



ADA Compliance: A helicopter prepares to drop water at a wildfire in Yucaipa, Calif., Saturday, Sept. 5, 2020. Three fast-spreading California wildfires sent people fleeing Saturday, with one trapping campers at a reservoir in the Sierra National Forest, as a brutal heat wave pushed temperatures into triple digits in many parts of state. (AP Photo/Ringo H.W. Chiu)

Taxpayer Exhibit  
B2  
December 16, 2020  
Southern California Edison Company (0148)  
1064117

# Audio Clip



2

ADA COMPLIANCE: [DRAMATIC MUSIC PLAYING]

Man #1's Voice: "Essentially, you're being chased by the fire. I've never seen anything like it."

Man #2's Voice: "My brain remembers it as a nighttime event. But that's because I never saw the sun. And it was the middle of the day."

Man #3's Voice: "And the way that fires are happening now with warming climates, we can't stop them in landscapes like this."

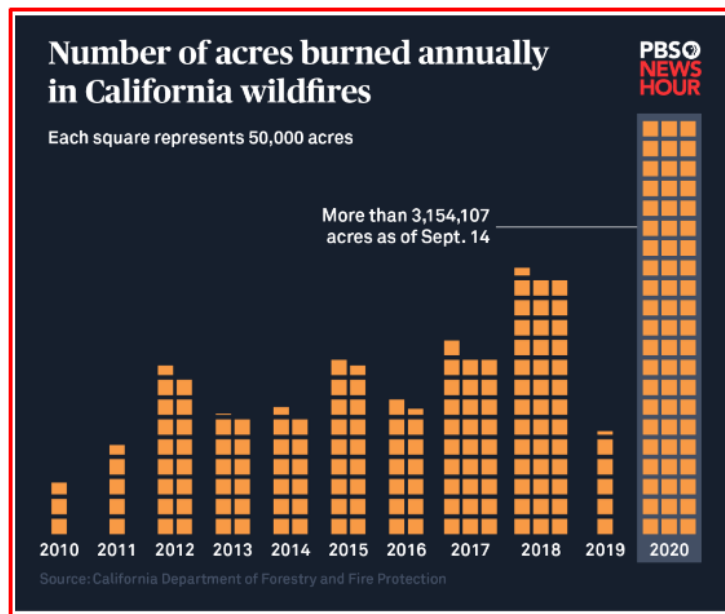
Woman #1's Voice: "When you're seeing the magnitude and the power and the speed of the fire...seeing a tree blow up in front you..."

Man #4's Voice: "We need to do 5 to 10 times more per year to really get a handle on this."

Man #5's Voice: "It's happening now. The worst-case scenario is just starting to set on."

Man #6's Voice: "We are witnessing the beginning of extinction of forests in a lot of California. It's not hyperbole. It's simply happening."

Gov. Jerry Brown's Voice: "We have more fire, more destructive fire, all that is the new normal."



<https://www.pbs.org/newshour/science/californias-catastrophic-wildfires-in-3-charts>

3

ADA Compliance: This is a chart that shows the number of acres burned annually in California wildfires from 2010 to 2020. The chart uses columns and each column is made up of a number of orange squares each representing 50,000 acres. In 2010, there were 150,000 acres burned, represented by three orange squares. In 2011, there are 4 ½ squares representing roughly 225,000 acres burned. Here are the figures for the remaining years:

2012: 825,000 acres (16.5 orange squares)

2013: 612,500 acres (12.25 orange squares)

2014: 625,000 acres (12.5 orange squares)

2015: 875,000 acres (17.5 orange squares)

2016: 675,000 acres (13.5 orange squares)

2017: 1,400,000 acres (28 orange squares)

2018: 1,975,000 acres (39.5 orange squares)

2019: 262,000 acres (5.25 orange squares)

2020: More than 3,154,907 acres through September 14 (63 orange squares)

The chart is found at the website of the PBS News Hour at:

<https://www.pbs.org/newshour/science/californias-catastrophic-wildfires-in-3-charts>

The chart indicates its source to be the California Department of Forestry and Fire Protection.

## LARGEST WILDFIRES IN CALIFORNIA HISTORY

	FIRE NAME (CAUSE)	DATE	COUNTY	ACRES	STRUCTURES	DEATHS
1	AUGUST COMPLEX (Under Investigation)*	August 2020	Mendocino, Humboldt, Trinity, Tehama, Glenn, Lake, & Colusa	1,032,648	935	1
2	MENDOCINO COMPLEX (Under Investigation)	July 2018	Colusa, Lake, Mendocino & Glenn	459,123	280	1
3	SCU LIGHTNING COMPLEX (Under Investigation)*	August 2020	Stanislaus, Santa Clara, Alameda, Contra Costa, & San Joaquin	396,624	222	0
4	CREEK FIRE (Under Investigation)*	September 2020	Fresno & Madera	379,571	856	0
5	LNU LIGHTNING COMPLEX (Under Investigation)*	August 2020	Sonoma, Lake, Napa, Yolo & Solano	363,220	1,491	6
6	NORTH COMPLEX (Under Investigation)*	August 2020	Butte, Plumas & Yuba	318,930	2,352	15
7	THOMAS (Powerlines)	December 2017	Ventura & Santa Barbara	281,893	1,063	2

[https://www.fire.ca.gov/media/11416/top20\\_acres.pdf](https://www.fire.ca.gov/media/11416/top20_acres.pdf)

4

ADA Compliance: This slide is entitled “Largest Wildfires in California History.” It shows a table of the top 7 wildfires in California history, measured by acres and shows that each of these fires took place between 2017 and 2020.



