Okay, Ray.

OPERATOR:

(Operator Instructions)

I show no further questions. I would now like to turn the call back to Mr. Cunningham.

SCOTT CUNNINGHAM, VP OF IR, EDISON INTERNATIONAL: Thanks very much, and we appreciate you joining us today, and please don't hesitate to call if you have any follow-up questions. Thanks and good-bye.

OPERATOR: Thank you. That does conclude today's conference. Thank you for your participation. You may now disconnect from the audio portion.

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EXHIBIT 45

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FORM 8-K

SOUTHERN CALIFORNIA EDISON CO - SCE.PRE

Filed: March 27, 2014 (period: March 27, 2014)

Report of unscheduled material events or corporate changes.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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): March 27, 2014

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


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


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

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:

- 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))

This current report and its exhibit include forward-looking statements. Edison International and Southern California Edison Company ("SCE") based these forward-looking statements on their current expectations and projections about future events in light of its knowledge of facts as of the date of this current report and its assumptions about future circumstances. These forward-looking statements are subject to various risks and uncertainties that may be outside the control of Edison International and SCE. Edison International and SCE have no obligation to publicly update or revise any forward-looking statements, whether due to new information, future events, or otherwise. This current report should be read with Edison International's and SCE's Joint Annual Report on Form 10-K for the year ended December 31, 2013.

Item 1.01 Entry Into A Material Definitive Agreement

Item 2.06 Material Impairment

Entry Into Settlement Agreement

On March 27, 2014, SCE entered into a Settlement Agreement with The Utility Reform Network ("TURN"), the Office of Ratepayer Advocates ("ORA") of the California Public Utilities Commission ("CPUC") and San Diego Gas & Electric Company ("SDG&E"). If implemented, the Settlement Agreement will constitute a complete and final resolution of the CPUC's Order Instituting Investigation ("OII") and related proceedings regarding the Steam Generator Replacement Project ("SGRP") at the San Onofre Nuclear Generating Station ("San Onofre") and the related outage and subsequent shutdown of San Onofre. The Settlement Agreement does not affect proceedings before the Nuclear Regulatory Commission or proceedings related to recoveries from third parties described below. The Settlement Agreement was signed following an all-party settlement conference in the OII, which was required under CPUC rules as a condition to a settlement.

Implementation of the terms of the Settlement Agreement is subject to the prior approval of the CPUC, as to which there is no assurance. The parties to the Settlement Agreement ("Settling Parties") have agreed to exercise their best efforts to obtain CPUC approval. The Settlement Agreement is subject to termination by any of the Settling Parties if the CPUC has not approved it within six months of submission, but there can be no certainty of when or what the CPUC will actually decide.

The following summary of the Settlement Agreement is qualified in its entirety by reference to the complete text of the Settlement Agreement, which is filed as Exhibit 10.1 to this Current Report.

Disallowances, Refunds and Rate Recoveries

If the Settlement Agreement is approved, SCE will not be allowed to recover in rates its capitalized costs for the SGRP as of February 1, 2012 or a return on such investment after such date. As of February 1, 2012, SCE's net book value in the SGRP was approximately \$597 million. Additionally, SCE will not be allowed to recover in rates approximately \$99 million of incremental inspection and repair costs incurred for the replacement steam generators ("RSGs") in 2012 that were in excess of CPUC authorized operations and maintenance ("O&M") expense. These costs, net of invoices paid, were previously expensed in SCE's 2012 financial results, although they remain subject to recovery from the supplier of the RSGs. See "Third Party Recoveries" below. Neither will SCE be allowed to recover in rates provisionally authorized O&M expense in 2013 that exceeds amounts included in recorded O&M expense (including severance and incremental repair and inspection costs); such excess had not been recognized in 2013 earnings. Subject to the foregoing, SCE will be authorized to recover in rates its remaining investment in San Onofre, including base plant, materials and supplies, nuclear fuel inventory and contracts and construction work in progress ("CWIP") generally over a ten-year period commencing February 1, 2012. Additionally, SCE will be authorized to recover in rates its provisionally authorized O&M expenses for 2012, recorded costs for the 2012 refueling outage of Unit 2, recorded O&M expenses for 2013, and recorded O&M expenses for 2014 subject to customary prudence review. Finally, SCE will also be authorized to recover in rates through its fuel and purchased power balancing account ("ERRA") all costs incurred to purchase electric power in the market related to the outage and shutdown of San Onofre, and to recover by December 31, 2015 any San Onofre-related ERRA undercollections. Estimated market power costs through June 6, 2013 (the date of San Onofre's retirement) were approximately \$680 million using the methodology followed in the OII (and an additional approximately \$333 million through December 31, 2013). To the extent that amounts otherwise recoverable in rates under the Settlement

Agreement are recovered from SCE's Decommissioning Trust as a decommissioning cost, the amounts otherwise recoverable in rates will be reduced with no impact on earnings.

The portion of SCE's San Onofre investment in base plant, CWIP and materials and supplies which SCE is entitled to recover from February 1, 2012 will earn a return equal to the weighted average of SCE's authorized return on debt and 50% of its authorized return on preferred equity, pro-rated to the percentage of the investment that equals SCE's percentage of debt and preferred equity in its authorized capital structure. SCE will not earn a return on common equity on its amortizable San Onofre investment. Accordingly, SCE will be allowed to earn a rate of return of 2.95% in 2012, 2.62% for the period 2013-14 and a rate that will float during the amortization period thereafter with changes in SCE's authorized return on debt and preferred equity. SCE's investment in nuclear fuel will earn a return equal to commercial paper rates that SCE pays from time to time. Under the Settlement Agreement, the unamortized portion of SCE's investment other than nuclear fuel may, at SCE's option, be excluded from SCE's capital structure for purposes of determining regulatory capital requirements. Were such exclusion elected as of March 31, 2014, SCE estimates that its common equity requirement would be reduced by more than \$300 million.

A 5% incentive is provided for SCE to realize savings for ratepayers by selling materials and supplies and nuclear fuel, as well as reducing in nuclear fuel investment by contract cancellations. This incentive allows SCE to retain 5% of sales proceeds and to recover 5% of the excess of cancelled contract obligations over cancellation costs. The balance of sale proceeds and cancellation benefits is credited to ratepayers.

Third Party Recoveries

The Settlement Agreement also addresses how potential recoveries from third parties will be allocated between ratepayers and SCE.

As has been previously disclosed, San Onofre carries accidental property damage and carried accidental outage insurance issued by Nuclear Electric Insurance Limited ("NEIL") and has placed NEIL on notice of claims under both policies. The NEIL policies have a number of exclusions and limitations that NEIL may assert to reduce or eliminate coverage and SCE may choose to challenge NEIL's application of any such exclusions and limitations. SCE's share of estimated claims under the accidental outage insurance through December 31, 2013 is approximately \$320 million. Accidental outage policy benefits are reduced by 90% for the periods following announcement of the permanent retirement of San Onofre. SCE has not submitted a proof of loss under the accidental property damage insurance.

Under the Settlement Agreement, recoveries from NEIL, if any, will first be applied on and after December 31, 2014 to reimburse costs incurred in pursuing such recoveries, including litigation costs. To the extent SCE's share of recoveries from NEIL exceed such costs, recoveries will be allocated 82.5% to ratepayers and 17.5% to SCE. SCE ratepayers' portion of amounts recovered from NEIL would be distributed to SCE ratepayers via a credit to SCE's ERRR account.

SCE is also pursuing claims against Mitsubishi Heavy Industries, Ltd. and related companies ("MHI"), which designed and supplied the RSGs. MHI warranted the RSGs for an initial period of 20 years from acceptance and is contractually obligated to repair or replace defective items with dispatch and to pay specified damages for certain repairs. MHI's liability under the purchase agreement is limited to \$138 million and excludes consequential damages, defined to include "the cost of replacement power"; however, limitations in the contract are subject to applicable exceptions both in the contract and under law. SCE has advised MHI that it believes one or more of such exceptions apply and MHI's liability is not limited to \$138 million, and MHI has advised SCE that it disagrees. In October 2013, after a prescribed waiting period, SCE sent MHI a formal request for arbitration under the auspices of the International Chamber of Commerce seeking at least \$4 billion of damages for all losses on behalf of itself and its ratepayers and in its capacity as Operating Agent for San Onofre. MHI has denied any liability and has asserted counterclaims for \$41 million, for which SCE has denied any liability.

SCE, on behalf of itself and the other San Onofre co-owners has also submitted seven invoices to MHI totaling \$149 million for inspection and repair costs through April 30, 2013. MHI paid the first invoice of \$45 million while reserving rights to challenge it and subsequently rejected a portion of the invoice and has not paid further invoices,

claiming further documentation is required, which SCE disputes. SCE recorded its share of the invoice paid (approximately \$35 million) as a reduction of repair and inspection costs in 2012.

Under the Settlement Agreement, recoveries from MHI (including amounts paid by MHI under the first invoice), if any, will first be applied on and after December 31, 2014 to reimburse costs incurred in pursuing such recoveries, including litigation costs. To the extent SCE's share of recoveries from MHI exceed such costs, they will be allocated as follows: (1) 85% of the first \$100 million to SCE, and 15% to ratepayers; (2) 66.67% of the next \$800 million to SCE, and 33.33% to ratepayers; and (3) 25% of any additional recoveries to SCE, and 75% to ratepayers. The first \$282 million of SCE's ratepayers' portion of such recoveries will be distributed to ratepayers via a credit to a sub-account of SCE's Base Revenue Requirement Balancing Account ("BRRBA"), thus reducing revenue requirements from ratepayers. Amounts in excess of the first \$282 million distributable to SCE ratepayers will reduce SCE's regulatory asset represented by the unamortized balance of investment in San Onofre base plant, thereby reducing the revenue requirement needed to amortize such investment. The amortization period, however, will be unaffected. Additional amounts, if any, will first reduce the unamortized balance of remaining investment to zero and then be applied to the BRRBA.

The Settlement Agreement provides the utilities with the discretion to resolve the NEIL and MHI disputes without CPUC approval or review, but the utilities are obligated to use their best efforts to inform the CPUC of any settlement or other resolution of these disputes to the extent this is possible without compromising any aspect of the resolution.

There is no assurance that there will be any recoveries from NEIL or MHI or that if there are recoveries, that they will exceed the costs incurred to pursue them. Were there to be recoveries, SCE cannot speculate when they would be received. SCE's current expectation is that NEIL will make a coverage determination by the end of the second quarter of 2014.

Accounting and Financial Impacts

As a result of the decision to early retire San Onofre Units 2 and 3, generally accepted accounting principles ("GAAP") required reclassification of the amounts recorded in property, plant and equipment and related tangible operating assets to a regulatory asset to the extent that management concluded it was probable of recovery through future rates. Regulatory assets may also be recorded to the extent management concludes it is probable that direct and indirect costs incurred to retire Units 2 and 3 as of each reporting date are recoverable through future rates.

In accordance with these requirements and as a result of its decision to retire San Onofre Units 2 and 3, SCE reclassified \$1,521 million of its total investment in San Onofre at May 31, 2013 to a regulatory asset ("San Onofre Regulatory Asset") and recorded an impairment charge of \$575 million (\$365 million after tax) in the second quarter of 2013. As of December 31, 2013, SCE recorded a net regulatory asset of approximately \$1.3 billion, comprised of \$1.56 billion of property, plant and equipment, less \$266 million for estimated refunds of authorized revenue recorded in excess of SCE's costs of service.

As a result of execution of the Settlement Agreement by the Settling Parties, SCE has concluded that the outcome of the OII that is more likely than any other outcome is approval and implementation of the Settlement Agreement, although a favorable decision by the CPUC remains uncertain. As a result, SCE expects to record in the first quarter of 2014 an additional pre-tax impairment charge of approximately \$155 million (approximately \$100 million after-tax). After adjustment for the Settlement Agreement, the total impairment recorded for the San Onofre Regulatory Asset, including amounts previously recorded in 2013, will be approximately \$730 million (approximately \$465 million after tax). The total pre-tax impairment charge is primarily due to:

- the disallowance of the SGRP investment (\$542 million as of May 31, 2013),
- refund of revenues related to the SGRP previously recognized from February 1, 2012 through May 31, 2013 of \$153 million, and
- implementation of the other terms of the Settlement Agreement, including refund of the authorized return in excess of the return allowed for non-SGRP investments.

The San Onofre Regulatory Asset at March 31, 2014 is estimated to be approximately \$1.3 billion and a separate regulatory liability for refunds of revenues of approximately \$256 million. Such amounts are estimates and subject to revision in connection with the preparation of SCE's first quarter financial statements.

Assuming the Settlement Agreement is approved, SCE does not expect implementation of rate recoveries and rate refunds contemplated by the Settlement Agreement will have a material impact on future net income. Such amounts do not reflect any recoveries from third parties by SCE.

Rate Impacts

To the extent that SCE collects in rates amounts that are in excess of the amounts recoverable under the Settlement Agreement, such amounts will be credited to SCE's ERRRA account, thereby reducing the undercollected balance otherwise subject to rate recovery. SCE estimates that if the settlement were implemented on March 31, 2014, the refund of revenues related to the SGRP, the refund of the difference between authorized and recorded O&M expenses for 2013 and the first quarter of 2014, the refund from the reduction of returns on the balance of its San Onofre investment and the other elements of the settlement would have resulted in a refund to ratepayers of approximately \$256 million. SCE's ERRRA undercollection at December 31, 2013 was approximately \$1 billion.

As a result of the disallowances, refunds and reduced returns contemplated by the Settlement Agreement, SCE ratepayers will also have a reduction from the current level of authorized revenues set forth in SCE's 2012 General Rate Case. Calculation of the reduction of revenue requirement over any meaningful period of time is subject to a number of estimates and assumptions which may prove to be inaccurate. Subject to such uncertainty, SCE estimates that the present value of the revenue requirement that will be collected in rates under the Settlement Agreement will be more than \$1 billion below the present value (using a 10% discount rate) of the revenue requirement that SCE had been seeking in the OII before the settlement.

Procedure

Under the Settlement Agreement, the Settling Parties are required to use their best efforts to obtain CPUC approval and expect to file a motion shortly requesting the CPUC to approve the Settlement Agreement without change, find the Settlement Agreement reasonable and expedite consideration of the Settlement Agreement in order to provide the benefits of it as soon as possible. The Settling Parties will also urge the CPUC to withdraw the November 19, 2013 Proposed Decision on Phase 1 and Phase 1A issues in the OII. During the pendency of proceedings regarding the Settlement Agreement, the Settling Parties are further bound to support and mutually defend the Settlement Agreement in its entirety, oppose any modifications proposed by any non-settling party to the OII unless all Settling Parties agree, and cooperate reasonably on all submissions. The Settling Parties further agree to review any CPUC orders regarding the Settlement Agreement to determine if the CPUC has changed or modified it, deleted a term or imposed a new term. If any Settling Party is unwilling to accept any such change, modification, deletion or addition of a new term, then the Settling Parties will negotiate in good faith to seek a resolution acceptable to all Settling Parties. If they are unable to resolve the matter to the satisfaction of all Settling Parties or to obtain prompt CPUC approval of an agreed upon resolution, then any Settling Party can terminate the Settlement Agreement upon prompt notice.

Under CPUC rules, parties in the OII will have an opportunity to comment on the Settlement Agreement, and if there are objections raising factual issues, then the CPUC's review may include evidentiary proceedings. CPUC rules do not provide for any fixed time period for the CPUC to act on the Settlement Agreement. Pursuant to the CPUC's rules, no settlement becomes binding on the parties to it unless the CPUC approves the settlement based on a finding that it is reasonable in light of the whole record, consistent with law, and in the public interest. The CPUC has discretion to approve or disapprove a settlement, or to condition its approval on changes to the settlement, which the parties may accept or reject.

Accordingly, there can be no assurance regarding the timing of any CPUC decision or that the CPUC will approve the Settlement Agreement or refrain from making changes to it that are not acceptable to all the Settling Parties. Thus, there can be no assurance that the OII proceeding will provide for recoveries as currently estimated by SCE in accordance with the Settlement Agreement, including the recovery of costs recorded as a regulatory asset, or that the CPUC does not order refunds to customers above those contemplated by the Settlement Agreement. Therefore, the amount recorded for the San Onofre Regulatory Asset is subject to further change based upon future developments and the application of SCE's judgment to those events.

Item 7.01 Regulation FD

Members of Edison International and SCE management will use the information in the presentation attached hereto as Exhibit 99.1 in an investor teleconference to be held on March 27, 2014. The attached presentation will also be posted on Edison International's website.

