

Calculation of Income Tax Rates

1) Federal Income Tax rate

Inputs are shaded yellow

Line	Prior Year	Federal Income Tax Rate ("FTR")	Source
1	2014	35.00%	Note 1, c Column 2, see also Note 2

2) Composite State Income Tax Rate

Line	Prior Year	Composite State Income Tax Rate ("CSITR")	Source
8	2014	8.8553%	1) See calculation below on Line 45 based on inputs for apportionment factors and state tax rates for the applicable Prior Year

Calculation of Composite State Income Tax Rate for the Prior Year:

Line	State	Apportionment Factors ("AFs")	Source
16	California	100.0000%	1) Input most recent available Apportionment Factors.
17	New Mexico	0.0000%	
18	Arizona	2.0745%	
19	D.C.	0.0004%	

Line	State	Statutory Tax Rate ("STR")	Source
23	California	8.8400%	2) Input STR for the Prior Year
24	New Mexico	4.8000%	
25	Arizona	6.5000%	
26	D.C.	9.9750%	

Line	State	Ratio of SCE State Taxable Income to SCE California Taxable Income	Source
33	California	100.0000%	3) Input most recent available ratios based on
34	New Mexico	0.0000%	
35	Arizona	11.3375%	
36	D.C.	0.0001%	

Line	State	Effective State Tax Rate	Source
40	California	8.8400%	Line 16 * Line 23 * Line 33
41	New Mexico	0.0000%	Line 17 * Line 24 * Line 34
42	Arizona	0.0153%	Line 18 * Line 25 * Line 35
43	D.C.	0.0000%	Line 19 * Line 26 * Line 36

Line	Composite State Income Tax Rate =	8.8553%	Sum of Lines 40 to 43
------	-----------------------------------	---------	-----------------------

3) Capitalized Overhead portion of Electric Payroll Tax Expense

Line	Amount
49	Total Electric Payroll Tax Expense (From 1-BaseTRR, Line 30)
50	Capitalization Rate (Note 4)
51	Capitalized Overhead portion of Electric Payroll Tax Expense (Line 49 * Line 50)
52	Non-Capitalized Overhead portion of Electric Payroll Tax Expense (Line 49 - Line 51)

Notes:

1) In the event that statutory marginal tax rates change during the Prior Year, the effective tax rate used in the formula shall be weighted by the number of days each such rate was in effect. For example, a 35% rate in effect for 120 days superseded by a 40% rate in effect for the remainder of the year will be calculated as:
 $((.3500 \times 120) + (.4000 \times 245))/365 = .3836$.

Calculation of FITR for Prior Year:

	(Col 1) FITR	(Col 2) Days	Note
a	35.00%	365	Input FITR in effect for first part of year and number of days
b			Input FITR in effect for second part of year and number of days
c	FITR: $35.00\% = ((\text{Line a, C1}) * (\text{Line a, C2}) + (\text{Line b, C1}) * (\text{Line b, C2})) / 365$		
2) Federal Source Statute:	Internal Revenue Code Section 11(b)(1)(D)		
3) State Source Statutes (Enter Reference to each State Marginal Tax Rate Statute below):			
a) California:	Revenue and Taxation Code 25128.7		
b) New Mexico	New Mexico Statutes, Chapter 7, Article 2A		
c) Arizona	Arizona Rev. Statute, Title 43, Chapter 11, Article 2 § 43.1111		
d) District of Columbia	DC Code, §47-1807.02(a)(4)		
4) Capitalization Rate approved in:	CPUC D. 12-11-051		
For the following Prior Years:	2012-2014		

Southern California Edison
Effective State Tax Rates & Composite Tax Rate

TO10 Draft Annual Update
Attachment 4
WP-Schedule 26
Page 3 of 8

REGULAR TAX

	A	B		C	D = A x B x C	E = D
State	Statutory Tax Rate for 2014	Apportionment Factor		Ratio of State Income to CA	Effective State Tax Rate	2013 Ratemaking Tax Rates
California	8.8400%	1.000000	Sch 26, Line 16	100.0000%	8.8400%	8.8400%
DC	9.9750%	0.000004	Sch 26, Line 19	0.0001%	0.0000%	0.0000%
Arizona	6.5000%	0.020745	Sch 26, Line 18	11.3375%	0.0153%	0.0153%
New Mexico	4.8000%	-	Sch 26, Line 17	0.0000%	0.0000%	0.0000%
Total States					8.8553%	8.8553%
Federal Statutory Rate						35.0000%
Federal Benefit of State Taxes						-3.0994%
Total Composite Tax Rate - 2013						40.7559%
						or
						40.756%