## MOST DESTRUCTIVE WILDFIRES IN CALIFORNIA HISTORY

	FIRE NAME (CAUSE)	DATE	COUNTY	ACRES	STRUCTURES	DEATHS
1	CAMP FIRE (Powerlines)	November 2018	Butte	153,336	18,804	85
2	TUBBS (Electrical)	October 2017	Napa & Sonoma	36,807	5,636	22
3	TUNNEL - Oakland Hills (Rekindle)	October 1991	Alameda	1,600	2,900	25
4	CEDAR (Human Related)	October 2003	San Diego	273,246	2,820	15
5	NORTH COMPLEX (Under Investigation)*	August, 2020	Butte, Plumas, & Yuba	318,935	2,352	15
6	VALLEY (Electrical)	September 2015	Lake, Napa & Sonoma	76,067	1,955	4
7	WITCH (Powerlines)	October 2007	San Diego	197,990	1,650	2
8	WOOLSEY (Under Investigation)	November 2018	Ventura	96,949	1,643	3
9	CARR (Human Related)	July 2018	Shasta County, Trinity	229,651	1,614	8
10	GLASS FIRE (Under Investigation)*	September 2020	Napa & Sonoma	67,484	1,520	0
11	LNU LIGHTNING COMPLEX (Under Investigation)*	August 2020	Lake, Napa, Sonoma, Yolo & Solano	363,220	1,491	6
12	CZU LIGHTNING COMPLEX (Lightning)	August 2020	Santa Cruz, San Mateo	86,509	1,490	1
13	NUNS (Powerline)	October 2017	Sonoma	54,382	1,355	3
14	THOMAS (Powerline)	December 2017	Ventura & Santa Barbara	281,893	1,063	2

[https://www.fire.ca.gov/media/11417/top20\\_destruction.pdf](https://www.fire.ca.gov/media/11417/top20_destruction.pdf)

5

ADA Compliance: This slide is entitled “Most Destructive Wildfires in California History.” It contains a table showing that 10 of the top 14 most destructive wildfires in California history (based on structures destroyed) took place between 2017 and 2020.



DEEP DIVE

## **Wildfires pushed PG&E into bankruptcy. Should other utilities be worried?**

Catastrophic wildfires, which can lead to billions of dollars in damages, present a unique financial risk that the utility sector will want to get ahead of, experts say.

By Kavya Balaraman

Published Nov. 19, 2020

6

ADA Compliance: This slide shows a clipping from a publication called “Utility Dive” showing a headline, byline, and a date. Clipping reads as follows:

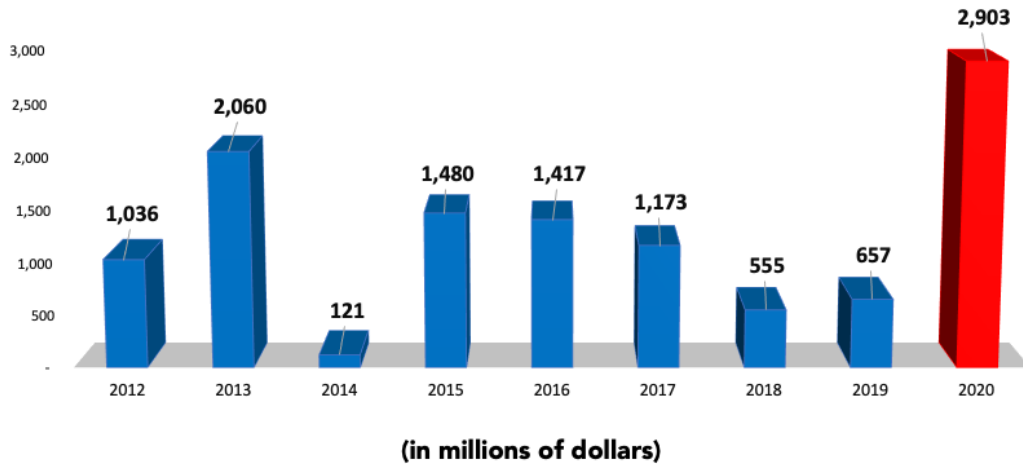
### **Wildfires pushed PG&E into bankruptcy. Should other utilities be worried?**

Catastrophic wildfires, which can lead to billions of dollars in damages, present a unique financial risk that the utility sector will want to get ahead of, experts say.

By Kavya Balaraman

Published Nov. 19, 2020

## 2012-2020 BOE VALUE INCREASES Southern California Edison



7

ADA Compliance: This is a chart with columns showing the year-over-year value increases imposed upon Southern California Edison by the California State Board of Equalization. The period covered is 2012 through 2020. All of the value increases are represented by three-dimensional, rectangular, blue columns except for the value increase for 2020, which is represented by a three-dimensional, rectangular, red column. The chart shows the following value increases in millions of dollars:

2012: 1,036

2013: 2,060

2014: 121

2015: 1,480

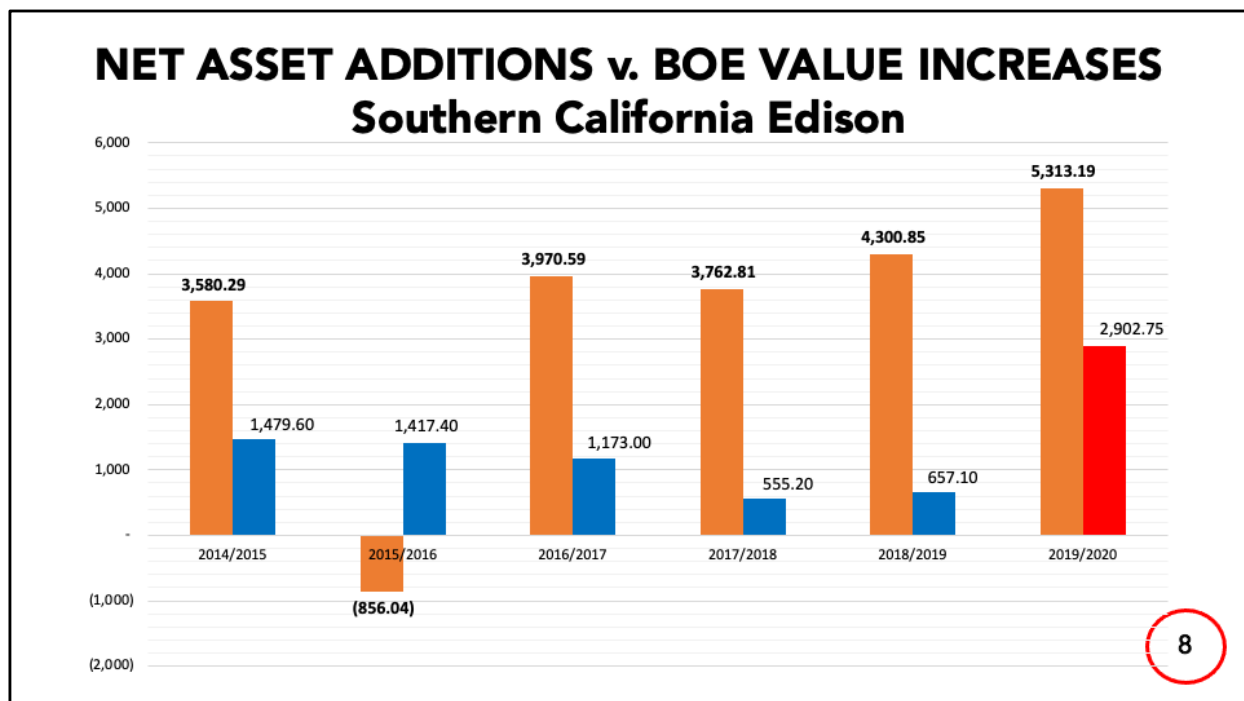
2016: 1,417

2017: 1,173

2018: 555

2019: 657

2020: 2,903



ADA Compliance: This is a chart with columns showing the year-over-year value increases imposed upon Southern California Edison by the California State Board of Equalization. The period covered is 2015 through 2020. All of the value increases are represented by two-dimensional, rectangular, blue columns except for the value increase for 2020, which is represented by a two-dimensional, rectangular, red column. The chart shows the following value increases in millions of dollars:

2015: 1,480

2016: 1,417

2017: 1,173

2018: 555

2019: 657

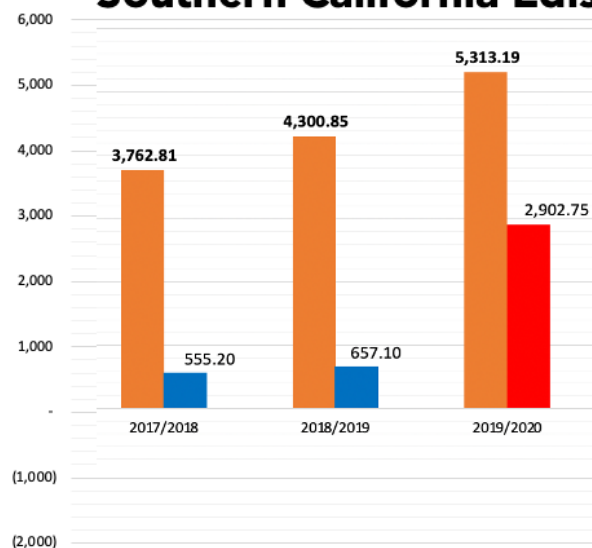
2020: 2,903

This chart also shows the net asset additions in two dimensional, rectangular, orange columns beginning in 2014 and ending in 2019. They are as follows:

2014: 3,580.29; 2015: (856.04); 2016: 3,970.59; 2017: 3,762.81; 2018: 4,300.85;

2019: 5,313.19

## NET ASSET ADDITIONS v. BOE VALUE INCREASES Southern California Edison



9

ADA Compliance: This is a chart with columns showing the year-over-year value increases imposed upon Southern California Edison by the California State Board of Equalization. The period covered is 2018 through 2020. All of the value increases are represented by two-dimensional, rectangular, blue columns except for the value increase for 2020, which is represented by a two-dimensional, rectangular, red column. The chart shows the following value increases in millions of dollars:

2018: 555

2019: 657

2020: 2,903

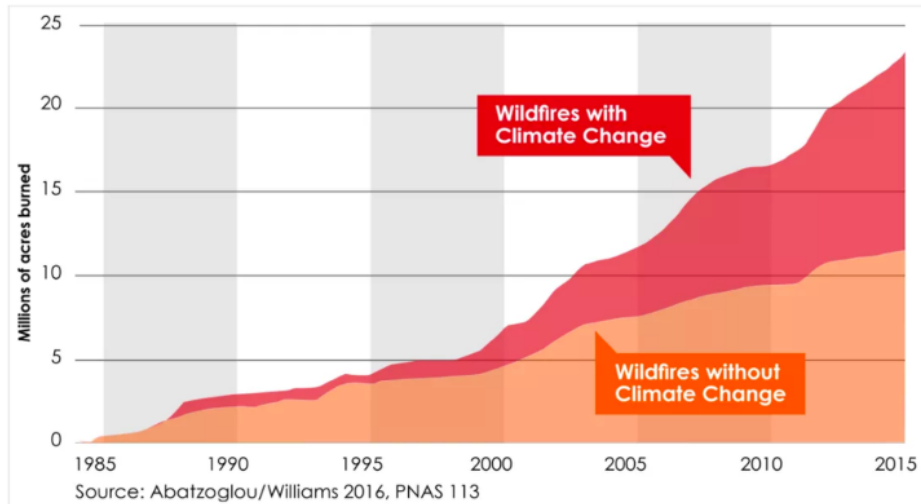
This chart also shows the net asset additions in two dimensional, rectangular, orange columns beginning in 2017 and ending in 2019. They are as follows:

2017: 3,762.8;

2018: 4,300.85

2019: 5,313.19

## INCREASE IN WILDFIRES DUE TO CLIMATE CHANGE



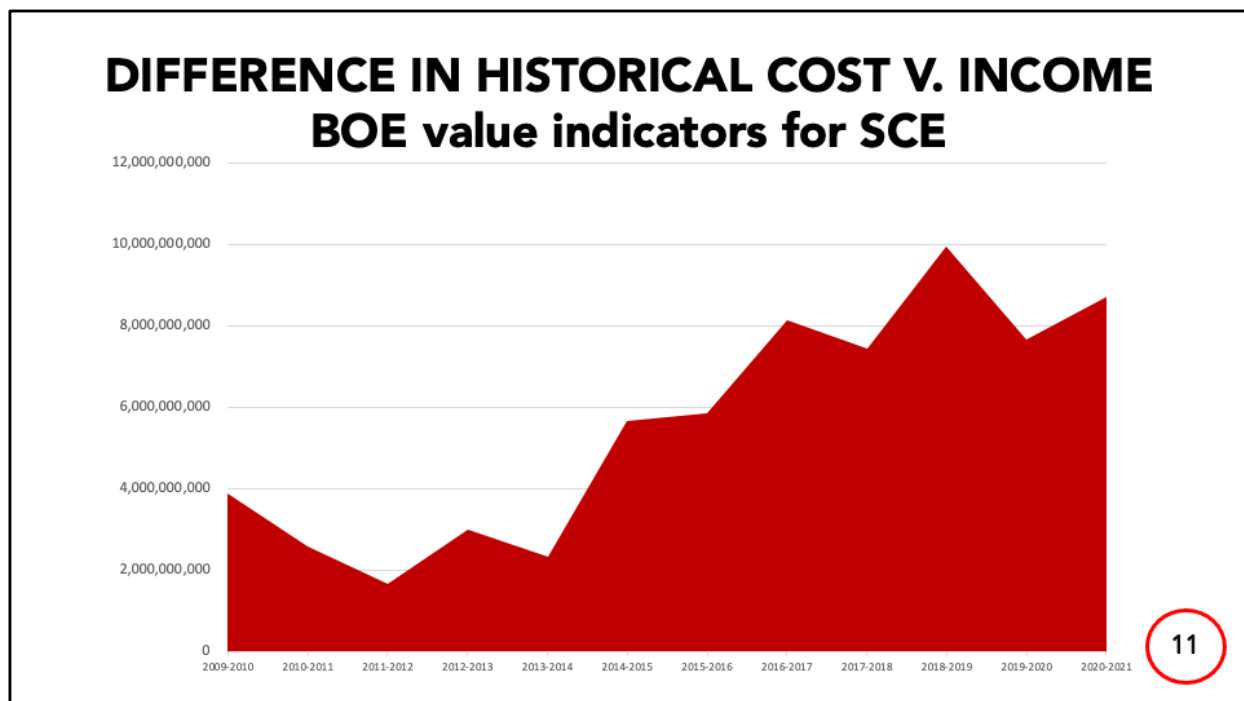
Gov. Gavin Newsom's Strike Force report on wildfires and climate change

10

ADA Compliance: This slide is entitled: "Increase in Wildfires Due to Climate Change." It includes a chart from California Governor Gavin Newsom's Strike Force report on wildfires and climate change.

The Y axis of the chart indicates "Millions of Acres Burned." The X axis shows the year in five year intervals beginning in 1985 and ending in 2015. The data is represented by an "area" chart with the orange area indicating "wildfires without climate change" and the red area on top of the orange indicating "wildfires with climate change." The chart shows that during this time period, there has been a dramatic increase in wildfires due to climate change.

The source is indicated as "Abatzoglou/Williams 2016, PNAS 113."



ADA Compliance: This slide is entitled **“DIFFERENCE IN HISTORICAL COST V. INCOME, BOE value indicators for SCE.”** This is another area chart. The Y axis is intended to represent the difference between the State Assessed Property Division’s historical cost and income indicators for Southern California Edison. The X axis represents the roll years beginning in 2009-2010 up until the present time. The chart shows that during this time period, the difference between these two value indicators has grown substantially.

# ISSUES PRESENTED

12

ADA Compliance: This is a slide entitled “Issues Presented.” It combines white text on black background with an image of an Edison employee, a crane and power line equipment mounted on a wooden pole.

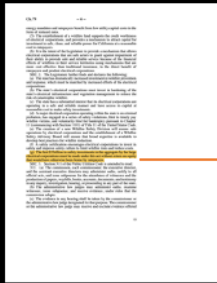


# 1. WILDFIRE MITIGATION CAPITAL EXPENDITURES



13

ADA Compliance: This is a slide entitled “1. Wildfire Mitigation Capital Expenditures.” It combines white text on black background with an image of an Edison employee in an aerial lift servicing a power line.