Certain documents distributed at the settlement conference prior to signing the Settlement Agreement are attached hereto as Exhibit 99.2.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

See the Exhibit Index below.

Limitation on Incorporation by Reference

The information furnished in Item 7.01 and the Exhibits 99.1 and 99.2 attached hereto shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended. Registration statements or other documents filed with the U.S. Securities and Exchange Commission shall not incorporate the information in Item 7.01 or the Exhibits by reference, except as otherwise expressly stated in such filing. The information furnished in Item 7.01 of this Current Report on Form 8-K will not be deemed an admission as to the materiality of any information in Item 7.01 that is required to be disclosed solely by Regulation FD.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrants have duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

EDISON INTERNATIONAL

(Registrant)

/s/ Mark C. Clarke

Mark C. Clarke
Vice President and Controller

Date: March 27, 2014

SOUTHERN CALIFORNIA EDISON COMPANY

(Registrant)

/s/ Mark C. Clarke

Mark C. Clarke
Vice President and Controller

Date: March 27, 2014

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
10.1	Settlement Agreement between Southern California Edison Company, San Diego Gas & Electric Company, the Office of Ratepayer Advocates, and The Utility Reform Network, dated March 27, 2014
99.1	Proposed SONGS Settlement Presentation, dated March 27, 2014
99.2	Certain Documents Distributed at the March 27, 2014 Settlement Conference

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Services and Facilities of Southern California Edison Company and San Diego Gas & Electric Company Associated with the San Onofre Nuclear Generating Station Units 2 and 3.

Investigation 12-10-013
(Filed October 25, 2012)

And Related Matters.

Application 13-01-016
Application 13-03-005
Application 13-03-013
Application 13-03-014

SONGS OII SETTLEMENT AGREEMENT BETWEEN SOUTHERN CALIFORNIA EDISON COMPANY, SAN DIEGO GAS & ELECTRIC COMPANY, THE OFFICE OF RATEPAYER ADVOCATES, AND THE UTILITY REFORM NETWORK

Dated: March 27, 2014

SONGS OII SETTLEMENT AGREEMENT BETWEEN SOUTHERN CALIFORNIA EDISON COMPANY, SAN DIEGO GAS & ELECTRIC COMPANY, THE OFFICE OF RATEPAYER ADVOCATES, AND THE UTILITY REFORM NETWORK

Southern California Edison Company (“SCE”), San Diego Gas & Electric Company (“SDG&E”), the Office of Ratepayer Advocates (“ORA”), and The Utility Reform Network (“TURN”) (hereinafter collectively referred to as the “Settling Parties”) agree to settle all claims, allegations, and liabilities in the *Order Instituting Investigation Regarding San Onofre Nuclear Generating Station Units 2 and 3*, I.12-10-013, and all proceedings that have been consolidated therewith (including A. 13-01-016, A. 13-03-005, A. 13-03-013, and A. 13-03-014) (the “OII”), on the following terms and conditions, which shall only become effective on the Effective Date (as defined below).

This settlement agreement (“Agreement”) is entered into as a compromise of disputed claims in order to minimize the time, expense, and uncertainty of further regulatory proceedings. ORA and TURN agree to the following terms and conditions as a complete and final resolution of all claims against SCE and SDG&E in the OII, and SCE and SDG&E agree to these terms and conditions as a complete and final resolution of the OII. This Agreement constitutes the sole agreement between the Settling Parties concerning the subject matter of this Agreement.

As explained herein, the Settling Parties shall jointly submit this Agreement to the California Public Utilities Commission (“Commission” or “CPUC”) for approval. If the Effective Date does not occur within 6 months following the date of submission to the Commission, the Agreement shall be subject to termination by any of the Settling Parties upon written notice to the other Settling Parties.

**I.
THE PARTIES**

- 1.1. The parties to this Agreement are SCE, SDG&E, TURN, and ORA.
- 1.2. SCE is an investor owned public utility in the State of California and is subject to the jurisdiction of the Commission with respect to providing electric service to its customers.
- 1.3. SDG&E is an investor owned public utility in the State of California and is subject to the jurisdiction of the Commission with respect to providing electric service to its customers.
- 1.4. ORA is an independent division of the Commission whose statutory mission is to obtain the lowest possible rate for service consistent with reliable and safe service levels. In fulfilling this goal, ORA also advocates for customer and environmental protections.
- 1.5. TURN is an independent, non-profit consumer advocacy organization that represents the interests of residential and small commercial utility customers.
- 1.6. The following entities have filed motions seeking party status in the OII, but are not parties to this Agreement: Women’s Energy Matters, the Alliance for Nuclear

Responsibility, the Coalition to Decommission San Onofre, Ruth Henricks, the World Business Academy, Friends of the Earth, the National Asian American Coalition, the Latino Business Chamber of Greater Los Angeles, the Ecumenical Center for Black Church Studies, the Chinese American Institute for Empowerment, the Nevada Hydro Company, Inc., City of Riverside, the Clean Coalition, the Coalition of California Utility Employees, the Western Power Trading Forum, the Direct Access Customer Coalition, the Alliance for Retail Energy Markets, Southern California Gas Company, Distributed Energy Consumer Advocates, the Utility Consumers' Action Network, the Independent Energy Producers Association, the California Cogeneration Council, Noble Americas Energy Solutions LLC, Amerinet, Inc., Public Agency Coalition, and the State of California.

II. DEFINITIONS

- 2.1. **AFUDC:** Allowance for Funds Used During Construction.
- 2.2. **Agreement:** This document and any appendices.
- 2.3. **ALJ:** Administrative Law Judge.
- 2.4. **Authorized Cost of Debt:** The rate of return on debt authorized by the CPUC for a given utility from time to time. This rate of return may change during any of the amortization periods set forth in this Agreement.
- 2.5. **Authorized Cost of Preferred Stock:** The rate of return on preferred stock authorized by the CPUC for a given utility from time to time. This rate may change during any of the amortization periods set forth in this Agreement.
- 2.6. **Base Plant:** The Net Book Value of all SONGS-related capital investments, except the SGRP, in the Utilities' rate bases.
 - (a) Base Plant includes the Net Book Value for all SONGS-related marine mitigation investments that the Utilities made in response to the California Coastal Commission's directives to mitigate environmental impacts of SONGS, except the \$22 million disallowed by the Commission in Decision No. 06-05-016.
 - (b) Base Plant includes the Net Book Value for all SONGS-related NDBD&DD investments.
 - (c) Base Plant does not include an adjustment for cash working capital.
 - (d) Base Plant does not include the M&S Investment.
 - (e) Base Plant does not include the Nuclear Fuel Investment.
- 2.7. **BRRBA:** The generation sub-account of the Base Revenue Requirement Balancing Account, or its successor account.

- 2.8. **Original Cost:** The initial outlay for an investment, equal to the gross sum of all recorded direct and indirect expenditures associated with the capital investment.
- 2.9. **Capital-Related Revenue Requirement:** The total amount of revenue required by a utility to recover its capital investments and associated income and property taxes (including the effect of deferred taxes), including a return on those investments calculated in accordance with the utility's authorized cost of capital and associated depreciation expenses computed in accordance with depreciation schedules authorized by the Commission.
- 2.10. **Commission or CPUC:** The California Public Utilities Commission.
- 2.11. **Commission Approval:** A decision of the Commission approving the Agreement in the form submitted without modification that has become final and is no longer subject to appeal.
- 2.12. **Consolidated Proceedings:** All proceedings that have been consolidated with the OII, including A. 13-01-016, A. 13-03-005, A. 13-03-013, and A. 13-03-014.
- 2.13. **CWIP:** CWIP means Construction Work In Progress or replacement projects (retirement work in progress or net salvage) recorded directly in accumulated depreciation.
- (a) **Cancelled CWIP:** The total Original Cost of CWIP associated with SONGS-related projects that began prior to the Effective Date but that will not enter service at any time after February 1, 2012.
- (b) **Completed CWIP:** The total Original Cost of CWIP associated with SONGS-related projects that began prior to the Effective Date and will enter service at any point after February 1, 2012, including all CWIP that will enter service after the Effective Date.
- 2.14. **Effective Date:** The day of the Commission's decision adopting the ratemaking proposal set forth in this Agreement.
- 2.15. **ERRA:** Energy Resource Recovery Account, or its successor account.
- 2.16. **FERC:** Federal Energy Regulatory Commission.
- 2.17. **Fuel Cancellation Costs:** The total recorded costs (other than those costs that the Utilities are able to recover from the Nuclear Decommissioning Trusts) associated with cancelling SCE's contracts entered into by SCE as the SONGS Operating Agent on behalf of itself and SDG&E to purchase nuclear fuel, including but not limited to the following costs:
- (a) Termination fees and other amounts paid to obtain a release of any obligations under fuel procurement contracts.

- (b) Amounts paid by SCE as Operating Agent for itself and on behalf of SDG&E to fuel procurement vendors pursuant to settlements, judgments, or arbitration awards related to disputes arising from SCE's termination of alleged contractual obligations to purchase nuclear fuel.
 - (c) Attorneys fees and other litigation costs incurred on and after January 1, 2013 by SCE as Operating Agent for itself and on behalf of SDG&E in seeking to minimize its obligations under fuel procurement contracts through arbitrations, negotiations, and/or judicial or administrative proceedings.
- 2.18. **Fuel Net Proceeds:** The total proceeds of all sales of nuclear fuel, net of costs incurred by SCE as Operating Agent for itself and on behalf of SDG&E in order to sell such nuclear fuel, including but not limited to:
- (a) Costs incurred in order to store the nuclear fuel inventory pending the sale; *and*
 - (b) Costs incurred in order to render the nuclear fuel saleable.
- 2.19. **Incremental Inspection and Repair Costs:** Those costs recorded by the Utilities as incremental expenses associated with SCE's efforts to inspect and repair the damage at SONGS. This amount also includes the \$11 million (100% share) in costs for inspection and repair of SONGS that SCE originally recorded as base O&M and subsequently re-classified as incremental O&M.
- 2.20. **Mitsubishi:** Mitsubishi Heavy Industries, Ltd., related entities such as Mitsubishi Nuclear Energy Systems and Mitsubishi Heavy Industries America Inc., and any third party who has insured or indemnified any of these entities for any amounts owed to the Utilities in respect of the replacement steam generators.
- 2.21. **M&S Investment:** The total Original Cost of materials and supplies investments associated with SONGS.
- 2.22. **M&S Net Proceeds:** The total proceeds of all sales of materials and supplies, net of costs incurred by SCE in order to sell such materials and supplies.
- 2.23. **NDBD&DD:** Nuclear Design Basis Documentation and Deferred Debits. NDBD costs are associated with SCE's efforts to comply with the NRC's mandate that SCE establish a nuclear design documentation system. DD costs are plant-related regulatory assets that resolve accounting differences in capitalization policies between CPUC and FERC jurisdictions regarding the commercial operation of SONGS.
- 2.24. **Net Book Value:** Original Cost less the accumulated amortization and depreciation expenses, if any, associated with an investment.
- 2.25. **NEIL:** Nuclear Energy Insurance Limited.
- 2.26. **NGBA:** Non-fuel Generation Balancing Account, or its successor account.

- 2.27. **Non-O&M Balancing Account Expenses:** All SONGS-related expenses for pensions, post-retirement benefits other than pensions, and short-term incentive compensation that are not recorded in FERC accounts 517-532.
- 2.28. **Non-O&M Expenses:** All SONGS-related expenses recorded in FERC accounts 408, 924, 925, and 926 that are *not*:
- (a) Non-O&M Balancing Account Expenses;
 - (b) Capitalized overhead; *or*
 - (c) Recorded in FERC accounts 517-532.
- 2.29. **Nuclear Decommissioning Trusts:** The trusts established by the Utilities and approved by the CPUC pursuant to the Nuclear Facilities Decommissioning Act of 1985, Cal. Pub. Util. Code Sec. 8321 et seq., for the purpose of covering costs associated with decommissioning SONGS.
- 2.30. **Nuclear Fuel Investment:** The Net Book Value of all nuclear fuel (including in-core fuel and pre-core fuel), *plus* all Fuel Cancellation Costs. To the extent that SCE, as Operating Agent on behalf of itself and on behalf of SDG&E, incurs additional Fuel Cancellation Costs after the date of execution of this Agreement, those costs will be added to the Nuclear Fuel Investment at the time they are incurred.
- 2.31. **NRC:** Nuclear Regulatory Commission.
- 2.32. **O&M:** Operations and Maintenance.
- 2.33. **OII:** Order Instituting Investigation. As used in this Agreement, the term “OII” shall refer to the proceeding initiated by the Commission in I. 12-10-013, and all Consolidated Proceedings.
- 2.34. **Operating Agent:** SCE is the Operating Agent responsible for the performance of the operation and maintenance of SONGS.
- 2.35. **ORA:** The Office of Ratepayer Advocates or its successor division.
- 2.36. **SCE:** Southern California Edison Company.
- 2.37. **SDG&E:** San Diego Gas & Electric Company.
- 2.38. **Settling Parties/Settling Party:** SCE, SDG&E, ORA, and TURN, or any of them.
- 2.39. **SGRP:** Steam Generator Replacement Project.
- 2.40. **SONGS:** San Onofre Nuclear Generating Station.
- 2.41. **SONGSBA:** SDG&E’s San Onofre Nuclear Generating Station O&M Balancing Account.

- 2.42. **SONGS Litigation Balance:** The total SONGS Litigation Recoveries, net of SONGS Litigation Costs.
- 2.43. **SONGS Litigation Costs:** All litigation costs recorded since January 31, 2012, including but not limited to fees paid to outside attorneys and experts, associated with pursuing and preparing to pursue SONGS Litigation Recoveries.
- 2.44. **SONGS Litigation Recoveries:** Any amounts received (whether by settlement, judicial order, arbitration award, or any other recovery) by the Utilities from NEIL and/or Mitsubishi or their respective affiliates in connection with the Utilities' efforts to pursue recovery of amounts in respect of the failure of the steam generators and subsequent permanent shut down of SONGS. Any amounts obtained by the City of Riverside are not subject to this Agreement.
- 2.45. **SONGSMA:** SCE's San Onofre Nuclear Generating Station Memorandum Account.
- 2.46. **SONGSOMA:** Either Utility's San Onofre Nuclear Generating Station Outage Memorandum Account, including SDG&E's SONGS OMA.
- 2.47. **TURN:** The Utility Reform Network.
- 2.48. **U2C17 RFO:** The refueling and maintenance outage for SONGS Unit 2 that was intended to last from January 10, 2012, until March 5, 2012.
- 2.49. **Utility/Utilities:** SCE and SDG&E, or either of them.

III. GENERAL RECITALS

- 3.1. SCE owns a 78.21% share of SONGS. SDG&E owns a 20% share of SONGS. The City of Riverside owns a 1.79% share of SONGS.
- 3.2. In Decision No. 05-12-040, the Commission approved SCE's application to replace the steam generators in SONGS Units 2 and 3.
- 3.3. In Decision No. 06-11-026, the Commission found that SDG&E's participation in the SGRP was reasonable and approved an unopposed settlement agreement, including SDG&E's ownership share of the maximum allowable 100%, 2004\$, level of the SGRP cost plus SDG&E's internal costs.
- 3.4. In January 2010, SCE replaced the steam generators in SONGS Unit 2. In January 2011, SCE replaced the steam generators in SONGS Unit 3.
- 3.5. The replacement steam generators in Units 2 and 3 were designed and manufactured by Mitsubishi.
- 3.6. On January 10, 2012, SONGS Unit 2 was removed from service for a scheduled refueling and maintenance outage that was expected to end on March 5, 2012.