California net income (line 18 of 100W)	<u>108,389,058</u>	=	100.0000%	Sch 26, Line 33
California net income (line 18 of 100W)	108,389,058			
Arizona net income	<u>12,288,603</u>	=	11.3375%	Sch 26, Line 35
California net income	108,389,058			
New Mexico net income	<u>(751,247,345)</u>	=	-693.1026%	Sch 26, Line 34
California net income	108,389,058			
DC net income	<u>104</u>	=	0.0001%	Sch 26, Line 36
California net income	108,389,058			

**Southern California Edison
State Tax Apportionment based on 2013 Tax Return**

TO10 Draft Annual Update

Attachment 4

WP-Schedule 26

Page 4 of 8

Sales Factor					
	California			Other States	
	Gross Receipts 2013 TR	Gross Receipts Factor	Adjustments [2] & [3]	Gross Receipts 2013 TR [1]	Gross Receipts Factor
California	2,823,627,334	100.0000%	9,312,501,620	12,136,128,954	100.0000%
New Mexico	-	0.0000%	-	-	0.0000%
Arizona	-	0.0000%	-	-	0.0000%
D.C.	-	0.0000%	-	-	0.0000%
Nevada	-	0.0000%	-	-	0.0000%
Other	-	0.0000%	-	-	0.0000%
Total for California	2,823,627,334	100.0000%	9,312,501,620	12,136,128,954	100.0000%

Payroll Factor					
	California			Other States	
	Wages 2013 TR	Wages Factor	Adjustments [3]	Adjusted Wages [1]	Wages Factor
California	-	0.0000%	1,944,914,229	1,944,914,229	96.9493%
New Mexico	-	0.0000%	-	-	0.0000%
Arizona	-	0.0000%	-	61,199,878	3.0507%
D.C.	-	0.0000%	-	-	0.0000%
Nevada	-	0.0000%	-	-	0.0000%
Other	-	0.0000%	-	-	0.0000%
Everywhere	-	0.0000%	1,944,914,229	2,006,114,107	100.0000%

Property Factor					
	California			Other States	
	Property 2013 TR	Property Factor	Adjustments [3]	Adjusted Property [1]	Property Factor
California	-	0.0000%	37,631,585,692	37,631,585,692	94.7513%
New Mexico	-	0.0000%	-	-	0.0000%
Arizona	-	0.0000%	-	2,084,013,234	5.2473%
D.C.	-	0.0000%	-	555,364	0.0014%
Nevada	-	0.0000%	-	-	0.0000%
Other	-	0.0000%	-	-	0.0000%
Everywhere	-	0.0000%	37,631,585,692	39,716,154,290	100.0000%

Apportionment Factors

California	100.0000%	
New Mexico		0.0000%
Arizona		2.0745%
DC		0.0004%

[1] Four Corner (FC) was sold in Dec 2013, therefore, for purpose of computing the composite tax rate for Schedule 26, New Mexico apportionment data is excluded or adjusted from the denominator amount reflected in the 2013 tax return.

[2] Adjustments have been made to reflect exclusion of balancing account adjustments and treasury interest from the CA sales factor. However, it is included in the denominator sales factor for other states.

[3] For SCE 2013 CA tax return, SCE is required to use a single sales factor. However, for purpose of computing the non-CA state apportionment factor under the "market sourcing" method, this adjustment is required to get to total denominator amount.

2012 Update:

For 2012, both California and Arizona had elective apportion methodologies. California provides the option of apportioning using a single sales factor with market sourcing or a standard 3-factor formula with double-weighting of the sales factor and cost of performance sourcing. SCE made the single sales factor election for 2011 and used 3-factor apportionment factor for 2012. Commencing in 2013, use of the single sales factor with market sourcing will be mandatory. Arizona provides the option of apportioning using a standard 3-factor formula with double-weighting of the sales factor or an enhanced sales factor methodology which uses 3 factors, but weights the sales factor at 80%. SCE used the standard apportionment formula for 2011 to 2013.

Arizona Form 120, Line 5- Adjusted Business Income

12,288,603

II. Calculation of Arizona Apportionment Factor

For 2012, standard apportionment factor was utilized for the apportionment determination (property, payroll, double-weighted sales).

