

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 three 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 SONGS Shutdown Regulatory Asset from calculation of its AFUDC rate.

Second, SCE implemented changes in the accounting for SONGS related expenses. With the approval of the SONGS Settlement by the CPUC, the SONGS facility has moved into full decommissioning status. SCE no longer records any 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 includes 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 that is allocated to FERC is shown on line 121 of Schedule 9 of the Formula Rate Spreadsheet for TO11. Previously, this ADIT item was included in the ADIT item not allocated to FERC labeled “Account 190 – Temp Other / Non-ISO.” In order to eliminate any potential double-counting of ADIT associated with cumulative Net Operating Tax Losses, inclusion of this new ADIT item allocated to FERC will at some point require a Formula Rate tariff revision to eliminate the need for the Net Operating Loss portion of the Formula Rate Spreadsheet, lines 4 and 805 to 809. This eventual change is not necessary at this time because there was no Net Operating Tax Loss in 2015, and therefore lines 4 and 809 of the Formula Rate Spreadsheet are zero.