- 3.7. On January 31, 2012, SONGS Unit 3 was taken offline because station operators at SONGS detected a leak in a steam generator tube.
- 3.8. In early February, 2012, inspections of Unit 2 steam generators showed accelerated tube wear. This tube wear caused unexpected and extensive property damage to Unit 2's steam generators
- 3.9. In February and March, 2012, inspections in Unit 3 revealed extensive wear on the Unit's steam generator tubes. Some of this wear was caused by the steam generator tubes rubbing against each other ("tube-to-tube wear"). This tube-to-tube wear caused unexpected and extensive property damage to Unit 3's steam generators.
- 3.10. On March 27, 2012, the NRC issued a Confirmatory Action Letter confirming SCE's commitment not to restart either Unit 2 or Unit 3 until the source of the tube wear was understood and SCE had confidence that the units could be safely restarted.
- 3.11. Further inspections of the Unit 2 steam generators revealed more property damage in the form of early indications of tube-to-tube wear. SCE formally notified the NRC of SCE's finding of tube-to-tube wear in Unit 2 on April 20, 2012.
- 3.12. On November 1, 2012, the Commission issued an Order Instituting Investigation Regarding San Onofre Nuclear Generating Station Units 2 and 3. (I. 12-10-013.) The Order stated that the Commission intended to examine "the causes of the outages, the utilities' responses, the future of the SONGS units, and the resulting effects on the provision of safe and reliable electric service at just and reasonable rates." The Order also set SONGS-related rates subject to refund as of January 1, 2012, and directed that the Utilities establish a memorandum account (the SONGSOMA) for the purpose of tracking those costs.
- 3.13. On December 10, 2012, the Commission issued Decision No. 12-11-051, which resolved SCE's 2012 General Rate Case. Decision No. 12-11-051 directed SCE to establish a memorandum account (the "SONGSMA"), effective January 1, 2012, to track certain SONGS-related costs. The Commission further ordered SCE to file a reasonableness review application for post-2011 expenses recorded in the SONGSMA by January 31, 2013. In accordance with this directive, SCE filed A. 13-01-016 on January 31, 2013. A. 13-01-016 has been consolidated with this OII.
- 3.14. In D.12-11-051, the Commission also made SDG&E subject to the same conditional refund of SDG&E's share of the SONGS-related O&M and capital costs. (See D.12-11-051 at 40-41, Finding of Fact 36, Conclusions of Law 21 and 22, Ordering Paragraphs 10 and 11.) On March 19, 2013, SDG&E filed A.13-03-005 requesting a reasonableness determination of SDG&E's internal SONGS costs incurred during 2012 and capital expenses (excluding the SGRP) that were invoiced by SCE to SDG&E, including SCE's overheads, and tracked in SDG&E's SONGSOMA. A.13-03-014 has been consolidated with this OII.

- 3.15. On January 28, 2013, the Assigned Commissioner and ALJ issued a Scoping Memo and Ruling. The Scoping Memo divided the OII into phases and provided that the OII would examine the following issues:
- (a) In Phase 1, the Commission would examine:
 - (i) “Nature and effects of the steam generator failures in order to assess the reasonableness of SCE’s consequential actions and expenditures (e.g., was it reasonable to remove fuel from unit #3).”
 - (ii) “Whether 2012 SONGS-related expenses recorded in the SONGSMA are reasonable and necessary, including,
 - (A) 100% of O&M, including segregated safety-related costs;
 - (B) 100% of cost-savings from personnel reductions and other avoided costs;
 - (C) 100% of maintenance and refueling outage expenses; and
 - (D) 100% of capital expenditures.”
 - (iii) “A review of the reasonableness and effectiveness of SCE’s actions and expenditures for community outreach and emergency preparedness related to the SONGS outages.”
 - (iv) “Other issues as necessary to determine whether SCE should refund any rates preliminarily authorized in the 2012 GRC, in light of the changed facts and circumstances of the unit outages; and if so, when the refunds should occur.”
 - (b) In Phase 2, the Commission would examine “whether any reductions to SCE’s rate base and SCE’s 2012 revenue requirement are warranted or required due to the extended SONGS outages.”
 - (c) In Phase 3, the Commission would examine “causes of the [steam generator] damage and allocation of responsibility, whether claimed SGRP expenses are reasonable, including review of utility-proposed repair and/or replacement cost proposals using cost-effectiveness analysis and other factors.”
 - (d) In Phase 4, if necessary, the Commission would examine “whether SCE’s 2013 revenue requirement should be adjusted to reflect lower-than forecast O&M, Capex, replacement power costs, and other SONGS expenses.”
- 3.16. From December, 2012, through April, 2013, the Settling Parties exchanged testimony regarding Phase 1 issues.

- 3.17. On March 15, 2013, SCE filed A. 13-03-005, seeking Commission approval to include the recorded capital costs of the SGRP permanently in rates. SCE's testimony in support of this application established that the total recorded cost of the SGRP was \$768.5 million in nominal dollars (100% share). SCE's testimony in support of this application also established that the total recorded cost of the SGRP, adjusted for inflation using the Handy-Whitman index for fabrication and construction costs and the Commission-approved nuclear decommissioning burial escalation rates for burial costs, was \$612.1 million in 2004 dollars (100% share). A. 13-03-005 has been consolidated with this OII.
- 3.18. On March 18, 2013, SDG&E filed A. 13-03-014, seeking Commission approval to include SDG&E's share of recorded capital costs of the SGRP permanently in rates. A. 13-03-014 has been consolidated with this OII.
- 3.19. On April 2, 2013, SCE served testimony addressing the energy-market related impact of the SONGS outages in its ERRA compliance review proceeding (A. 13-04-001). On May 1, 2013, SDG&E served testimony addressing the energy-market related impact of the SONGS outages in I. 12-10-013.
- 3.20. On April 19, 2013, ALJs Darling and Dudney issued an Order clarifying that the topics identified in the January 28, 2013, Scoping Memo applied equally to SCE and SDG&E.
- 3.21. On May 6, 2013, by e-mail ruling, ALJ Dudney ruled that the OII would consider the issue of "what replacement power was purchased by the utilities in 2012 as a consequence of the SONGS outages." ALJ Dudney scheduled separate evidentiary hearings to address this "replacement power" issue. The phase of the OII addressing this issue came to be known as Phase 1A.
- 3.22. ALJ Darling held an evidentiary hearing on Phase 1 issues from May 13, 2013, until May 17, 2013. The Settling Parties each submitted Opening and Reply Briefs on Phase 1 issues.
- 3.23. On June 7, 2013, SCE permanently retired SONGS Units 2 and 3. SCE had determined that Mitsubishi made errors in designing and manufacturing the replacement steam generators for Units 2 and 3. SCE determined that these errors caused deficiencies in design, manufacturing, and workmanship that prevented SCE from safely operating Units 2 or 3 as intended and contracted for. SCE determined that, because Mitsubishi had not proposed a viable plan to repair or replace the replacement steam generators in a timely manner, and because of the significant uncertainty as to whether or when Unit 2 would be permitted to restart even at partial power for a reduced operating period, it was no longer prudent to continue to pursue restart or repair.
- 3.24. On July 1, 2013, ALJs Darling and Dudney issued a Ruling on Miscellaneous Scheduling and Procedural Issues and Notice of Phase 2 Prehearing Conference. The ruling provided the following "statement" of the scope of Phase 2:
 - (a) What are the values of SONGS assets in rate base, and which of these assets should be removed from rate base pursuant to Public Utilities Code § 455.5, as of

November 1, 2012, or a later date if any such asset became not “used and useful” after November 1, 2012?

- (b) What are the related Operations and Maintenance costs associated with the assets removed from rate base according to [the issue] above?
- (c) Any other issues relevant to the application of § 455.5 to the SONGS outage.

- 3.25. In July, 2013, the Settling Parties exchanged testimony on Phase 1A issues.
- 3.26. On July 22, 2013, ALJs Darling and Dudney further specified that Phase 1A would address “the method for calculating the cost of replacement power during 2012 due to the SONGS outage. This scope includes developing a formula/method for the calculation of costs (capacity, energy, foregone sales, and congestion) and establishing what values should be entered in to that formula.”
- 3.27. From July, 2013, until September, 2013, the Settling Parties exchanged testimony on Phase 2 issues.
- 3.28. ALJ Dudney held an evidentiary hearing on Phase 1A from August 5, 2013, until August 6, 2013. The Settling Parties each filed Opening and Reply Briefs on Phase 1A issues.
- 3.29. ALJs Dudney and Darling held an evidentiary hearing on Phase 2 issues from October 7, 2013, until October 11, 2013. The Settling Parties each filed Opening and Reply Briefs on Phase 2 issues.
- 3.30. Throughout the proceeding, SCE responded to 928 data request questions propounded by the parties to the OII. SDG&E similarly responded to data request questions propounded to it by the parties to the OII.
- 3.31. On October 16, 2013, SCE as the Operating Agent and Edison Material Supply LLC (“EMS”) filed a Request for Arbitration against Mitsubishi pursuant to the arbitration clause in the contract between EMS and Mitsubishi. Through this arbitration, which is ongoing as of the date of this Agreement, SCE and EMS are seeking recovery from Mitsubishi based on the non-operation of SONGS Units 2 and 3.
- 3.32. On July 18, 2013, SDG&E filed a complaint in California Superior Court against Mitsubishi seeking to recover damages SDG&E has incurred and will incur related to the defects in the steam generators. This action was later removed to Federal District Court. On August 8, 2013, Mitsubishi filed a motion to stay the action pending arbitration and on March 14, 2014, the Court issued an order granting Mitsubishi’s motion on the condition that SDG&E must be able to fully assert its own claims in an arbitration proceeding.
- 3.33. The Utilities have also submitted claims to NEIL based on their assessments that both SONGS units sustained accidental property damage. SCE has submitted proofs of loss under insurance policies covering SONGS and is continuing to pursue recovery as of the date of this Agreement.

- 3.34. On November 19, 2013, ALJs Darling and Dudney issued a Proposed Decision on Phase 1 and Phase 1A issues. Each of the Settling Parties submitted Opening Comments on the Proposed Decision on December 9, 2013. Each of the Settling Parties submitted Reply Comments on the Proposed Decision on December 16, 2013.
- 3.35. On January 15, 2014, the Commission held an all-party meeting to discuss the Proposed Decision on Phase 1 and Phase 1A issues.
- 3.36. SCE's share of the Net Book Value of the SGRP was \$597 million as of February 1, 2012, including CWIP. SDG&E's share of the Net Book Value of the SGRP was \$160.4 million as of February 1, 2012, including CWIP.
- 3.37. SCE's share of Base Plant was \$622 million as of February 1, 2012, excluding CWIP. SDG&E's share of Base Plant was \$165.6 million as of February 1, 2012, excluding CWIP.
- 3.38. SCE's share of the Nuclear Fuel Investment was \$477 million as of December 31, 2013, exclusive of any paid or accrued Fuel Cancellation Costs. SDG&E's share of the Nuclear Fuel Investment was \$115.8 million as of December 31, 2013, exclusive of any paid or accrued Fuel Cancellation Costs.
- 3.39. SCE's share of the M&S Investment was \$99 million as of December 31, 2013. SDG&E's share of the M&S Investment was \$10.4 million as of December 31, 2013.
- 3.40. SCE's share of Cancelled CWIP is estimated at \$153 million as of December 31, 2013. Subject to an additional reconciliation with SCE, SDG&E's Cancelled CWIP amounts will be provided pursuant to section 6.1 hereof, subject to ORA's and TURN's prerogative stated in the last sentence thereof.
- 3.41. SCE's share of Completed CWIP is estimated at \$302 million as of December 31, 2013. Subject to an additional reconciliation with SCE, SDG&E's Completed CWIP amounts will be provided pursuant to section 6.1 hereof, subject to ORA's and TURN's prerogative stated in the last sentence thereof.
- 3.42. SCE's share of O&M costs recorded in connection with the U2C17 RFO is \$41.1 million, which consists of \$4.9 million recorded in 2011, \$35.3 million recorded in 2012, and \$0.9 million recorded in 2013. SDG&E's share of O&M costs recorded in connection with the U2C17 RFO as calculated by SCE is \$9.3 million.
- 3.43. Decision No. 12-11-051 provisionally authorized \$387.4 million (100% share) in base O&M costs for the year 2012 and \$397.6 million (100% share) in base O&M costs for the year 2013.
- 3.44. In 2012, SCE recorded \$99 million (SCE share) in Incremental Inspection and Repair Costs in excess of the amount of base O&M provisionally authorized in Decision No. 12-11-051. In 2012, SCE estimated that SDG&E paid \$27.0 million in total Incremental Inspection and Repair Costs, including SCE overheads and portions allocated to Base and Incremental O&M. SDG&E's base O&M provisionally authorized in Decision No. 12-

11-051 and D.13-05-010 was greater than the total amount of recorded costs including overheads, as applicable to SDG&E.

- 3.45. SDG&E recorded \$141.6 million, including overheads paid to SCE, to its SONGSBA in 2012; \$27.0 million, including overheads paid to SCE, was defined by SCE as Incremental Inspection and Repair Costs in Base and Incremental O&M.
- 3.46. In 2013, SCE's share of recorded base O&M costs was \$241 million and SCE's share of recorded Incremental Inspection and Repair Costs was \$12 million.
- 3.47. SDG&E recorded \$105.0 million, including overheads paid to SCE, to its SONGSBA in 2013.
- 3.48. SCE's total amount of deferred taxes on SONGS investment (excluding investment in the SGRP) as of Feb 1, 2012, was \$152 million. SDG&E's total amount of deferred taxes on SONGS investment (excluding investment in the SGRP) as of February 1, 2012 is estimated at \$4.5 million.

IV.

SETTLEMENT AGREEMENT TERMS AND CONDITIONS

- 4.1. In consideration of the mutual obligations, promises, covenants and conditions contained herein, the Settling Parties agree to support approval by the Commission of this Agreement, as further described herein, and to support this Agreement in its entirety before any regulatory agency or court of law where this Agreement, its meaning or effect is an issue, and no Settling Party shall take or advocate for, either directly, or indirectly through another entity, any action that would have the effect of modifying or abrogating the terms of this Agreement.
- 4.2. Capital-Related Revenue Requirement for the SGRP
 - (a) The Capital-Related Revenue Requirement for the SGRP will be terminated as of February 1, 2012.
 - (b) The Utilities shall refund to ratepayers all amounts collected in rates as the Capital-Related Revenue Requirement for the SGRP for all periods on and after February 1, 2012. These amounts shall be refunded per the refund mechanism set forth in Section 4.12 of this Agreement.
 - (c) The Utilities will retain all amounts collected in rates as the Capital-Related Revenue Requirements for the SGRP for periods prior to February 1, 2012.
 - (d) The Utilities shall not recover in rates the Net Book Value of the SGRP as of February 1, 2012.
- 4.3. Base Plant

- (a) The Utilities' respective shares of Base Plant will be removed from each Utility's respective rate base as of February 1, 2012. The Utilities will retain all amounts collected in rates in respect of Capital-Related Revenue Requirements for Base Plant for periods prior to February 1, 2012.
- (b) As of February 1, 2012, the Utilities will amortize Base Plant in rates as a regulatory asset ratably over 10 years.
 - (i) This amortization period will begin on February 1, 2012, and will end on February 1, 2022.
 - (ii) The Utilities have already collected amounts in rates in respect of Capital-Related Revenue Requirements for Base Plant for periods on and after February 1, 2012. To the extent that these amounts collected exceed the amounts permitted by this Agreement for periods on and after February 1, 2012, the Utilities shall refund the excess to ratepayers. These excess amounts shall be refunded per the refund mechanism set forth in Section 4.12 of this Agreement.
- (c) During the amortization period set forth in Section 4.3(b)(i) of this Agreement, each Utility shall earn a return on its respective share of unrecovered Base Plant, adjusted for deferred taxes. Each Utility's rate of return on unrecovered Base Plant shall be calculated as the Utility's Authorized Cost of Debt plus 50% of the Utility's Authorized Cost of Preferred Stock, weighted by the amount of debt and preferred stock in the Utility's authorized ratemaking capital structure. For the avoidance of doubt, the rate of return on common equity shall not be considered.
 - (i) The methodology for computing Base Plant to adjust for deferred taxes is illustrated in Appendix A to this Agreement.
- (d) The Settling Parties agree that the Authorized Cost of Debt and the Authorized Cost of Preferred Stock described in Section 4.3(c) of this Agreement are floating rates that shall vary based on the rates authorized by the Commission at any given time.
- (e) Pursuant to the method of calculating the return on Base Plant set forth in Section 4.3(c) of this Agreement, SCE will earn a rate of return of 2.95% on unrecovered Base Plant for the period February 1, 2012, through December 31, 2012. This rate of return is equal to:
 - (i) 6.22% weighted by the amount of debt in SCE's authorized ratemaking capital structure; *plus*
 - (ii) 50% of 6.01% weighted by the amount of preferred stock in SCE's authorized ratemaking capital structure.

