

Material Accounting Changes Workpaper (TO11)

Pursuant to protocol section 3(a)(10) and Section 3.2 of the Offer of Settlement (ER11-3697), SCE is required to include in the Draft Annual Update a description of any “Material Accounting Changes” included in the Draft Annual Update.

Material Accounting Changes are defined in the protocols as:

“Material Accounting Changes” shall mean any material change in SCE’s (i) accounting policies and practices from those in effect for the Rate Year upon which the immediately preceding Annual Update was based, or (ii) internal corporate cost allocation policies or practices from those policies and/or practices in effect for the Rate Year upon which the immediately preceding Annual Update was based.

There have been four Material Accounting Changes implemented since 2014 that impact the recorded 2015 year:

First, pursuant to the Commission Letter Order in FERC Docket No. AC15-14, SCE has excluded certain debt costs associated with San Onofre Nuclear Generating Station (“SONGS”) Shutdown Regulatory Asset from calculation of its AFUDC rate.

Second, SCE implemented changes in the accounting for SONGS-related expenses. With the initial approval of the SONGS Settlement by the CPUC, the SONGS facility has moved into full decommissioning status. SCE no longer records any SONGS-related expense as Production O&M, but rather records the decommissioning expenses as a receivable from the Decommissioning Trust Fund.

Third, SCE’s 2015 FERC Form No. 1 created a separately identified ADIT item on page 450.1 (footnotes for Account 190, page 234, line 2, column a) that reflects the cumulative ADIT amount associated with Net Operating Tax Loss carryforward amounts. This ADIT item is shown on line 121 of Schedule 9 of the Formula Rate Spreadsheet for TO11. Previously, this ADIT item was included in Account 190 – Temp Other / Non-ISO but it was not allocated to FERC. Separately identifying this ADIT will allow SCE to reflect the correct cumulative impact to FERC rate base and to eventually eliminate the need for the Net Operating Loss portion of the Formula Rate Spreadsheet, lines 4 and 805 to 809.

Fourth, SCE modified its mapping of Prepaid Income Taxes from FERC Account 174 (Miscellaneous Current and Accrued Assets) to FERC Account 165 (Prepayments) in 2015.