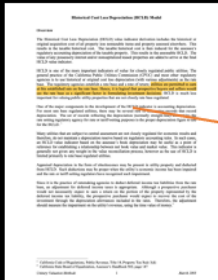


State Legislature  
Assembly Bill 1054, Sec. 2(g)  
(2019)

"The first \$5 billion in safety investments in the aggregate by the large electrical corporations **must be made** under this act **without return on equity** that would have otherwise been borne by ratepayers."

14

ADA Compliance: This slide shows a small pdf image of California Assembly Bill 1054 (2019), with Section 2(g) highlighted. This image is connected to a call-out containing the following quotation: "The first \$5 billion in safety investments in the aggregate by the large electrical corporations [BOLD, UNDERLINE] **must be made** [UNBOLD, NO UNDERLINE] under this act [BOLD, UNDERLINE] **without return on equity** [UNBOLD, NO UNDERLINE] that would have otherwise been borne by ratepayers."



State Board of Equalization  
Unitary Valuation Methods, p.1  
(2003)

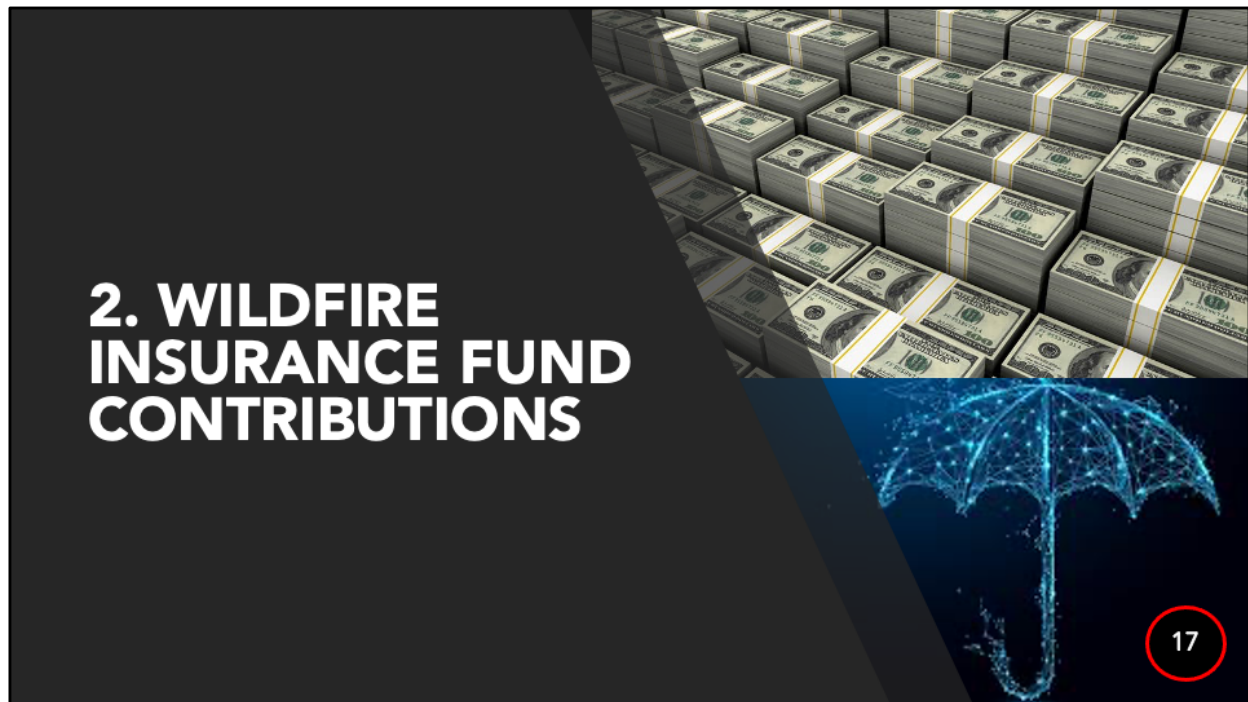
"The regulatory agencies establish a rate base and a rate of return; utilities are permitted to earn at this established rate on the rate base. **Hence, it is logical that prospective buyers and sellers would see the rate base as a significant factor in formulating investment decisions.** HCLD is much less important for valuing public utility properties that are not closely rate base regulated."

15

ADA Compliance: This slide shows a small pdf image of page 1 of the California State Board of Equalization's Unitary Valuation Methods handbook with the relevant sentence highlighted. This image is connected to a call-out containing the following quotation: "The regulatory agencies establish a rate base and a rate of return; utilities are [BOLD, UNDERLINE] permitted to earn [UNBOLD, NO UNDERLINE] at this established rate on the rate base. [BOLD] **Hence, it is logical that prospective buyers and sellers would see the rate base as a significant factor in formulating investment decisions.** [UNBOLD, NO UNDERLINE] HCLD is much less important for valuing public utility properties that are not closely rate base regulated."



ADA Compliance: This slide contains a collage of three images. The first one shows a trailer carrying a spool of insulated wire in the foreground. In the background we see an Edison employee wearing a hard hat and a power line. The second image shows a close-up of the covered conductor. The third image shows an overhead view of the covered conductor between power lines.



ADA Compliance: This is a slide entitled “2. Wildfire Insurance Fund Contributions.” It combines white text on black background with an image of a pallet full of \$100 bills and a separate image of a blue umbrella.