- (f) Pursuant to the method of calculating the return on Base Plant set forth in Section 4.3(c) of this Agreement, SCE will earn a rate of return of 2.62% on unrecovered Base Plant for the years 2013 and 2014. This rate of return is equal to:
 - (i) 5.49% weighted by the amount of debt in SCE's authorized ratemaking capital structure; *plus*
 - (ii) 50% of 5.79% weighted by the amount of preferred stock in SCE's authorized ratemaking capital structure.
- (g) Pursuant to the method of calculating the return on Base Plant set forth in Section 4.3(c) of this Agreement, SDG&E will earn a rate of return of 2.75% on unrecovered Base Plant for the period February 1, 2012, through December 31, 2012. This rate of return is equal to:
 - (i) 5.62% weighted by the amount of debt in SDG&E's authorized ratemaking capital structure; *plus*
 - (ii) 50% of 7.25% weighted by the amount of preferred stock in SDG&E's authorized ratemaking capital structure.
- (h) Pursuant to the method of calculating the return on Base Plant set forth in Section 4.3(c) of this Agreement, SDG&E will earn a rate of return of 2.35% on unrecovered Base Plant for the years 2013 and 2014. This rate of return is equal to:
 - (i) 5.00% weighted by the amount of debt in SDG&E's authorized ratemaking capital structure; *plus*
 - (ii) 50% of 6.22% weighted by the amount of preferred stock in SDG&E's authorized ratemaking capital structure.
- (i) The Settling Parties agree that the rates of return set forth in Section 4.3(e)-(h) of this Agreement do not reflect income taxes associated with the Utilities' preferred equity return. Notwithstanding that fact, the Utilities will recover all income tax expenses associated with each Utility's preferred equity return. Each Utility will therefore factor in a gross-up for this income tax when calculating its revenue requirement. This gross-up would be calculated in compliance with the Commission's customary practices according to decisions rendered in OII 24, which was closed by Decision No. 84-05-036 (1984). In addition, the revenue requirement shall include franchise fees and uncollectibles.
- (j) Notwithstanding Section 4.3(a) of this Agreement, the Utilities shall recover in rates all property taxes paid with respect to Base Plant, including amounts paid after February 1, 2012. To the extent rates include a forecast for these property taxes, the recovery shall be trued up to recorded amounts.

4.4. At its option, without affecting the rates of return calculated in accordance with the foregoing, each Utility may select to exclude the regulatory assets to be amortized pursuant to this Agreement when measuring each Utility's ratemaking capital structure for any purpose. In other words, the regulatory assets may be financed solely with debt, and the capital supporting these assets will not be recognized in determining each Utility's ratemaking capital structure or cost of capital for the purposes of this Agreement or for any other purpose, if the Utility so chooses. If a Utility selects this option, the Settling Parties will support exclusion of the capital financing of these regulatory assets in determining the Utility's overall AFUDC rate calculation at both the CPUC and FERC.

4.5. M&S Investment

- (a) Each Utility's respective share of the M&S Investment as of the last day of the month of the Effective Date shall be amortized as a regulatory asset ratably over the amortization period set forth for Base Plant in Section 4.3(b)(i) of this Agreement, and shall earn a rate of return during that amortization period equal to the rate set forth for Base Plant in Section 4.3(c) of this Agreement.
- (b) To the extent that the Utilities are able to sell assets associated with the M&S Investment, and in order to incentivize the Utilities to do so, the following incentive mechanism shall be adopted notwithstanding the terms set forth in Section 4.5(a) of this Agreement:
 - (i) The Utilities shall retain their respective shares of 5% of all M&S Net Proceeds; *and*
 - (ii) The Utilities shall credit to their ratepayers their respective shares of the remaining 95% of all M&S Net Proceeds.
- (c) On a monthly basis, the Utilities shall distribute the ratepayers' portion of the proceeds of all sales of materials and supplies by providing credits to SCE's BRRBA and SDG&E's NGBA.
- (d) The Settling Parties agree that the Utilities will, to the extent permitted by applicable tax laws without penalty and CPUC action, seek reimbursement of the M&S Investment from the Nuclear Decommissioning Trusts rather than recovering this investment through rates. The Utilities will not amortize in rates any portion of the M&S Investment that has been paid for by the Nuclear Decommissioning Trusts. To the extent the Utilities are unable to obtain full reimbursement of the M&S Investment from the trusts, the unreimbursed investments shall be added to the regulatory asset described in Section 4.5(a) of this Agreement (i.e., the M&S Investment) regardless of whether the inventory associated with that asset is used by the Utilities.

4.6. Nuclear Fuel Investment

- (a) The Nuclear Fuel Investment as of the last day of the month of the Effective Date shall be amortized as a regulatory asset ratably over the amortization period set forth for Base Plant in Section 4.3(b)(i) of this Agreement.
- (b) During the amortization period set forth in Section 4.6(a) of this Agreement, the Utilities shall earn a rate of return on their respective shares of the unrecovered balance of the Nuclear Fuel Investment. This rate of return shall be equal to the cost of commercial paper (as defined in Section ZZ, 2. j of the preliminary statement of SCE's CPUC tariffs [or its successor] and in Section I.E.3 of the preliminary statement of SDG&E's CPUC tariffs [or its successor]) throughout the amortization period. The Settling Parties agree that the cost of commercial paper may change during the amortization period. The Settling Parties further agree that the rate that each Utility shall earn on the unrecovered balance of the Nuclear Fuel Investment will float with the commercial paper rate throughout the amortization period, such that each Utility will recover its actual costs of financing the Nuclear Fuel Investment with commercial paper, as those costs are incurred.
- (c) The Settling Parties agree that, as of the date of execution of this Agreement, SCE still has outstanding alleged contractual obligations to purchase nuclear fuel. The Settling Parties further agree that Fuel Cancellation Costs incurred after the Effective Date will be added to the regulatory asset described in Section 4.6(a) of this Agreement (i.e., the Nuclear Fuel Investment) as those costs are incurred.

4.7. Incentive Mechanisms For Mitigation Of Nuclear Fuel Costs

- (a) To the extent that SCE is able to sell any portion of its current nuclear fuel inventory, and in order to incentivize SCE to do so, the following incentive mechanism shall be adopted notwithstanding the terms set forth in Section 4.6 of this Agreement:
 - (i) The Utilities shall retain their respective shares of 5% of all Fuel Net Proceeds; and
 - (ii) The Utilities shall credit to their ratepayers their respective shares of the remaining 95% of all Fuel Net Proceeds.
- (b) Upon each sale of nuclear fuel, the Utilities shall distribute the ratepayers' portion of the Fuel Net Proceeds by reducing the amount of the regulatory asset described in Section 4.6(a) of this Agreement (i.e., the Nuclear Fuel Investment). The effect of this reduction to the Nuclear Fuel Investment shall be to decrease the yearly amount of the revenue requirement for Nuclear Fuel Investment. This reduction to the regulatory asset shall not affect the amortization period for Base Plant described in Section 4.3(b)(i) of this Agreement.
- (c) To the extent that SCE, as Operating Agent on its own behalf and on behalf of SDG&E, is able to minimize the Fuel Cancellation Costs incurred after the date of execution of this Agreement, and in order to incentivize SCE to do so, the

following incentive mechanism applicable to the Utilities shall be adopted notwithstanding the terms set forth in Section 4.6 of this Agreement:

- (i) The regulatory asset described in Section 4.6(a) of this Agreement (i.e., the Nuclear Fuel Investment) shall be increased by 5% of the difference between:
 - (A) The sum of all amounts stated as SCE's purchase obligations (as Operating Agent on its own behalf and on behalf of SDG&E) in outstanding nuclear fuel contracts, on the one hand; and
 - (B) SCE's total recorded Fuel Cancellation Costs (as Operating Agent on its own behalf and on behalf of SDG&E), on the other hand.
- (ii) The Utilities shall each establish a memorandum account to determine the yearly amount of the incentive described in Section 4.7(c)(i). In order to account for all recorded costs and cancelled obligations since January 31, 2012, each Utility shall establish this memorandum account as of January 31, 2012. Every time SCE cancels a nuclear fuel contract (or is otherwise relieved from its obligations thereunder), the Utilities shall record a positive value in this memorandum account equal to the amount stated in the contract as SCE's purchase obligation. The Utilities shall also record all Fuel Cancellation Costs, as they are incurred, as negative values in this account. If there is a negative balance in either Utility's account at the end of a given year, the negative balance will be carried over to the next year. If there is a positive balance in either Utility's account at the end of a given year, the Utility shall increase the regulatory asset described in Section 4.6(a) of this Agreement (i.e., the Nuclear Fuel Investment) by 5% of this balance. The effect of any increase to the regulatory asset pursuant to this incentive mechanism shall be to increase the yearly amount of the revenue requirement for Nuclear Fuel Investment. This increase to the regulatory asset shall not affect the amortization period for Base Plant described in Section 4.3(b)(i) of this Agreement. Positive balances shall not carry over from one year to the next; instead, the account balance shall be reset to zero on the first of the year following any increase to the regulatory asset pursuant to this Section of the Agreement.

4.8. CWIP

- (a) The Utilities will recover in rates the full amounts recorded as SONGS-related CWIP, including the full amounts of both Cancelled CWIP and Completed CWIP. The CWIP balance shall be recovered as follows:
 - (i) For Cancelled CWIP:
 - (A) An AFUDC amount for the Cancelled CWIP balance will be applied from the date of the first recorded amount of Cancelled

CWIP until January 31, 2012. The AFUDC rate shall be equal to the authorized AFUDC rate in effect at the time.

- (B) The AFUDC amount, as calculated in Section 4.8(a)(i)(A) of this Agreement, shall be added to the balance for Cancelled CWIP.
 - (C) The Cancelled CWIP balance (including the AFUDC amount) as of the last day of the month of the Effective Date shall be amortized as a regulatory asset ratably over the amortization period set forth for Base Plant in Section 4.3(b)(i) of this Agreement.
 - (D) During the amortization period set forth in Section 4.8(a)(i)(C) of this Agreement, the Cancelled CWIP balance (plus all accumulated AFUDC), adjusted for deferred taxes if applicable, shall earn a rate of return equal to the rate set forth for Base Plant in Section 4.3(c) of this Agreement.
- (ii) For Completed CWIP:
- (A) An AFUDC amount for the Completed CWIP balance will be applied from the date of the first recorded amount of Completed CWIP until the last day of the month of the Effective Date. The AFUDC rate will be as follows:
 - (1) For the period from the date of the first recorded amount of Completed CWIP until January 31, 2012, the AFUDC rate shall be equal to the authorized AFUDC rate in effect at the time.
 - (2) For the period from February 1, 2012, until the date on which the associated asset was placed into service or the Effective Date (whichever is earlier), the AFUDC rate shall be equal to the rate set forth for Base Plant in Section 4.3(c) of this Agreement.
 - (B) The AFUDC amount, as calculated in Section 4.8(a)(ii)(A) of this Agreement, shall be added to the balance for Completed CWIP.
 - (C) The Completed CWIP balance (including all accumulated AFUDC) as of the last day of the month of the Effective Date shall be amortized as a regulatory asset ratably starting on the date on which the associated asset was placed into service or the Effective Date (whichever is earlier) and ending on February 1, 2022.
 - (D) During the amortization period set forth in Section 4.8(a)(ii)(C) of this Agreement, the Completed CWIP balance (plus all accumulated AFUDC), adjusted for deferred taxes if applicable,

shall earn a rate of return equal to the rate set forth for Base Plant in Section 4.3(c) of this Agreement

- (b) The Settling Parties agree that the Utilities will, to the extent permitted by applicable tax laws without penalty and CPUC action, seek reimbursement of Completed CWIP that enters service after June 7, 2013, as expenses from the Nuclear Decommissioning Trusts rather than recovering this investment through rates. The Utilities will not amortize in rates any portion of the Completed CWIP balance that has been paid for by the Nuclear Decommissioning Trusts.

4.9. O&M and other costs

- (a) The Utilities will retain all rate revenue collected for 2012 pursuant to the revenue requirement for SONGS base O&M (100% share) provisionally authorized in Decision No. 12-11-051, which adopted SCE's Test Year 2012 General Rate Case application, and in Decision No. 13-05-010, which adopted SDG&E's Test Year 2012 General Rate Case application.
 - (i) The Utilities may apply 2012 revenues to defray base O&M costs recorded in their respective SONGSOMA for 2012, as well as costs recorded in their respective SONGSOMA for 2012 associated with severance of employees at SONGS or resulting from the permanent shut down at SONGS.
 - (ii) The Utilities may also apply 2012 revenues to defray Incremental Inspection and Repair Costs recorded in their respective SONGSOMA for 2012, except that the Utilities shall not be allowed to recover in rates any Incremental Inspection and Repair Costs incurred in 2012 in excess of the revenue requirement for base O&M costs (100% share) provisionally authorized in Decision No. 12-11-051 and Decision No. 13-05-010.
 - (iii) Provided however, if applicable, SDG&E will refund any amount of provisionally authorized O&M in excess of total recorded O&M costs incurred in 2012 invoiced by SCE.
- (b) Subject to the following two sentences, SCE will retain all SONGS-related rate revenue collected pursuant to the revenue requirement for Non-O&M Expenses provisionally authorized in Decision No. 12-11-051 for calendar year 2012. Notwithstanding the foregoing, SCE will refund to ratepayers any such SONGS-related rate revenues collected in 2012 pursuant to Decision No. 12-11-051 that exceed 2012 recorded Non-O&M Expenses by more than \$10 million. Any amount to be refunded pursuant to this Section of the Agreement shall be refunded per the refund mechanism set forth in Section 4.12 of this Agreement.
- (c) For calendar year 2012, SDG&E will retain rate revenue sufficient to defray all recorded Non-O&M Expenses.

- (d) For calendar year 2012, the Utilities will retain rate revenue sufficient to defray all recorded Non-O&M Balancing Account Expenses.
- (e) Provided that the sum of the amounts listed in Sections 4.9(e)(i)-(iii) of this Agreement does not exceed the revenue requirement for each Utility's respective share of SONGS base O&M costs provisionally authorized for the year 2013 pursuant to Decision Nos. 12-11-051 and 13-05-010, the Utilities will retain rate revenue sufficient to defray:
 - (i) All base O&M costs recorded in 2013;
 - (ii) All costs associated with severance of employees at SONGS or resulting from the permanent shut down at SONGS recorded in 2013; *and*
 - (iii) All Incremental Inspection and Repair Costs recorded in 2013.
- (f) If the revenue requirement for each Utility's respective share of SONGS base O&M costs provisionally authorized for the year 2013 pursuant to Decision Nos. 12-11-051 and 13-05-010 exceeds the sum of the amounts set forth in Sections 4.9(e)(i)-(iii) of this Agreement, the Utilities shall refund to ratepayers the difference between the amounts provisionally authorized and the sum of the recorded amounts in Sections 4.9(e)(i)-(iii). Likewise, if the Utilities recover any portion of the recorded amounts in Sections 4.9(e)(i)-(iii) through the Nuclear Decommissioning Trusts, those portions shall also be refunded to ratepayers. These amounts shall be refunded per the refund mechanism set forth in Section 4.12 of this Agreement.
- (g) For calendar year 2013, the Utilities will retain rate revenue sufficient to defray all recorded SONGS-related non-O&M expenses (including both Non-O&M Expenses and Non-O&M Balancing Account Expenses). The Utilities shall also seek recovery of these recorded amounts through the Nuclear Decommissioning Trusts to the extent permitted by applicable tax laws without penalty and CPUC action. If the revenue requirement for each Utility's respective share of SONGS-related non-O&M expenses provisionally authorized for the year 2013 pursuant to Decision Nos. 12-11-051 and 13-05-010 exceeds the amount of each Utility's respective recorded SONGS-related non-O&M expenses in 2013, the Utilities shall refund to ratepayers the difference between the amounts provisionally authorized and the amounts recorded. Likewise, if the Utilities recover any portion of their SONGS-related non-O&M expenses recorded in 2013 through the Nuclear Decommissioning Trusts, those portions shall also be refunded to ratepayers. Any amount to be refunded pursuant to this Section of the Agreement shall be refunded per the refund mechanism set forth in Section 4.12 of this Agreement.
- (h) Nothing in this Agreement shall be construed to limit the Commission's ability to review the reasonableness of the Utilities' 2014 SONGS-related O&M or non-

O&M expenses (including both Non-O&M Expenses and Non-O&M Balancing Account Expenses) in any appropriate proceeding.

