

## **Material Accounting Changes Workpaper**

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 has been one Material Accounting Change implemented since 2011. Pursuant to the Formula Rate Settlement, SCE revised its accounting to no longer record the expense associated with the four groups that previously comprised the PPBU Business Unit to A&G. These expenses began to be recorded in FERC Account 557 in 2012.

Additionally, as stated in an informational notice provided to parties on October 15, 2013, SCE filed two applications with the Internal Revenue Service ("IRS") for a change in accounting methods for the purpose of applying (1) General Asset Accounts ("GAA") treatment to its assets, and (2) bonus depreciation to certain assets related to Rancho Vista Substation and TRTP Segment 1 Transmission Lines. However, this accounting change does not affect any costs included in this TO8 Annual Update, since any impact of the change will be to recorded 2013 and later costs, and this TO8 Annual Update utilizes 2012 recorded costs.