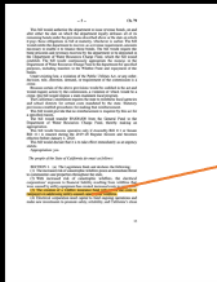


State Board of Equalization  
Assessors' Handbook Section 502, p. 68  
(1998)

“Although cash receipts and expenditures occur throughout the year, cash flows are conventionally expressed as annual flows occurring at the end of the year. In direct capitalization, this concept is adjusted slightly to annualize certain expenditures. For example, if an insurance premium is prepaid for a number of years, a pro-rated annual amount would be used as annualized expense. Another example is the treatment of replacement reserves, which is discussed below.”

18

ADA Compliance: This slide shows a small pdf image of page 68 of Section 502 of the California State Board of Equalization’s Assessors’ Handbook with the relevant sentences highlighted. This image is connected to a call-out containing the following quotation: “Although cash receipts and expenditures occur throughout the year, cash flows are conventionally expressed as annual flows occurring at the end of the year. In direct capitalization, this concept is adjusted slightly to annualize certain expenditures. [BOLD, Underline] For example, if an insurance premium is prepaid for a number of years, a pro-rated annual amount would be used as annualized expense. [UNBOLD, NO UNDERLINE] Another example is the treatment of replacement reserves, which is discussed below.”



State Legislature  
Assembly Bill 1054, Sec. 1(a)(3)  
(2019)

"(a)(3) The creation of a wildfire insurance fund will reduce the costs to ratepayers in addressing utility-caused catastrophic wildfires.

(b) It is the intent of the Legislature to provide a mechanism that allows electrical corporations that are safe actors to guard against impairment of their ability to provide safe and reliable service because of the financial effects of wildfires in their service territories using mechanisms that are more cost effective than traditional insurance, to the direct benefit of ratepayers and prudent electrical corporations."

19

ADA Compliance: This slide shows a small pdf image of California Assembly Bill 1054 (2019), with Section 1(a)(3) highlighted. This image is connected to a call-out containing the following quotation: "(a)(3) The creation of a wildfire [BOLD, UNDERLINE] insurance [UNBOLD, NO UNDERLINE] fund will reduce the costs to ratepayers in addressing utility-caused catastrophic wildfires. (b) It is the intent of the Legislature to provide a mechanism that allows electrical corporations that are safe actors to guard against impairment of their ability to provide safe and reliable service because of the financial effects of wildfires in their service territories using mechanisms that are [BOLD, UNDERLINE] more cost effective than traditional insurance [UNBOLD, NO UNDERLINE] , to the direct benefit of ratepayers and prudent electrical corporations."





Edison Int'l 10-K, p.65  
Financial Statement  
(2019)

"Edison International and SCE accounted for the contributions to the Wildfire Insurance Fund similarly to prepaid insurance. No period of coverage was provided in AB 1054, therefore expense is being allocated to periods ratably based on an estimated period of coverage. At December 31, 2019, Edison International and SCE have a \$2.8 billion long-term asset and a \$323 million current asset reflected as "Wildfire Insurance Fund contributions" in the consolidated balance sheets for the initial \$2.4 billion contribution made during the third quarter of 2019 and the present value of annual contributions SCE committed to make to the Wildfire Insurance Fund, reduced by amortization."

20

ADA Compliance: This slide shows a small pdf image of page 65 of the Edison International 10-K for 2019, which contains Note 1 of the Edison Financial Statement. The relevant language is highlighted in the image. This image is connected to a call-out containing the following quotation: "Edison International and [BOLD, UNDERLINE] SCE accounted for the contributions to the Wildfire Insurance Fund similarly to prepaid insurance. [UNBOLD, NO UNDERLINE] No period of coverage was provided in AB 1054, therefore expense is being allocated to periods ratably based on an estimated period of coverage. At December 31, 2019, Edison International and SCE have a \$2.8 billion long-term asset and a \$323 million current asset reflected as "Wildfire Insurance Fund contributions" in the consolidated balance sheets for the initial \$2.4 billion contribution made during the third quarter of 2019 and the present value of annual contributions SCE committed to make to the Wildfire Insurance Fund, reduced by amortization."



### **3. LIABILITY ACCRUAL FOR 2017/2018 WILDFIRES**



ADA Compliance: This is a slide entitled “3. Liability Accrual for 2017/2018 Wildfires” It combines white text on black background with two images. The first is an image of a transmission line in the foreground and flames and blazes in the background. The second image is that of a gavel with green books in the background.