- (i) If the revenue requirement for each Utility's respective share of SONGS-related O&M and non-O&M expenses provisionally authorized for the year 2014 pursuant to Decision Nos. 12-11-051 and 13-05-010 exceeds the amount of each Utility's respective recorded SONGS-related O&M and non-O&M expenses in 2014, the Utilities shall refund to ratepayers the difference between the amounts provisionally authorized and the amounts recorded. Likewise, if the Utilities recover any portion of their SONGS-related O&M or non-O&M expenses recorded in 2014 through the Nuclear Decommissioning Trusts, and/or if the CPUC disallows any such expenses, those portions shall also be refunded to ratepayers. Section 4.9(j) of this Agreement sets forth the procedure that each Utility shall use to determine the amount of any refunds pursuant to this Section of the Agreement.
- (j) In order to determine the amount of any refunds based on the difference between recorded and provisionally authorized expenses under Section 4.9(i) of this Agreement, each Utility shall use the following procedure:
 - (i) On the last day of the month of the Effective Date, each Utility shall calculate the difference between recorded and provisionally authorized amounts of SONGS-related O&M and non-O&M expenses during the time period from January 1, 2014, until the last day of available recorded cost data in 2014. If the provisionally authorized revenue requirement for such costs during this time period exceeds the recorded amount of such costs during this time period, the Utilities shall refund to ratepayers the difference between the amounts provisionally authorized and the amounts recorded, with such refund to be effectuated per the refund mechanism set forth in Section 4.12 of this Agreement.
 - (ii) On the last day of the month of the Effective Date, each Utility shall also calculate a forecast of SONGS-related O&M and non-O&M expenses for the time period from the last day of available recorded cost data in 2014 until December 31, 2014. If the provisionally authorized revenue requirement for such costs during this time period exceeds the forecasted amounts of such costs during this time period, the Utilities shall refund to ratepayers the difference between the amounts provisionally authorized and the amounts forecasted as the excess revenue is received, with such refund to be effectuated as a credit to SCE's ERRA account and SDG&E's NGBA.
 - (iii) In the first quarter of 2015, each Utility shall calculate the difference between recorded and forecasted amounts of SONGS-related O&M and non-O&M expenses during the time period set forth in Section 4.9(j)(ii) of this Agreement. If the forecasted revenue requirement for such costs during this time period exceeds the recorded amounts of such costs during

this time period, the Utilities shall refund to ratepayers the difference between the amounts forecasted and the amounts recorded, with such refund to be effectuated as a credit to SCE's ERRA and SDG&E's NGBA. If, on the other hand, the recorded amounts exceed the forecasted revenue requirement, the Utilities shall recover the difference between the amounts forecasted and the amounts recorded from ratepayers via a debit to SCE's ERRA account and SDG&E's NGBA.

- (iv) On the last day of the month following a CPUC decision authorizing the Utilities to recover any portion of their SONGS-related O&M or non-O&M expenses recorded in 2014 through the Nuclear Decommissioning Trusts, and/or of a decision disallowing any such costs, the Utilities shall effectuate a refund of such amounts per the refund mechanism set forth in Section 4.12 of this Agreement.
- (k) In determining the provisionally authorized revenue requirement for Non-O&M Expenses pursuant to Sections 4.9(b), 4.9(g), 4.9(i), and 4.9(j) of this Agreement, the Utilities shall utilize a formula agreeable to all Settling Parties for allocating company-wide expenses to SONGS.
- (l) The Utilities will recover all recorded O&M costs incurred in connection with the U2C17 RFO.
- (m) Except as expressly provided in this Agreement, the O&M and other costs that the Utilities are entitled to retain pursuant to Section 4.9 of this Agreement shall not be subject to any disallowance, refund, or any form of reasonableness review by the Commission.

4.10. Market Power Purchases

- (a) The Utilities will recover in rates the full amount of any costs designated as SONGS "replacement power costs," SONGS "replacement energy costs," or "net SONGS costs" incurred to purchase power in the market from January 1, 2012, until the last day of the month of the Effective Date.
- (b) The Utilities will recover in rates the entire SONGS-related portion of the under-collected balance in each Utility's respective ERRA account as of the last day of the month of the Effective Date. The SONGS-related under-collected balances in each Utility's respective ERRA accounts shall be amortized over a period beginning on the first day of the month (or the nearest date practicable) following the Effective Date and ending no later than December 31, 2015. Nothing in this Agreement shall be construed to limit the Commission's ability to review, in an appropriate proceeding, the Utilities' requests to amortize the remaining (non-SONGS-related) portion of this under-collected balance. Although nothing in this Agreement shall limit TURN or ORA's ability to challenge the eligibility of the remaining (non-SONGS-related) portion of this under-collected balance for cost recovery, neither TURN nor ORA shall oppose either Utility's request to amortize

by December 31, 2015 any portion of the under-collected balance found by the CPUC to be eligible for recovery.

- (c) The Commission shall not impose any disallowance, on either of the Utilities, of any of the Utilities' costs incurred to purchase power in the market as a result of the non-operation of SONGS. None of the Settling Parties will advocate before the Commission or any other judicial, legislative, or administrative body for any disallowance of past or future costs incurred by the Utilities to purchase power in the market as a result of the non-operation of SONGS.
- (d) No future adjustments or disallowances to the Utilities' ERRA accounts shall be made as a result of the non-operation of SONGS. This limitation includes foregone revenues; there will be no future adjustments or disallowances to the Utilities' ERRA accounts as a result of foregone sales of SONGS output. No Settling Party shall object in an ERRA or other Commission proceeding to the Utilities' showing on the grounds that the applied-for purchased power-related expenses were related to the non-operational status of SONGS.

4.11. SONGS Litigation Balance

- (a) The SONGS Litigation Balance shall be determined by netting SONGS Litigation Costs from SONGS Litigation Recoveries. The mechanism for netting SONGS Litigation Costs from SONGS Litigation Recoveries shall be to establish memorandum accounts. In order to account for all recorded costs booked since January 31, 2012, each Utility shall establish memorandum accounts as of January 31, 2012. Each Utility shall establish two separate memorandum accounts (or sub-accounts) as follows:
 - (i) Each Utility shall establish one memorandum account (or sub-account) for netting costs and recoveries related to NEIL. Every year, the Utilities shall record all SONGS Litigation Costs related to pursuing recovery and planning to pursue recovery from NEIL and all SONGS Litigation Recoveries received from NEIL in this memorandum account.
 - (ii) Each Utility shall establish one memorandum account (or sub-account) for netting costs and recoveries related to Mitsubishi. Every year, the Utilities shall record all SONGS Litigation Costs related to pursuing recovery and planning to pursue recovery from Mitsubishi and all SONGS Litigation Recoveries received from Mitsubishi in this memorandum account.
- (b) If there is a positive balance (i.e., SONGS Litigation Costs in excess of SONGS Litigation Recoveries) in either memorandum account at the end of a given year, the positive balance will be carried over to the next year. If there is a negative balance (i.e., SONGS Litigation Costs are less than SONGS Litigation Recoveries) in either memorandum account as of December 31, 2014, or at the end of any subsequent year, each Utility shall distribute to ratepayers their portion of the SONGS Litigation Recoveries as determined by the sharing formula in

Section 4.11(c) of this Agreement. These amounts shall be distributed to ratepayers pursuant to the distribution method set forth in Section 4.11(d) of this Agreement. The Utilities' portion of the SONGS Litigation Recoveries, as determined by the sharing formula in Section 4.11(c) of this Agreement, shall be retained by the Utilities at the time the ratepayers' portions are distributed. Negative balances shall not carry over from one year to the next; instead, the account balance shall be reset to zero on the first of the year following any distribution of SONGS Litigation Recoveries pursuant to this Section of the Agreement.

- (c) The SONGS Litigation Balance shall be shared between the Utilities and the ratepayers according to the following formula:
- (i) SONGS Litigation Balance recovered from NEIL shall be shared as follows:
 - (A) The Utilities shall retain 17.5% of the balance
 - (B) The Utilities shall distribute to ratepayers 82.5% of the balance
 - (ii) SONGS Litigation Balance recovered from Mitsubishi shall be shared as follows:
 - (A) With respect to SCE:
 - (1) For the first \$100 million of SONGS Litigation Balance recovered from Mitsubishi:
 - a. SCE shall retain 85% of the balance
 - b. SCE shall distribute to ratepayers 15% of the balance
 - (2) For the next \$800 million of SONGS Litigation Balance recovered from Mitsubishi:
 - a. SCE shall retain 66.67% of the balance
 - b. SCE shall distribute to ratepayers 33.33% of the balance
 - (3) For any SONGS Litigation Balance recovered from Mitsubishi in excess of the first \$900 million:
 - a. SCE shall retain 25% of the balance
 - b. SCE shall distribute to ratepayers 75% of the balance

- (B) With respect to SDG&E:
 - (1) For the first \$25 million of SONGS Litigation Balance recovered from Mitsubishi:
 - a. SDG&E shall retain 85% of the balance
 - b. SDG&E shall distribute to ratepayers 15% of the balance
 - (2) For the next \$200 million of SONGS Litigation Balance recovered from Mitsubishi:
 - a. SDG&E shall retain 66.67% of the balance
 - b. SDG&E shall distribute to ratepayers 33.33% of the balance
 - (3) For any SONGS Litigation Balance recovered from Mitsubishi in excess of the first \$225 million:
 - a. SDG&E shall retain 25% of the balance
 - b. SDG&E shall distribute to ratepayers 75% of the balance
- (d) Any amounts to be distributed to ratepayers pursuant to Section 4.11(b) of this Agreement shall be distributed pursuant to the following distribution mechanism:
 - (i) The ratepayers' portion of the SONGS Litigation Balance recovered from NEIL shall be distributed to ratepayers via a credit to each Utility's respective ERRRA account.
 - (ii) The first \$282 million of SONGS Litigation Balance recovered from Mitsubishi that is distributed to SCE ratepayers pursuant to Section 4.11(b) of this Agreement shall be distributed via a credit to SCE's BRRBA.
 - (iii) The first \$71 million of SONGS Litigation Balance recovered from Mitsubishi that is distributed to SDG&E ratepayers pursuant to Section 4.11(b) of this Agreement shall be distributed via a credit to SDG&E's NGBA.
 - (iv) The ratepayers' portion of any further SONGS Litigation Balance recovered from Mitsubishi shall be distributed to ratepayers as follows:
 - (A) First, by reducing the regulatory assets described in Sections 4.3(b), 4.8(a), 4.5(a), and 4.6(a) of this Agreement, in the order listed. The effect of the reduction to these regulatory assets shall be to decrease the yearly amount of the revenue requirement for each

regulatory asset. This reduction to regulatory assets shall not affect the amortization period for the regulatory assets described in Sections 4.3(b), 4.8(a), 4.5(a), and 4.6(a) of this Agreement.

- (B) Second, any remaining amounts shall be distributed via a credit to SCE's BRRBA and SDG&E's NGBA.
 - (e) In consideration of the Utilities retaining SONGS Litigation Recoveries to the extent of the SONGS Litigation Costs, the Utilities shall remove all SONGS Litigation Costs booked in the memorandum accounts described in Section 4.11(a) of this Agreement from the recorded costs used to develop future general rate case forecasts. Nothing in this Agreement shall preclude the Settling Parties from making any arguments in either Utility's general rate cases regarding costs used to develop general rate case forecasts.
 - (f) In consideration of the sharing of net SONGS Litigation Recoveries, the Utilities shall have complete discretion to settle, compromise, or otherwise resolve claims against NEIL and/or Mitsubishi in any manner and whenever the Utilities determine, in the exercise of their business judgment, without prior or subsequent review or approval, disapproval, or disallowance by the CPUC or any parties to this OII.
 - (g) The Utilities shall promptly notify the CPUC of any such settlement, compromise, or other resolution of their claims against NEIL or MHI, provided, however, that:
 - (i) The Utilities may provide such notification in a manner that preserves the confidentiality thereof insofar as may be reasonably necessary to further the Utilities' flexibility to settle, compromise, or otherwise resolve such claims; *and*
 - (ii) The CPUC shall not review the reasonableness or prudence of the Utilities' litigation, settlement, compromise, or other resolution of such claims and shall not impose any ratemaking adjustment in respect of such claims except as expressly provided in this Agreement.
 - (h) The Utilities shall each use their best efforts to provide all Settling Parties with advance notice of any such settlement, compromise, or other resolution of their claims against NEIL or MHI, to the extent possible under the circumstances and the terms of any agreement with NEIL or MHI, before the Utilities notify the CPUC or otherwise make public the agreement.
- 4.12. Any amounts that the Utilities may be required to refund to ratepayers pursuant to Sections 4.2(b), 4.3(b)(ii), 4.9(b), 4.9(f), 4.9(g), 4.9(j)(i), and 4.9(j)(iv) of this Agreement shall be refunded via a reduction to each Utility's respective under-collected ERRRA balance as of the last day of the month of the Effective Date. This refund mechanism shall not change the amortization period set forth in Section 4.10(b) of this Agreement.

- 4.13. For the period from the first day of the month after the Effective date to December 31, 2014, the difference between the Capital-Related Revenue Requirement for SONGS assets provisionally authorized in Decision No. 12-11-051 and the revenue requirement for Base Plant, CWIP, M&S and Nuclear Fuel Investment shall be credited to each Utility's respective ERRA account. To the extent the difference referenced in the prior sentence is calculated based on a forecast, a true-up will be recorded in ERRA in the first quarter of 2015 to reflect the actual difference. For the period from January 1, 2015 to the date of Utility implements new base rates pursuant to its next GRC decision, such difference will be credited to ERRA (for SCE) and NGBA (for SDG&E).
- 4.14. Except as expressly provided in this Agreement, all costs recorded in SCE's SONGSMA, SDG&E's SONGSBA, and both Utilities' SONGSOMA shall be recovered in rates and shall not be subject to any disallowance, refund, or any form of reasonableness review by the Commission.
- 4.15. Because this Agreement provides a ratemaking disposition for all costs recorded in SCE's SONGSMA, SDG&E's SONGSBA, and both Utilities' SONGSOMA, these memorandum accounts will not be necessary after the last day of the month of the Effective Date and will be terminated by the Utilities as of that day.
- 4.16. Resolution of Consolidated Proceedings
- (a) The Settling Parties intend for this Agreement to resolve the OII and all Consolidated Proceedings in their entirety. The Settling Parties agree that the Consolidated Proceedings should be resolved as follows in this section of the Agreement.
- (b) A. 13-03-005
- (i) The Commission shall find that SCE's testimony in support of A. 13-03-005 conclusively established that the total cost of the SGRP was \$612.1 million in 2004 dollars (100% share). The Settling Parties shall not take the position, in any proceeding whatsoever, that SCE spent more than \$612.1 million (100% share, 2004\$) on the SGRP.
- (ii) The Commission shall find that SCE's testimony in support of A. 13-03-005 utilized appropriate inflation indexes to deflate the total cost of the SGRP from nominal dollars to 2004 dollars. This includes the use of the Handy-Whitman index for fabrication and construction costs and the Commission-approved nuclear decommissioning burial escalation rates for burial costs. The Settling Parties shall not take the position, in any proceeding whatsoever, that SCE used inappropriate inflation indexes in its testimony in support of A. 13-03-005.
- (iii) Because this Agreement provides a ratemaking disposition for all costs described in A. 13-03-005, no further reasonableness review is required. The Settling Parties shall jointly request that the Commission allow SCE

to retain all rate revenues collected from customers for the SGRP prior to February 1, 2012, as a resolution of A. 13-03-005.

(c) A. 13-03-014

- (i) The provisions set forth in Section 4.16(b)(i)-(ii) are incorporated herein as though set forth in their entirety.
- (ii) Because this Agreement provides a ratemaking disposition for all costs described in A. 13-03-014, no further reasonableness review is required. The Settling Parties shall jointly request that the Commission allow SDG&E to retain all rate revenues collected from customers for the SGRP prior to February 1, 2012, as a resolution of A. 13-03-014.

(d) A. 13-01-016

- (i) The Settling Parties agree that the costs recorded in SCE's SONGSMA during the year 2012 were reasonable and prudent to the extent this Agreement provides that SCE shall recover such costs.
- (ii) None of the Settling Parties will take the position, in any proceeding whatsoever, that any of the costs recorded in SCE's SONGSMA during 2012 were unreasonable, or should be disallowed, except to the extent that this Agreement provides that such costs be refunded to ratepayers.
- (iii) Because this Agreement provides a ratemaking disposition for all costs described in A. 13-01-016, no further reasonableness review is required. The Settling Parties shall jointly request that the Commission grant A. 13-01-016 to the extent that this Agreement provides for rate recovery of the costs recorded in SCE's SONGSMA during 2012.

(e) A. 13-03-013

- (i) The Settling Parties agree that the costs recorded in SDG&E's SONGSBA during the year 2012 were reasonable and prudent to the extent this Agreement provides that SDG&E shall recover such costs.
- (ii) None of the Settling Parties will take the position, in any proceeding whatsoever, that any of the costs recorded in SDG&E's SONGSBA during 2012 were unreasonable, or should be disallowed, except to the extent that this Agreement provides that such costs be refunded to ratepayers.
- (iii) Because this Agreement provides a ratemaking disposition for all costs described in A. 13-03-013, no further reasonableness review is required. The Settling Parties shall jointly request that the Commission grant A. 13-03-013 to the extent that this Agreement provides for rate recovery of the costs recorded in SDG&E's SONGSBA during 2012.