1. Property Factor

Value of real and tangible personal property (by averaging the value of owned property at the beginning and end of the tax period; rented property at capitalized value)

a. Owned property (at original cost):

Inventories

Depreciable assets - (do not include Construction in Progress)

Land

Other Assets - (describe)

Less: Nonbusiness property (if included in above totals)

Total of section a

b. Rented property (capitalize at 8 times net rental paid)**c. Total owned and rented property (section a total plus section b)****2. Payroll Factor**

Total Wages, salaries, commissions and other compensation to employees
(per Federal Form 1120 or payroll reports)

3. Sales Factor**a. Sales delivered or shipped to Arizona purchasers****b. Other gross receipts****c. Total sales and other gross receipts****d. Weight Arizona sales - (STANDARD uses X 2; ENHANCED uses X 8)****e. Sales factor (for Column A - multiply item c by item d; for column B - enter the amount from item c)****4. Total Ratio - add C1(c), C2, and C3(e), in Column C****5. Average apportionment ratio** - divide line C4, Column C, by the denominator (STANDARD divides by four (4); ENHANCED divides by ten (10)). Enter the result in column C

Column A
Total Within
Arizona

Column B
Total
Everywhere

Column C
Ratio within
Arizona
A / B

2,078,431,410

38,760,582,139

2,078,431,410

38,760,582,139

5,581,824

955,572,152

2,084,013,234

39,716,154,291

0.052473

61,199,878

2,006,114,107

0.030507

-

11,865,265,237

-

270,863,717

-

12,136,128,954

X 2 OR X 8

-

12,136,128,954

0.000000

0.082980

0.020745

California Form 100W, Line 18 - Net Income

108,389,058

II. Calculation of California Apportionment Factor

For 2012, property, payroll, and double-weighted sales factor were utilized for the apportionment determination.

1. Property

Inventory
Buildings
Machinery and equipment (including delivery equipment)
Furniture and fixtures
Land
Other tangible assets
Rented property used in the business
Total Property

Column A
**Total Within
California**

Column B
**Total
Everywhere**

Column C
**Ratio within
California
A / B**

-
-
-
-
-
-
-

-

0.000000

2 Payroll

Total Payroll

-

-

0.000000

3. Sales

- a. Sales delivered or shipped to California purchasers:
(i) Shipped from outside California
b. Sales shipped from California to:
(i) The United States Government
(ii) Purchasers in a state where the taxpayer is not taxable.
c. Other gross receipts (rents, royalties, interest, etc.)

2,739,119,740 2,739,119,740

-

-

84,507,594 84,507,594

2,823,627,334 2,823,627,334

1.000000

Total Sales (Double-weighted sales factor)

4. Total percent

1.000000

5. Apportionment percentage. Divide line 4 by 4.

1.000000

NOTE: Four Corner was sold in Dec 2013 so there is a zero apportionment factor for New Mexico.

Apportionment info is shown here but not used in calculating the Composite Tax Rate.

New Mexico Form CIT-1, Line 9 - New Mexico Net Taxable Income

(751,247,345)

III. Calculation of New Mexico Apportionment Factor

For 2012, property, payroll, and single-weighted sales factor were utilized for the apportionment determination.

1. Property Factor

Average annual value of inventory

Average annual value of real property

Rented property (Annual rental value times 8)

Total property

Column A
Total Within
New Mexico

Column B
Total
Everywhere

Column C
Ratio within
New Mexico
A / B

591,325,658

38,760,582,139

4,811,064

955,572,152

596,136,722

39,716,154,291

0.015010

2. Payroll

Total compensation of employees

12,577,014

2,006,114,107

0.006269

3. Sales Factor

Gross receipts

186,302,611

12,136,128,954

0.015351

4. TOTAL FACTORS (Add lines 1, 2, and 3)

0.036630

5. AVERAGE FACTOR (Divide line 4 by the number of factors computed above)

0.012210

D.C. Tax Form D-20 SUB Corporation, Line 30 - Net Income**104****IV. Calculation of Washington, D.C. Apportionment Factor**

For 2012, property, payroll, and double-weighted sales factor were utilized for the apportionment determination.

1. Property Factor

Average value of real estate and tangible personal property owned or rented to and used by the corporation.

555,364

39,716,154,291

0.000014

2. Payroll

Total compensation paid or accrued by the corporation.

-

2,006,114,107

0.000000

3. Sales Factor

All gross receipts of the corporation other than gross receipts from non-business income (Weight Sales STANDARD uses X 2).

-

12,136,128,954

0.000000

4. TOTAL FACTORS (Add lines 1, 2, and 3)

0.000014

5. DC APPORTIONMENT FACTOR (Divide line 4 by 4)

0.000004