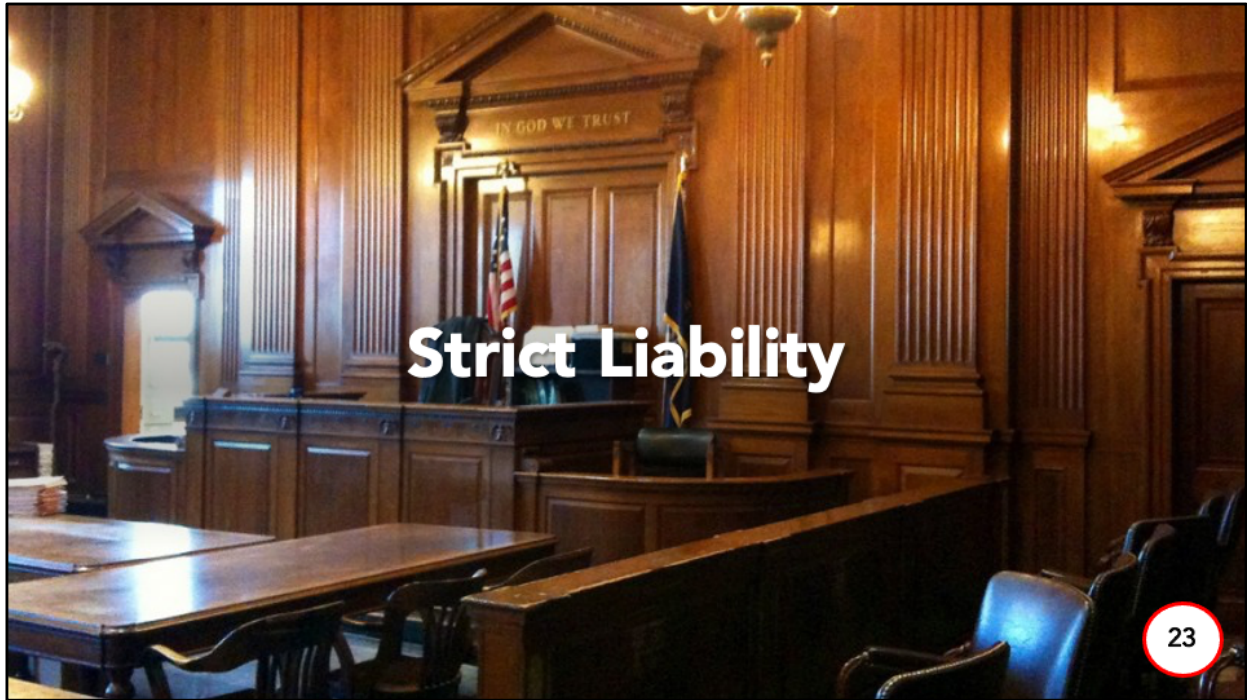


Property Tax Rule 8(c)

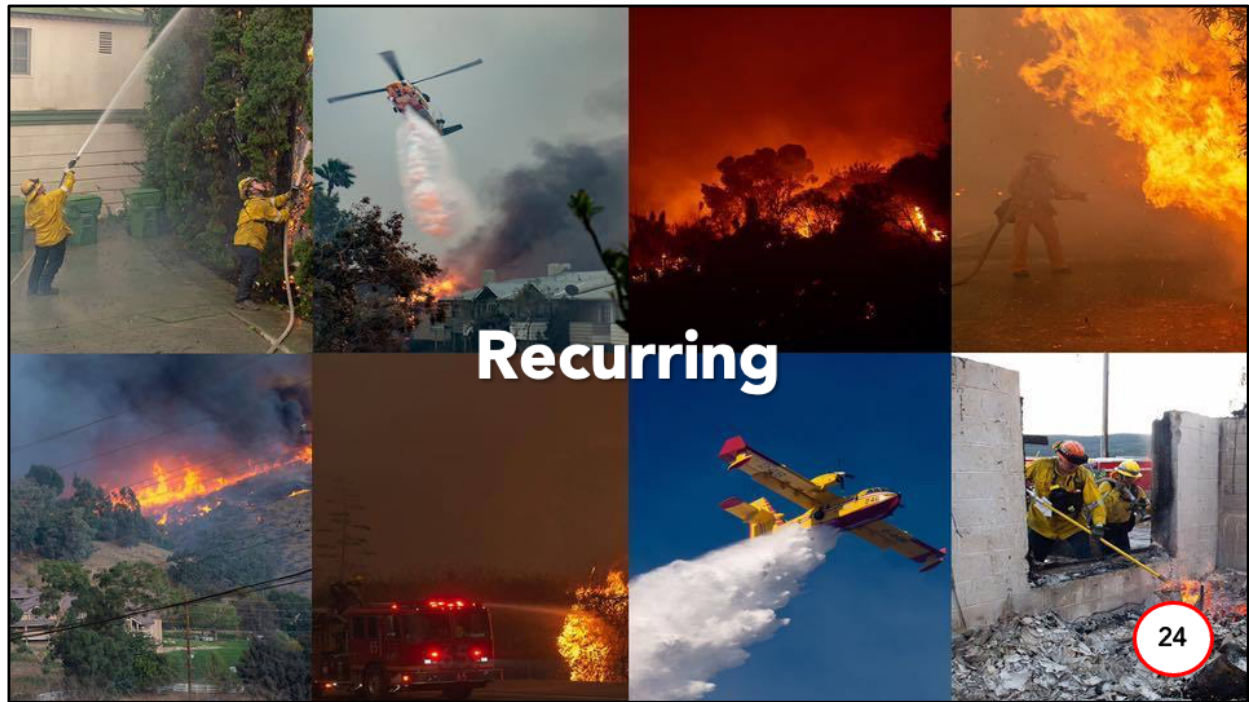
"[T]he net return which a reasonably well informed owner and reasonably well informed buyers may anticipate on the valuation date that the taxable property existing on that date will yield under prudent management and subject to such legally enforceable restrictions as such persons may foresee as of that date."

22

ADA Compliance: This slide shows a small pdf image of a Westlaw printout of Property Tax Rule 8, with the relevant portion of subdivision (c) highlighted. (Cal. Code Regs., tit. 18 Sec. 8(c).) This image is connected to a call-out containing the following quotation: "[T]he net return which a reasonably well informed owner and [BOLD, UNDERLINE] reasonably well informed buyers may anticipate on the valuation date [UNBOLD, NO UNDERLINE] that the taxable property existing on that date will yield under prudent management and subject to such legally enforceable restrictions as such persons may foresee as of that date."



This slide shows an image of a courtroom. Laying over this image are the words "Strict Liability" in white text.