- 4.17. In light of this Agreement, the Settling Parties urge the CPUC to withdraw the November 19, 2013, Proposed Decision on Phase 1 and Phase 1A issues.

**V.
GENERAL PROVISIONS AND RESERVATIONS**

- 5.1. The Settling Parties shall use their best efforts to obtain Commission Approval. Following execution of this Agreement, the Settling Parties shall:
- (a) Jointly file a motion requesting that the Commission:
 - (i) Approve the Agreement in its entirety without change;
 - (ii) Find the Agreement to be reasonable in light of the whole record, consistent with law, and in the public interest;
and
 - (iii) Expedite its consideration and approval of the Agreement in order to provide the benefits of the Agreement as soon as possible.
 - (b) Support and mutually defend this Agreement in its entirety until the Commission has issued final approval of the Agreement.
 - (c) Oppose any modifications to this Agreement proposed by any non-settling party to the OII, unless all Settling Parties jointly agree to support such modification.
 - (d) Cooperate reasonably on all submissions, including briefs, necessary to achieve Commission Approval of the Agreement.
 - (e) Review any Commission orders regarding this Agreement to determine if the Commission has changed or modified this Agreement, deleted a term, or imposed a new term in this Agreement. If any Settling Party is unwilling to accept such change, modification, deletion, or addition of a new term, that Settling Party shall so notify the other Settling Parties within 15 days of issuance of the order by the Commission. The Settling Parties shall thereafter promptly discuss each change, modification, deletion, or new term to this Agreement found unacceptable and negotiate in good faith to achieve a resolution acceptable to all Settling Parties and promptly seek Commission approval of the resolution so achieved. Failure to resolve such change, modification, deletion, or new term to this Agreement to the satisfaction of all Settling Parties within 15 days of notification, or to obtain Commission approval of such resolution promptly thereafter, shall entitle any Settling Party to terminate this Agreement through prompt notice to all other Settling Parties.
- 5.2. In accordance with Rule 12.5, the Settling Parties intend that Commission adoption of this Agreement will be binding on all parties to the OII, including their legal successors, assigns, partners, members, agents, parent or subsidiary companies, affiliates, officers, directors, and/or employees. Unless the Commission expressly provides otherwise, such

adoption does not constitute approval of or precedent for any principle or issue in this or any future proceeding.

- 5.3. Since this Agreement represents a compromise by them, the Settling Parties have entered into each stipulation contained in this Agreement on the basis that the stipulation not be construed as an admission or concession by any Settling Party regarding any fact or matter of law at issue in this proceeding. Should this Agreement not be approved in its entirety by the Commission, the Settling Parties reserve all rights to take any position whatsoever with respect to any fact or matter of law at issue in the OII.
- 5.4. The Settling Parties agree that no signatory to this Agreement or any employee thereof assumes any personal liability as a result of this Agreement.
- 5.5. If any Settling Party fails to perform its respective obligations under this Agreement, any other Settling Party may come before the Commission to pursue a remedy including enforcement.
- 5.6. The provisions of this Agreement are not severable. If the Commission, or any court of competent jurisdiction, overrules or modifies as legally invalid any material provision of this Agreement, the Agreement may be considered rescinded, at the discretion of any of the Settling Parties, as of the date such ruling or modification becomes final.
- 5.7. The Settling Parties acknowledge and stipulate that they are agreeing to this Agreement freely, voluntarily, and without any fraud, duress, or undue influence by any other party. Each Settling Party hereby states that, through its authorized representatives, it has read and fully understands its rights, privileges, and duties under this Agreement, including each Settling Party's right to discuss this Agreement with its legal counsel and has exercised those rights, privileges, and duties to the extent deemed necessary.
- 5.8. In executing this Agreement, each Settling Party declares and mutually agrees that the terms and conditions herein are reasonable, consistent with the law, and in the public interest.
- 5.9. This Agreement constitutes the Settling Parties' entire agreement on the subject matters addressed herein, which cannot be amended or modified without the express written and signed consent of all the Settling Parties hereto.
- 5.10. None of the provisions of this Agreement shall be considered waived by any Settling Party unless such waiver is given in writing. The failure of a Settling Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of their rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.
- 5.11. No Settling Party has relied, or presently relies, upon any statement promise, or representation by any other Settling Party, whether oral or written, except as specifically set forth in this Agreement. Each Settling Party expressly assumes the risk of any mistake

of law or fact made by such Settling Party or its authorized representative in entering into this Agreement.

- 5.12. This Agreement may be executed in up to four separate counterparts by the different Settling Parties hereto with the same effect as if all Settling Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Agreement.
- 5.13. This Agreement shall become effective and binding on the Settling Parties as of the Effective Date. However, the provisions of Section 5.1 of this Agreement shall impose obligations on the Settling Parties immediately upon the execution of this Agreement by all of the Settling Parties.
- 5.14. This Agreement shall be governed by the laws of the State of California as to all matters, including but not limited to, matters of validity, construction, effect, performance, and remedies.
- 5.15. To the extent this Agreement requires that any Settling Party provide notice to any other Settling Party, such notice shall be in writing and directed to the signatories to this agreement.

VI. IMPLEMENTATION OF SETTLEMENT AGREEMENT

- 6.1. Within 30 days of the Effective Date, the Utilities shall file revised tariff sheets to implement the revenue requirement, accounting procedures, and charges authorized in this Agreement and to incorporate the relevant findings and conclusions of the decision adopting this Agreement. The revised tariff sheets shall become effective on filing, subject to a finding of compliance by the Energy Division, and shall comply with General Order 96-B. Notwithstanding any of the figures set forth in Sections 3.36 – 3.48 of this Agreement, ORA and TURN have the prerogative to review and validate any amounts used by the Utilities to implement the revenue requirement, accounting procedures, and charges authorized in this Agreement, to meet and confer with the Utilities to resolve any concerns, and to protest the advice letters if such concerns are not resolved to their satisfaction.
- 6.2. The Utilities shall file Tier 2 Advice Letters (which may be combined with Tier 2 Advice Letters proposing consolidated rate changes pursuant to the Utilities' respective General Rate Case decisions) to implement changes to their respective revenue requirements, including implementation of changes pursuant to Sections 4.2, 4.3, 4.5, and 4.6 – 4.13 consistent with the terms of this Agreement.

VII. EXECUTION

IN WITNESS WHEREOF, the Settling Parties have duly executed this Agreement. This Agreement is executed in four counterparts, each of which shall be deemed an original. The undersigned represent that they are authorized to sign on behalf of the party represented.

SOUTHERN CALIFORNIA EDISON COMPANY By: <u>/s/ Ronald L. Litzinger</u> Title: President Date: <u>3/27/14</u>	SAN DIEGO GAS & ELECTRIC COMPANY By: <u>/s/ Lee Schavrien</u> Title: SVP Finance, Regulatory & Legislative Affairs Date: <u>3/27/14</u>
THE UTILITY REFORM NETWORK By: <u>/s/ Matthew Friedman</u> Title: Staff Attorney Date: <u>3/27/14</u>	OFFICE OF RATEPAYER ADVOCATES By: <u>/s/ Joseph P. Como</u> Title: Acting Director, Office of Ratepayer Advocates Date: <u>3/27/14</u>

Appendix A**ILLUSTRATIVE EXAMPLE FOR BASE PLANT AND MATERIALS AND SUPPLIES (M&S)**

	As of February 1, 2012	
Base Plant ¹	\$	622
M&S		99
<hr/>		
Regulatory Asset		721
Less: Accumulated Deferred Taxes ²		(152)
<hr/>		
Regulatory Asset, adjusted for deferred taxes		569
Rate of Return		2.95%
<hr/>		
Return ^{3,4}	\$	17

¹ Base Plant excludes nuclear fuel and CWIP

² Includes deferred taxes associated with nuclear fuel

³ Does not include associated income taxes

⁴ Calculation of return illustrative for a single point in time; actual calculation will be based on an average

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PRELIMINARY AND APPROXIMATE**

Exhibit 99.1



Exhibit 99.1

Leading the Way in Electricity™

Forward-Looking Statements

Statements contained in this presentation about future performance that are not purely historical, are forward-looking statements. These forward-looking statements reflect our current expectations; however, such statements involve risks and uncertainties. Actual results could differ materially from current expectations. These forward-looking statements represent our expectations only as of the date of this presentation, and Edison International assumes no duty to update them to reflect new information, events or circumstances. Important factors that could cause different results are discussed under the headings "Risk Factors" and "Management's Discussion and Analysis" in Edison International's Form 10-K and other reports filed with the Securities and Exchange Commission, which are available on our website: www.edisoninvestor.com. These filings also provide additional information on historical and other factual data contained in this presentation.

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Exhibit 99.1

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SONGS Settlement - Material Economic Terms

Term	Description
Steam Generators	<ul style="list-style-type: none"> Steam Generator Replacement Project ("SGRP") removed from rates as of February 1, 2012, with book value balance disallowed. Revenues related to the SGRP after February 1, 2012 are refunded to customers.
Power Costs	<ul style="list-style-type: none"> Full recovery of replacement power costs and under-collected fuel and purchased power account
Regulatory Asset Recovery	<ul style="list-style-type: none"> Non SGRP plant costs are recovered in rates over 10 years from 2/1/12 Weighted average return equal to authorized cost on debt and 50% of authorized cost on preferred; no return on equity. Results in current weighted average return of 2.62%. Construction Work in Progress (CWIP) and materials and supplies are recovered with same return over same period Nuclear Fuel amortized over same period but receives return at customary commercial paper rate 5% of proceeds of any sales/dispositions of materials, supplies and nuclear fuel go to shareholders Significant portion of Regulatory Asset can be removed from ratemaking capital structure, thus reducing equity requirement in excess of \$300 million
Operations & Maintenance Costs	<ul style="list-style-type: none"> Recorded O&M for 2013 recovered, including incremental inspection and repair costs O&M for 2012 limited to CPUC authorized amounts Leaves \$99 million incremental inspection and repair costs not recovered in rates (these costs were previously expensed)
Sharing of SCE Recovery Proceeds	<ul style="list-style-type: none"> NEIL: 82.5% ratepayers/ 17.5% Shareholders MHI: Shareholders receive 85% of first \$100 million; 2/3 of next \$800 million; and 1/4 of amounts above \$900 million Litigation costs recovered before sharing starts

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Exhibit 99.1

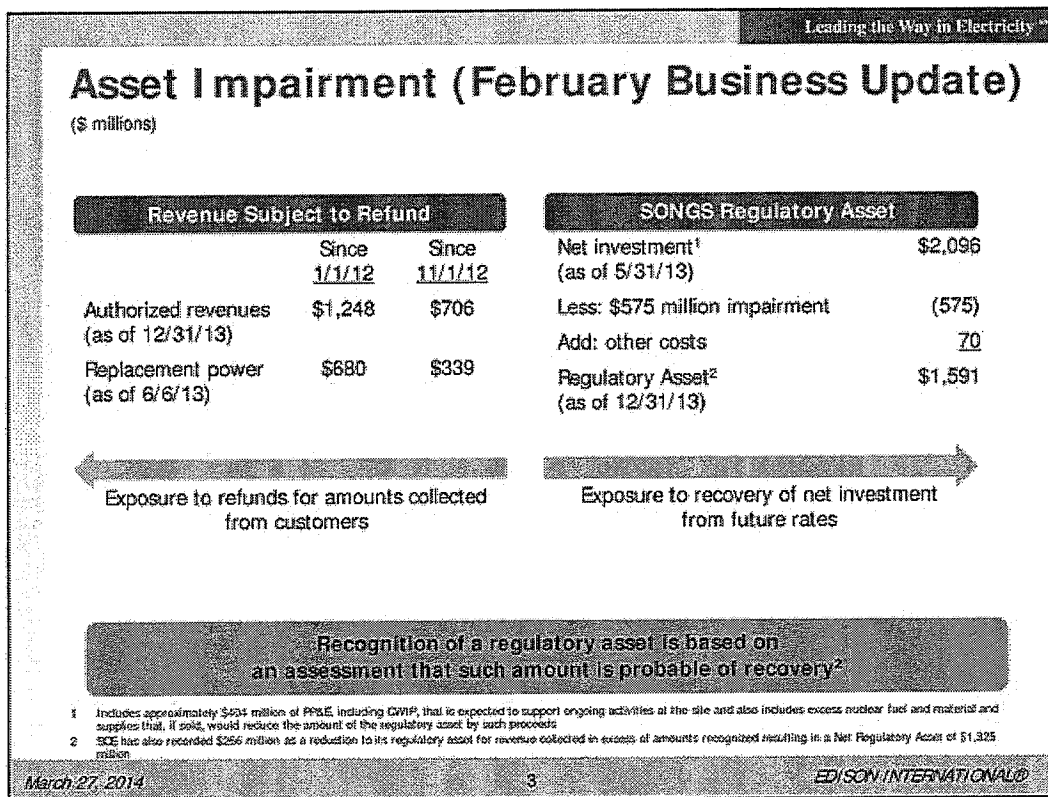


Exhibit 99.1

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Settlement Accounting

- In Q2 2013, SCE recorded a \$575 million (pre-tax) impairment based on management's judgment of the recoverability of its SONGS investment
 - Developed based on a range of possible outcomes
 - Each quarter management must assess recoverability
- In Q1 2014, SCE expects to increase its pre-tax impairment to ~\$730 million (~\$465 million after-tax) based on terms of Settlement. Primary drivers:
 - Disallowance of SGRP investment (\$542 million as of May 31, 2013)
 - Refund of revenues related to SGRP previously recognized from February 1, 2012 through May 31, 2013 of \$153 million
 - Implementation of other terms of the Settlement Agreement, including refund of authorized return in excess of the return allowed for non-SGRP investments
- If approved, the settlement would result in a core earnings benefit of approximately \$0.03 per share in 2014 and \$0.04 per share annualized, declining over 10 years
- SCE will not record a receivable for potential recoveries from either MHI or NEIL

SCE expects to record an additional pre-tax impairment of ~\$155 million (~\$100 million after tax or \$0.31 per share) in Q1 2014

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Exhibit 99.1

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SONGS Regulatory Asset			
(\$ millions)			
Category	December 31, 2013 ¹	March 31, 2014	Authorized Return
Base Plant	} \$2,166	\$492	2.62%
SGRP		-	n/a
CWIP ²		408	2.62%
Materials and Supplies		78	2.62%
Nuclear Fuel		400	Commercial Paper
Asset Impairment	(575)	(34)	n/a
Regulatory Asset	\$1,591	\$1,344	
Estimated Revenue Refund			
Authorized revenue in excess of recorded	(266)	(256) ³	
As of March 31, 2014, assets subject to a lower return under the Settlement Agreement are \$1.3 billion with recovery expected through January 31, 2022			
<small> 1 December 31, 2013 balance of \$2,166 million comprised of \$2,056 million net investment at May 31, 2013 plus \$70 million of costs recorded thereafter. Individual components not disclosed. 2 CWIP includes both completed and uncompleted CWIP as defined by the Settlement Agreement. 3 Includes an estimate of \$63 million of authorized revenues in excess of recorded for the three months ended March 31, 2014 and impact of Settlement Agreement. Refund to be credited to EPRA under collection. </small>			
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Cash Flow Impact of Settlement

- With SONGS shutdown, SCE has purchased significant amounts of replacement power
 - Energy Resource Recovery Account (ERRA) balance \$1 billion under collected as of December 31, 2013
 - Expected to grow by \$100 million each month
 - SONGS related amount in ERRA balance \$467 million
- Settlement would allow recovery of SONGS replacement power costs in ERRA proceeding
 - Refunds owed to customers, and return of over collected SONGS accounts, to be credited against ERRA under collection
 - Decision in 2014 ERRA proceeding still required
- Subject to CPUC approval, SONGS decommissioning trusts may also provide additional funds to reduce ERRA balance
- On March 24, SCE received proposed decision in 2014 ERRA proceeding
 - SCE will file comments supporting adoption of the proposed decision

The settlement and other related actions may allow SCE to substantially offset its under collected fuel and purchased power account

