**Frequently Asked Questions Regarding**
**Settlement to Resolve Insurance Subrogation Claims related to the Thomas and Koenigstein Fires and Montecito Mudslides ("TKM")**

## 1. How do you reconcile this charge with the cumulative charge through the end of Q2?

| Cumulative Income Statement Impacts ($ in Millions) | June 30, 2020 | Sept 22, 2020 | Difference (3Q20 Charge) |
|---|---|---|---|
| Cumulative charge for wildfire-related claims | 4,901 | 6,197 | 1,296 |
| Total expected insurance recoveries | (2,000) | (2,000) | – |
| Cumulative expected revenue from FERC customers | (149) | (225) | (76) |
| **Total cumulative pre-tax charge** | **2,752** | **3,972** | **1,220** |
| Cumulative income tax benefit (28%) | (770) | (1,112) | (342) |
| **Total cumulative after-tax charge** | **1,982** | **2,860** | **878** |

The following table represents the changes in accrued estimated losses for the 2017/2018 Wildfire/Mudslide Events that will be recorded:

| (in millions) | | |
|---|---|---|
| Total accrued estimated losses at June 30, 2020 | $ | 4,901 |
| Amounts paid under settlements executed through June 30, 2020 | | (373) |
| Estimated losses at June 30, 2020 (established at the low end of the reasonably estimated range of losses) | $ | 4,528 |
| Increase in accrued estimated losses to reflect best estimate[1] | | 1,296 |
| Amounts paid or agreed to be paid under settlements executed between June 30, 2020 and Sept. 22, 2020[2] | | (1,181) |
| Best estimate of expected losses for remaining alleged and potential claims at Sept. 22, 2020 | | 4,643 |

[1] Includes an estimate of the future payments to be made under the TKM subrogation plaintiff settlement (the "Future Settlement Payments").
[2] Does not include the Future Settlement Payments.

## 2. What additional information can you share about the TKM subrogation plaintiff settlement?

- Details of the settlement process are confidential.

- As we have previously noted, SCE is open to exploring reasonable settlements while recognizing the need to simultaneously prepare for litigation.
  - Because we are currently in active settlement discussions with other plaintiffs and simultaneously preparing for litigation, and due to certain confidentiality requirements, we are unable to comment on more than we have already publicly disclosed.

**3. What are the accounting implications from this? How is the "best estimate" different from the "low end" previously disclosed?**

- The incremental reserve that we will record is $1,296 million.
- The accounting rules require us to book the low end of the range if no other number within the reasonable range is a better estimate. This is why, until now, we reserved for the low end of the range for the 2017/2018 Wildfire/Mudslide Events.
- In light of recent developments, including the settlement announced today and increased settlement activity with individual plaintiffs in the 2017/2018 Wildfire/Mudslide Events litigation, management has determined that a best estimate is now reasonably estimable.
- The factors we consider when we adjust the reserve include, among others, the subrogation claims that are the subject of this settlement, claims information from individual plaintiffs and remaining public entities across these events and updated experience and information regarding settlements of these and other wildfire events.
- As we move further along the litigation/settlement paths, we anticipate we will gain additional information that may help refine the estimate.

**4. With the information you currently have, can you extrapolate what the high end of the range for estimated liabilities could potentially be?**

- The estimated losses for the 2017/2018 Wildfire/Mudslide Events are based on a number of assumptions for which it is not possible to extrapolate a reasonable high end of the range. However, this is subject to change as additional information becomes available.
- Actual losses incurred may be higher or lower than estimated based on several factors, as described in the 8-K filed today.

## 5. How do you expect to fund the overall wildfire liabilities?

- SCE intends to seek reimbursement for a large portion of the settlement with the subrogation plaintiffs from the approximately $843 million of its remaining wildfire insurance for the Thomas and Koenigstein fires and Montecito Mudslides. Timing differences between payments to the subrogation plaintiffs and reimbursement by insurance will be financed with SCE short-term debt supported by SCE's $4.5 billion of existing credit facilities.

- Moving beyond the near-term requirements of this specific settlement, our funding approach for financing of claims payments reflects a target 15-17% FFO/Debt metric on a consolidated basis over time, consistent with the financing framework we have discussed previously. Our 2020 financing plan was based on this framework and funding needs related to wildfire claims consistent with the prior reserve, which was at the lower end of the reasonably estimated range.

- Now that we have moved to a best estimate, we can provide additional information regarding the expected impact on our financing plan for claims payments, in which we will continue to target achieving a 15-17% FFO/Debt metric on a consolidated basis over time.

- The best estimate is a noncash reserve. To enable SCE to debt finance these incremental claims payments and maintain investment grade credit ratings, Edison International anticipates issuing approximately $1 billion of equity to invest in SCE. The timing of this financing will be dependent upon future settlements and claims payments that exceed insurance, and Edison International will provide an update on the fourth quarter 2020 earnings call.

- This equity would be invested in SCE to support key credit metrics at both Edison International and SCE. This would mean that SCE can continue to fund wildfire claims payments, net of insurance reimbursement, with debt issuances, as permitted by the capital structure waiver approved by the CPUC in May 2020.

- Separate from additional funding needs created by the best estimate of wildfire claims payments, SCE's core business will require minimal equity and we will be able to provide additional definition around that as more information becomes available through the 2021 GRC process. Additionally, SCE will continue to access the debt capital markets for normal course financings to support operations.

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