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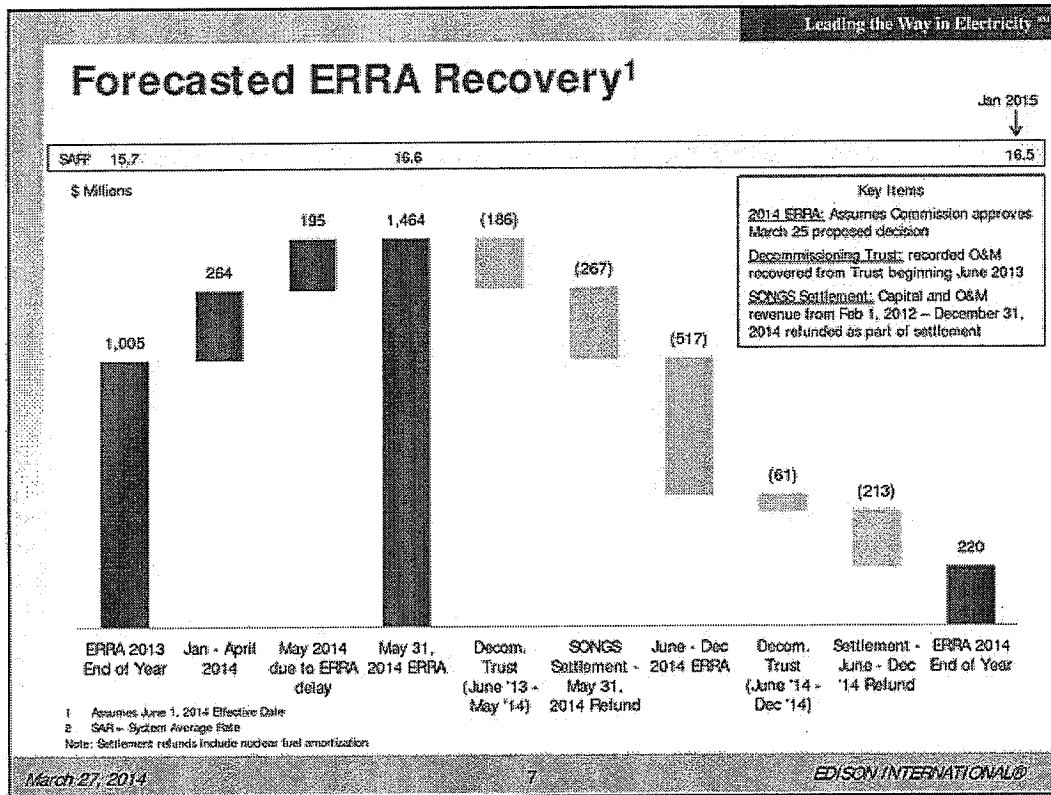


Exhibit 99.1

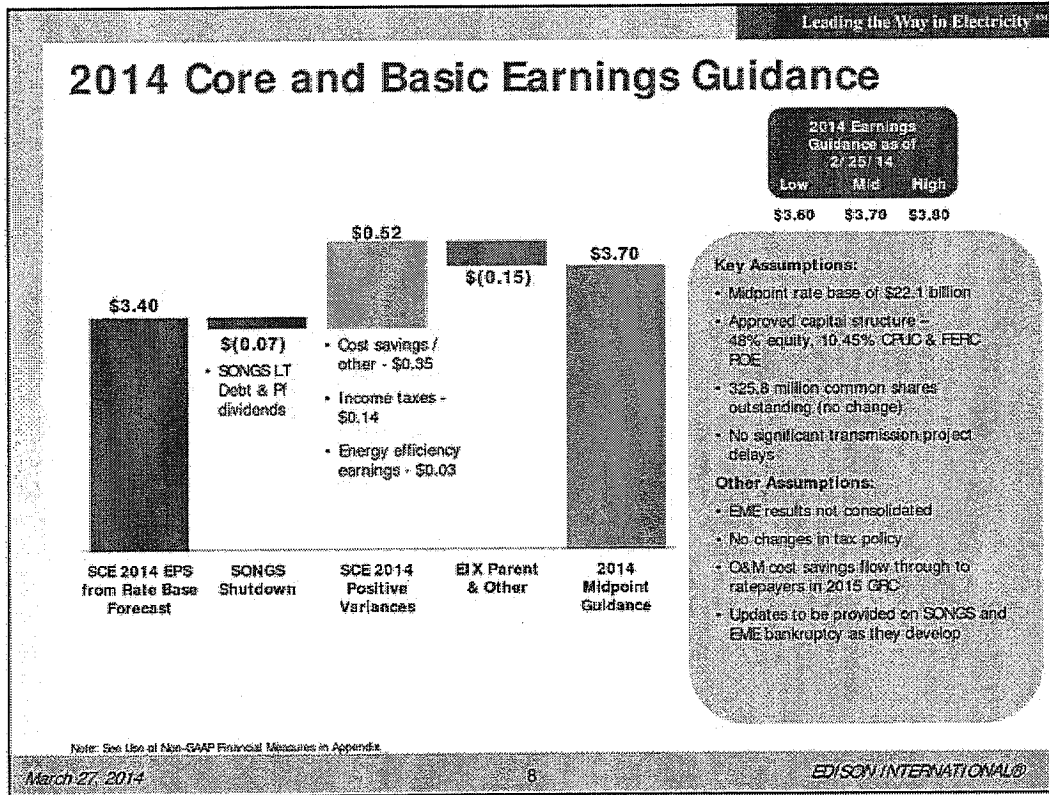


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Use of Non-GAAP Financial Measures

Edison International's earnings are prepared in accordance with generally accepted accounting principles used in the United States. Management uses core earnings internally for financial planning and for analysis of performance. Core earnings 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 are a non-GAAP financial measure and may not be comparable to those of other companies. Core earnings (or losses) are defined as earnings or losses attributable to Edison International shareholders less income or loss from discontinued operations and income or loss from significant discrete items that management does not consider representative of ongoing earnings, such as: exit activities, including sale of certain assets, and other activities that are no longer continuing; asset impairments and certain tax, regulatory or legal settlements or proceedings.

A reconciliation of Non-GAAP information to GAAP information is included on the slide where the information appears.

EI X Investor Relations Contacts

Scott Cunningham, Vice President	(626) 302-2540	scott.cunningham@edisonintl.com
Felicia Williams, Senior Manager	(626) 302-5493	felicia.williams@edisonintl.com

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9
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Exhibit 99.2

CERTAIN DOCUMENTS
DISTRIBUTED AT THE
SAN ONOFRE
SETTLEMENT CONFERENCE

MARCH 27, 2014

SUMMARY OF KEY TERMS OF SETTLEMENT AGREEMENT

Confidential – Subject to Rule 12.6

Do Not Distribute

The following summary of the Settlement Agreement is qualified in its entirety by reference to the complete text of the Settlement Agreement

Disallowances, Refunds, and Rate Recoveries

Steam Generators

- The utilities will not recover in rates the net investment associated with the steam generators as of February 1, 2012 (§ 4.2(d)), which is the first day following the tube leak in Unit 3. (§ 4.2(d).) These amounts (\$597 million for SCE and \$160.4 million for SDG&E) will not be recoverable in rates.
- The utilities will refund any capital-related revenue requirement associated with the steam generators collected after February 1, 2012. (§ 4.2(b).) The utilities keep all capital-related revenues for the steam generators collected prior to February 1, 2012. (§ 4.2(c).)

Base Plant

- The utilities will remove Base Plant from rate base as of February 1, 2012. (§ 4.3(a).) Base Plant will be recovered at a reduced rate of return over 10 years. The rate of return is calculated as each utility's authorized cost of debt plus 50% of each utility's authorized cost of preferred stock, weighted by the amount of debt and preferred stock in each utility's authorized ratemaking capital structure; return on equity is not considered. (§ 4.3(c).) Using this approach, the weighted average return for SCE base plant is 2.95% in 2012 and 2.62% in 2013 and 2014. For SDG&E, the return on base plant is 2.75% in 2012 and 2.35% in 2013 and 2014.
- The utilities are entitled to retain all capital-related revenues collected for Base Plant prior to February 1, 2012. (§ 4.3(a).) For periods after February 1, 2012, the utilities will refund to ratepayers all revenues for Base Plant that exceed the revenue the utilities are entitled to collect under the reduced rate of return and amortization period set forth in the settlement agreement. (§ 4.3(b)(ii).)
- Base Plant includes the net investment of all SONGS-related capital investments (including marine mitigation projects, nuclear design basis documentation, and deferred debits), but excludes the SGRP, nuclear fuel, and the materials and supplies inventory, which are addressed separately. (§ 2.6.)
- Each utility has the option to exclude the unamortized portion of its investment from its capital structure for purposes of determining regulatory capital requirements. (§ 4.4.)

23125433.2

1

SUMMARY OF KEY TERMS OF SETTLEMENT AGREEMENT

Confidential – Subject to Rule 12.6

Do Not Distribute

The following summary of the Settlement Agreement is qualified in its entirety by reference to the complete text of the Settlement Agreement

Materials and Supplies

- The settlement agreement allows the utilities rate recovery of their net investments in Materials and Supplies (“M&S”) over 10 years at the reduced rate of return provided for base plant. (§ 4.5(a).)
- To provide an incentive to sell M&S, the utilities will retain 5% of all sales of the M&S inventory. (§ 4.5(b).) The remaining 95% will be credited to ratepayers. (§ 4.5(b).)

Nuclear Fuel

- The settlement agreement also allows the utilities rate recovery of entire net investment in nuclear fuel (§ 4.6(a)), including those costs that the utilities incur in connection with efforts to cancel their outstanding obligations to purchase nuclear fuel. (§ 2.30.) Nuclear fuel costs are recovered over 10 years at a rate of return equal to commercial paper. (§ 4.6(b).)
- To provide an incentive to sell nuclear fuel, the utilities will retain 5% of net sale proceeds, while the ratepayers will be credited the remaining 95%. (§ 4.7(a).) Also, the utilities will retain 5% of the difference between outstanding contractual obligations to purchase nuclear fuel and the costs incurred to cancel these contracts. (§ 4.7(c)(i).)

Construction Work in Progress

- The settlement agreement allows the utilities to collect the balance of Construction Work in Progress (“CWIP”), except the portion of CWIP associated with the replacement steam generators. (§§ 4.8(a) & 3.37.)
- Prior to February 1, 2012, the CWIP balance accumulates the authorized Allowance for Funds Used During Construction (“AFUDC”) rate. After February 1, 2012, CWIP associated with projects that the utilities cancelled will stop earning AFUDC. (§ 4.8(a)(i)(A).) For projects the utilities did not cancel, the associated CWIP will earn AFUDC post February 1, 2012, at the same rate as the return on Base Plant. (§ 4.8(a)(ii)(A) & (a)(ii)(A)(2).)
- CWIP will be amortized over 10 years with the same return as Base Plant, except that the amortization period for CWIP associated with projects that the utilities have not cancelled will begin on the day the project enters service or the last day of the month of the Commission’s approval of the settlement, whichever is earlier. (§ 4.8(a)(i)(C)-(D) & (ii)(C)-(D).)

23125433.2

2

SUMMARY OF KEY TERMS OF SETTLEMENT AGREEMENT

Confidential – Subject to Rule 12.6

Do Not Distribute

The following summary of the Settlement Agreement is qualified in its entirety by reference to the complete text of the Settlement Agreement

Operations and Maintenance Costs

- For 2012, SCE will retain Operations and Maintenance (“O&M”) expenses provisionally authorized in SCE’s 2012 General Rate Case (the “GRC”). (§ 4.9(a).) The utilities may not recover the incremental steam generator inspection and repair (“SGIR”) costs that exceed the provisionally authorized revenue requirement for O&M in 2012. (§ 4.9(a)(ii).) These incremental costs are \$99 million for SCE. (§ 3.44.) For 2012, SDG&E will recover its recorded O&M expenses, resulting in a refund of approximately \$5.1 million. (§ 4.9(a)(iii).)
- For 2012 non-O&M expenses, the utilities will be permitted to retain the provisionally authorized revenue requirement, except that the utilities shall refund revenues that exceed recorded non-O&M expenses by more than \$10 million. (§ 4.9(b).)
- For 2013, the utilities will recover their recorded O&M, SONGS-related severance expenses, incremental steam generator inspection and repair costs, and non-O&M expenses, up to authorized. (§ 4.9(e) & (g).) The utilities will refund amounts that exceed these recorded costs. (§ 4.9(f).) 2014 costs are subject to future CPUC review (§ 4.9(h)), and the utilities will refund amounts collected in 2014 pursuant to provisionally authorized rates that exceed the utilities’ recorded costs in 2014. (§ 4.9(i).)
- To the extent the utilities recover costs from the Nuclear Decommissioning Trusts, the utilities will refund any rates collected that duplicate recoveries from the trusts. (*See, e.g.*, § 4.9(g) & (i).)

Replacement Power Costs

- The settlement agreement allows the utilities to recover all purchased power costs associated with replacing the output of SONGS from January 1, 2012, until the last day of the month of the Commission’s decision approving the settlement agreement. (§ 4.10(a).) The utilities are permitted to amortize these costs in rates by December 31, 2015. (§ 4.10(b).)

Provision of Refunds Associated with Previous Overcollections

- Refunds of revenues previously collected in rates will be effectuated via a reduction to each utility’s respective under-collected ERA balance. (§ 4.12.)

SUMMARY OF KEY TERMS OF SETTLEMENT AGREEMENT

Confidential – Subject to Rule 12.6

Do Not Distribute

The following summary of the Settlement Agreement is qualified in its entirety by reference to the complete text of the Settlement Agreement

Third-Party Recoveries

- The utilities are seeking recovery from Mitsubishi Heavy Industries, Inc., and related entities (“MHI”) and from Nuclear Energy Insurance Limited (“NEIL”). (§§ 3.31-3.33.) The utilities will apply recoveries from MHI and NEIL first to recover the costs of pursuing recovery of those claims. (§ 4.11(a) & (b).) The remaining net proceeds are shared between ratepayers and the utilities. Net recoveries from NEIL are provided 82.5% to ratepayers and 17.5% retained by the utilities. (§ 4.11(c)(i).) Net recoveries from MHI are shared as follows. SCE shall retain 85% of the first \$100 million, 66.67% of the next \$800 million, and 25% of any further recoveries, and shall distribute the remainder to ratepayers. (§ 4.11(c)(ii)(A).) SDG&E shall retain 85% of the first \$25 million, 66.67% of the next \$200 million, and 25% of any further recoveries, and shall distribute the remainder to ratepayers. (§ 4.11(c)(ii)(B).)
- Ratepayer share of litigation recoveries will be applied as follows: NEIL recoveries applied to reduce ERRAs; first two tranches of MHI recoveries applied as a credit to BRRBA/NGBA; last tranche of MHI recoveries applied to reduce regulatory assets and then as a credit to BRRBA/NGBA. (§ 4.11(d).)
- The utilities have discretion to resolve the NEIL and MHI disputes without CPUC approval or review (§ 4.11(f)), but the utilities will use their best efforts to inform the Commission of any settlement or other resolution of these disputes to the extent this is possible without compromising any aspect of the resolution. (§ 4.11(g).)

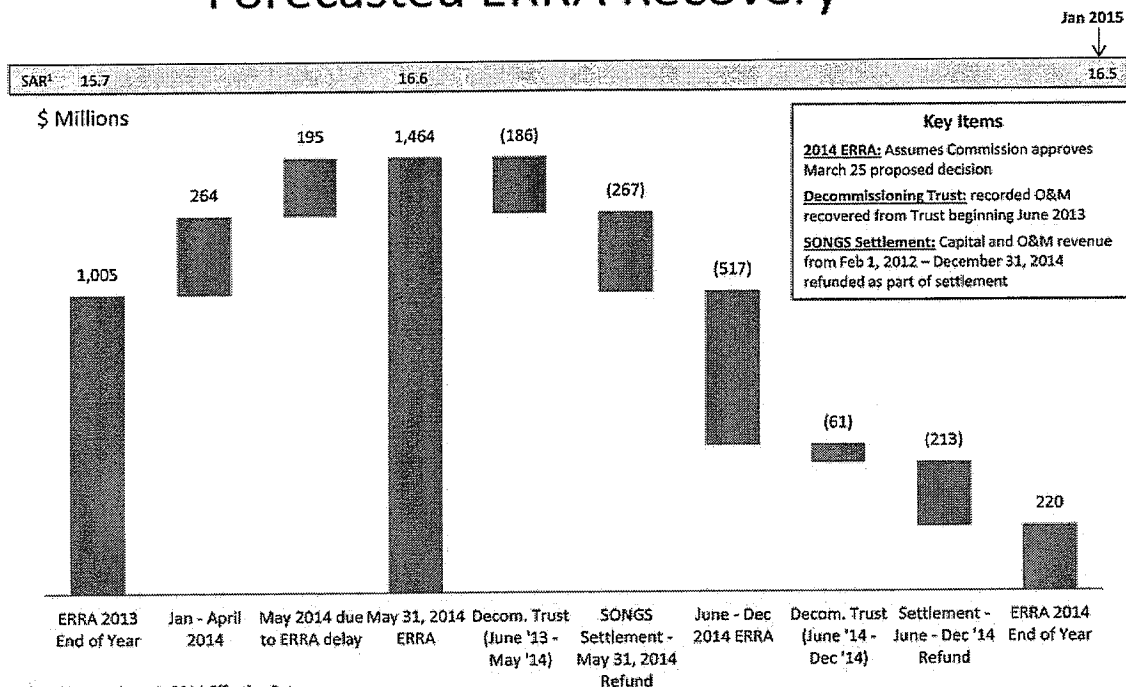
Procedure

- The terms and conditions are not binding unless and until the Commission issues a decision approving the agreement. (§ 5.13.) Settling parties will use best efforts to obtain CPUC approval without modification. (§ 5.1(a)(i).) If CPUC does not approve settlement within six months, settling parties may terminate. (Introduction).
- After the Commission approves the settlement agreement, the utilities are required to file revised tariff sheets and Tier 2 Advice Letters to implement the rate changes provided under the settlement agreement. (§§ 6.1 & 6.2.)

23125433.2

4

Forecasted ERRA Recovery¹



Key Items
2014 ERRA: Assumes Commission approves March 25 proposed decision
Decommissioning Trust: recorded O&M recovered from Trust beginning June 2013
SONGS Settlement: Capital and O&M revenue from Feb 1, 2012 – December 31, 2014 refunded as part of settlement

1. Assumes June 1, 2014 Effective Date
 2. SAR = System Average Rate
- Note: Settlement refunds include nuclear fuel amortization

CONFIDENTIAL
 PRELIMINARY AND APPROXIMATE

CONFIDENTIAL
PRELIMINARY AND APPROXIMATE

\$ Millions

	SCE			
	TURN Litigation	ORA Litigation	Settlement	SCE Litigation
PVRR @ 10.00%	\$ 2,061	\$ 1,923	\$ 2,571	\$ 3,693
Components:				
RSG	-	86	-	696
Base Plant	900	708	1,115	1,416
O&M	659	627	673	773
Nuclear Fuel	419	419	394	419
Replacement Power ¹	83	83	389	389
Return (% 2013)				
RSG	0.00%	0.00%	0.00%	5.54%
Debt	0.00%	0.00%	0.00%	5.49%
Preferred	0.00%	0.00%	0.00%	5.79%
Equity	0.00%	0.00%	0.00%	5.54%
Base Plant - Required^{2,3,4}				
Debt	0.00%	0.00%	5.49%	5.49%
Preferred	0.00%	0.00%	2.90%	5.79%
Equity	0.00%	0.00%	0.00%	10.45%
Base Plant - Not Required⁴				
Debt	0.00%	0.00%	n/a	5.49%
Preferred	0.00%	0.00%	n/a	5.79%
Equity	0.00%	0.00%	n/a	5.54%

1. Does not include forgone sales

2. In Settlement Agreement, Non-RSG plant is not distinguished as "required" or "not-required" as defined in the SCE litigation position.

As such, Base Plant, CWIP, and M&S earns the rate of return shown in the table

3. In SCE litigation position, higher return on required plant only applicable through 2017. Thereafter, rate of return on "not-required" plant applies.

4. Base Plant includes CWIP and M&S

EXHIBIT 46



FILED
4-24-14
02:34 PM

MD2/KD1/ek4 4/24/2014

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the Commission's Own Motion into the Rates, Operations, Practices, Services and Facilities of Southern California Edison Company and San Diego Gas and Electric Company Associated with the San Onofre Nuclear Generating Station Units 2 and 3.

Investigation 12-10-013
(Filed October 25, 2012)

And Related Matters.

Application 13-01-016
Application 13-03-005
Application 13-03-013
Application 13-03-014

**ADMINISTRATIVE LAW JUDGES' RULING SETTING HEARING
AND REQUIRING SUPPLEMENTAL INFORMATION ON JOINT MOTION
FOR ADOPTION OF SETTLEMENT**

1. Background and Summary

On April 3, 2014 six parties (Southern California Edison Company (SCE), San Diego Gas and Electric Company, Office of Ratepayer Advocates [also known in this proceeding as Division of Ratepayer Advocates], The Utility Reform Network, Friends of the Earth, and Coalition of California Utility Employees, collectively "Settling Parties") filed and served a Joint Motion for Adoption of Settlement Agreement (Motion). The Motion suggests that the Settlement Agreement (Agreement) resolves all issues for proceedings consolidated within this Commission investigation regarding San Onofre

I.12-10-013 et al. MD2/KD1/ek4

Nuclear Generating Station Units 2 and 3 (SONGS OII). The Motion further requests that the Commission:

- Adopt the Agreement without modification,
- Stay this proceeding and all consolidated proceedings,
- Make certain findings, and
- Not hold evidentiary hearings on the Agreement.

Two parties, Ruth Henricks and Coalition to Decommission San Onofre, have served objections to the Motion. Neither the Motion nor the objections are addressed substantively by this ruling.

Article 12 of the Commission's Rules govern our review procedure for the proposed settlement. This ruling addresses certain initial questions and the procedural steps toward reviewing the Motion and Agreement. These steps are:

- Ordering the Settling Parties to post supporting documents, such as work paper calculations in support or clarification of the Agreement, on SCE's discovery website for this proceeding;
- Ordering provision of supporting information and exhibit(s) sponsored by the Settling Parties;
- Setting an evidentiary hearing on material contested issues of fact asserted by the Settling Parties;
- Extending the deadlines for comments on the Motion; and
- Scheduling a "Community Information Meeting" near SONGS to present and answer questions about the Agreement.

2. Settling Parties Shall Post Supporting Documents

To the extent permitted by the Rules of Practice and Procedure (Rules), particularly Rule 12.6, the Settling Parties shall post relevant documents supporting or clarifying the Agreement on SCE's discovery website for this proceeding. The purpose of this order is to promote all parties sharing an

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accurate understanding of the Agreement and being able to respond to it effectively under Rule 12.2 and as further discussed in this ruling.

3. Settling Parties Shall Serve Supporting Testimony

Questions seeking clarification of the provisions of the Agreement, and requesting additional information or support for certain numbers used or referenced in the Agreement, are set forth in Attachment A to this Ruling. On or before May 1, 2014, the Settling Parties shall prepare and serve one or more exhibits as requested, and provide the requested information, to the service list and post the responses on SCE's discovery website for this proceeding. The purpose of these information requests is to clarify the details of the Agreement and its ratemaking impacts. Any work papers and discovery responses related to the responsive exhibit(s) and information (as opposed to the process of developing the Agreement) shall not be covered by the restrictions of Rule 12.6.

4. An Evidentiary Hearing Shall be Held on May 14, 2014

Pursuant to Rule 12.3, the purpose of a hearing on a contested settlement is to take evidence about material contested issues of facts asserted within a settlement agreement. This is not an all-party settlement and some parties have objected to the Agreement. Therefore, the Commission will hold an evidentiary hearing on the Motion and Agreement at 1:30 p.m. on May 14, 2014 at the Commission Auditorium, 505 Van Ness Ave., San Francisco, CA 94102.

The agenda for the hearing will be:

1. Settling Parties shall have up to 20 minutes to present the Agreement.
2. The assigned Administrative Law Judges (ALJs) and Commissioners in attendance may question the Settling Parties about the Agreement.

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3. Non-settling Parties shall have up to 75 minutes to examine Settling Parties about the meaning of the language of the proposed Agreement, and any material contested issues of fact arising from the Agreement.
4. Additional questions from the Commissioners and ALJs.
5. Settling Parties may have up to ten minutes to close.
6. These times may be adjusted at the discretion of the ALJ.

Four business days prior to the hearing, the Settling Parties shall serve on the service list, via e-mail, a list of the witness from each party to the settlement who will appear at the hearing. Non-settling parties shall allocate their time amongst themselves as they see fit, and shall serve on the service list, via e-mail, an approximate schedule of cross examination times two business days in advance of the hearing. If any non-settling party seeks to present evidence or testimony on material contested issues of fact, the proposed evidence or testimony must be served five business days prior to the hearing. Non-settling parties are reminded that evidence, testimony, or examination will be not be permitted as to questions of law or policy. These matters, including argument, are suitable for Comments submitted to the Commission on the Motion and Agreement.

The evidentiary hearing will be webcast by Commission staff. No other video or audio recordings will be permitted.

5. Comments and Reply Comments on Agreement

Rule 12.2 provides that parties may file comments contesting all or part of the settlement within 30 days of the date the motion for adoption of settlement was served, and reply comments 15 days later. Comments must specify the portions of the settlement that the party opposes, the legal basis of its opposition, and the factual issues that it contests.

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In this instance, in order to allow parties to consider responsive information ordered in this ruling, the schedule will be extended. Opening Comments shall be filed and served on or before May 7, 2014 and Reply Comments shall be filed and served on or before May 22, 2014.

All discovery requests related to the Agreement shall be served by May 15, 2014 and responses concluded by May 20, 2014.

6. Settling Parties Shall Host an All-Party Community Information Meeting on June 16, 2014

In order to inform the public of the Agreement and solicit public participation, the Settling Parties shall host a Community Meeting in SCE's service territory, near the San Onofre Nuclear Generating Station on June 16, 2014. The meeting will be held from 4:00 p.m. to 7:00 p.m. At this meeting, representatives of the Settling Parties shall have up to 20 minutes to present the Agreement, Non-settling parties shall have up to 20 minutes to present their point of view,¹ and then members of the public may ask questions to either group and/or make comments. One or both of the assigned ALJs will attend to facilitate the public question and comment portion of the meetings. One or more Commissioners may attend; however, even if a quorum of Commissioners is present, no action will be taken.

Details of the Meeting:

Date: Monday, June 16, 2014

Time: 4:00 to 7:00 p.m.

¹ To be clear, this means that the Settling Parties as a group have 20 minutes in total to present the Agreement. Non-settling parties then have 20 minutes in total to respond; non-settling parties should divide this time amongst themselves as they see fit.

I.12-10-013 et al. MD2/KD1/ek4

**Location: Costa Mesa Neighborhood Community Center,
1845 Park Ave., Costa Mesa, CA 92627**

Settling Parties, in coordination with the Commission's Public Advisor's Office, should act to encourage broad participation from communities potentially impacted if the Agreement were to be adopted. In addition to other mechanisms agreed with the Public Advisor, Settling Parties shall coordinate notice of the meeting in at least the following ways: press releases, communications to members, contacts with local governments and community based organizations, and notices in local newspapers, on the websites of the utilities and on www.songscommunity.com, and by contact with local radio, television, and written media, including for low-income and minority communities. In addition, the Commission will notice the meeting on its Daily Calendar.

7. Request for Stay of Proceedings

In their Motion, Settling Parties asked the Commission to refrain from 1) scheduling a PHC or issuing a scoping memo regarding Phase 3; 2) voting on any proposed decision (PD) for any phase of the OII; and 3) issuing any further PDs regarding any phase of the OII. The request is largely unnecessary. Work on the Phase 2 PD is incomplete, the ALJs did not contemplate scheduling a pre-hearing conference regarding Phase 3 prior to issuance of the Phase 2 PD, and the Phase 1 PD is currently on hold.

Nonetheless, it is reasonable to refrain from continuing to work on aspects of the OII which may be resolved as a result of the pending Motion and Agreement. Because utility rates fund Commission, utility, and (in some cases) party activity in our proceedings, it is in the best interests of ratepayers to avoid

I.12-10-013 et al. MD2/KD1/ek4

duplicative or unnecessary activity until the Commission has had an opportunity to consider the proposed settlement.

IT IS RULED that:

1. Settling Parties shall post documents, to the extent permitted by Rule 12.6, supporting or clarifying the Agreement on SCE's discovery website for this proceeding.

2. On or before May 1, 2014, Settling Parties shall prepare and serve one or more exhibit, and provide the information as requested in response to the questions set forth in Attachment A of this Ruling. The responses shall also be posted on SCE's discovery website for this proceeding

3. On May 14, 2014, the Commission will hold an evidentiary hearing on the Agreement and take evidence about material contested issues regarding facts asserted by the Settling Parties. The hearing will be held at the Commission Auditorium, 505 Van Ness Ave., San Francisco, CA 94102.

a) Four business days prior to the hearing, the Settling Parties shall serve on the service list, via e-mail, the name of the witness from each party to the settlement who will appear at the hearing;

b) Two business days prior to the hearing, non-settling parties shall serve on the service list, via e-mail, an approximate schedule of cross examination time; and

c) A non-settling party which intends to present evidence or testimony on material contested issues of fact, must serve the proposed evidence or testimony five business days prior to the hearing.

4. The evidentiary hearing will be webcast by Commission staff. No other video or audio recordings will be permitted.

5. Opening Comments shall be filed and served on or before May 7, 2014 and Reply Comments shall be filed and served on or before May 22, 2014.

I.12-10-013 et al. MD2/KD1/ek4

6. All discovery requests related to the Agreement shall be served by May 15, 2014 and responses concluded by May 20, 2014.

7. The Settling Parties shall host an all-party Community Information Meeting on June 16, 2014 as described in Section 6, above.

8. Settling parties shall coordinate with the Public Advisor and notice the Community Meeting, as described in Section 6, above.

Dated April 24, 2014, at San Francisco, California.

/s/ MELANIE M. DARLING

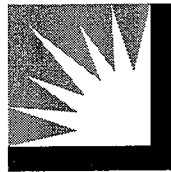
Melanie M. Darling
Administrative Law Judge

/s/ KEVIN R. DUDNEY

Kevin R. Dudney
Administrative Law Judge

EXHIBIT 47

Investigation No.: I.12-10-013
Exhibit No.: SCE-55
Witness: Douglas Snow



SOUTHERN CALIFORNIA
EDISON

An *EDISON INTERNATIONAL* Company

(U 338-E)

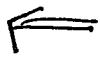
***ERRATA TO SCE'S TESTIMONY PROVIDING
INFORMATION FOR QUESTION NOS. 4, 7 AND
20 AS DIRECTED IN ADMINISTRATIVE LAW
JUDGES' RULING DATED APRIL 24, 2014***

Before the
Public Utilities Commission of the State of California

San Francisco California
May 7, 2014

Q. 4

SONGS Steam Generators											
Included in Rates											
Millions of Dollars											
	A1/	B	C	D	E	F	G	H	I	J	K
	2006	2007	2008	2009	2010	2011	2012	Jan Total Thru Jan 2012	Feb - Dec 2012	2013	Total Thru 2013
1. Steam Generators											
2. Depreciation for Est 20% of Removal and Disposal 2/	3.03	3.32	3.59	3.78	3.84	4.06		21.62			21.62
3. Depreciation					15.62	42.58	4.21	62.41	47.52	59.41	169.34
4. Income taxes					8.06	10.48	1.62	20.16	9.64	20.35	50.15
5. Property taxes						1.60	0.27	1.87	4.55	6.06	12.48
6. Return					16.72	39.99	3.47	60.18	37.67	40.28	138.13
7. Total Revenue Requirement with FF&U	3.03	3.32	3.59	3.78	44.24	98.71	9.58	166.25	99.38	126.09	391.73
8. Franchise Fees & Uncollectibles	0.03	0.04	0.05	0.04	0.51	1.14	0.11	1.92	1.12	1.42	4.46
9.	3.06	3.36	3.64	3.82	44.75	99.85	9.69	168.18	100.50	127.51	396.18
1/ Columns A - G plus Column I equals \$268.7 million, the amount from Table IV-5 and IV-6 of SCE-6, A.13-03-005.											
2/ Amounts recovered related to the 20% of estimated removal & disposal expenses (2006-2011) were offset with a reduction to rate base that is not included above.											
10. Rate Base Detail											
11. Plant End of year					284,060	590,335			584,172	590,153	
12. Accumulated Depreciations Reserve End of Year					(15,616)	(58,200)			(25,048)	(82,757)	
13. Accumulated Deferred Taxes End of Year					495	(31,171)			(37,155)	(23,904)	
14. Total Rate Base					268,939	500,964			521,969	483,492	
15. Net Book Value (line 11+ line 12)					268,444	532,135			559,124	507,396	



The attachment to this data request response provides the montly detail for February 2012 through December 2013 with the breakdown of the capital investment.

Rev.