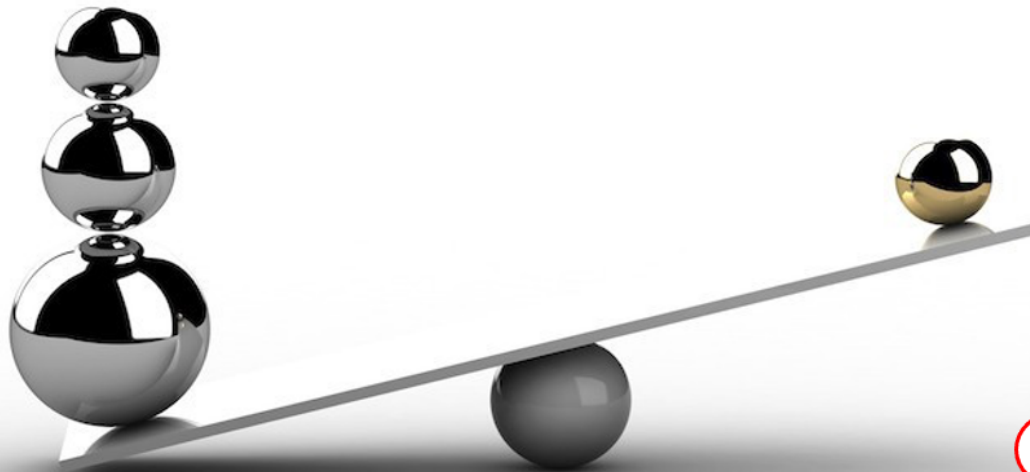


This slide shows 8 images. They are as follows:

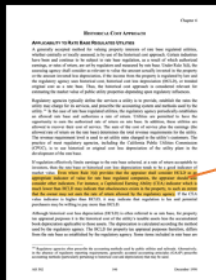
1. Two firefighters with hoses putting out a fire.
2. A helicopter dropping water over a fire in a residential area.
3. Red-orange flames burning in a forest.
4. The silhouette of a firefighter trying to put out a fire with large orange-yellow flames.
5. Orange-yellow flames burning in a green hilly area with power lines in the foreground.
6. A red fire engine dousing a bush engulfed in orange-yellow flames.
7. A yellow firefighting plane dropping water.
8. Two firefighters tending to dying embers in a building structure.

Laying over these images is the word "Recurring" in white text.

# WEIGHTING



This slide is entitled “Weighting.” The slide contains an image of tilted board with a grey orb underneath it serving as a pivot point. On the left are three shiny orbs increasing in size from top to bottom. On the right side there is a single small orb.

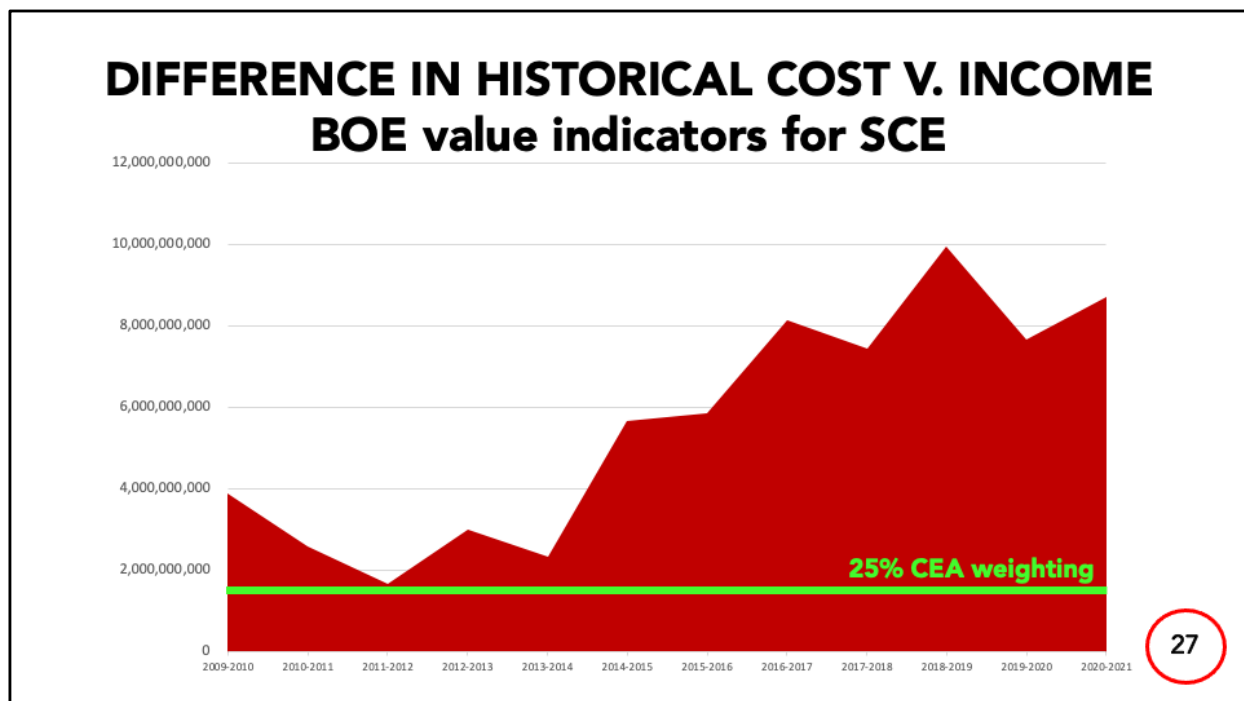


State Board of Equalization  
Assessors' Handbook Sec. 502, p. 146  
(1998)

"Even where Rule 3(d) provides that the appraiser shall consider HCLD as an appropriate indicator of value for rate base regulated companies, the appraiser should also consider other indicators. **For instance, a Capitalized Earning Ability (CEA) indicator which is much lower than HCLD may indicate that obsolescence exists in the property,** to such an extent that the owner may not earn the rate of return allowed by the regulatory agency."

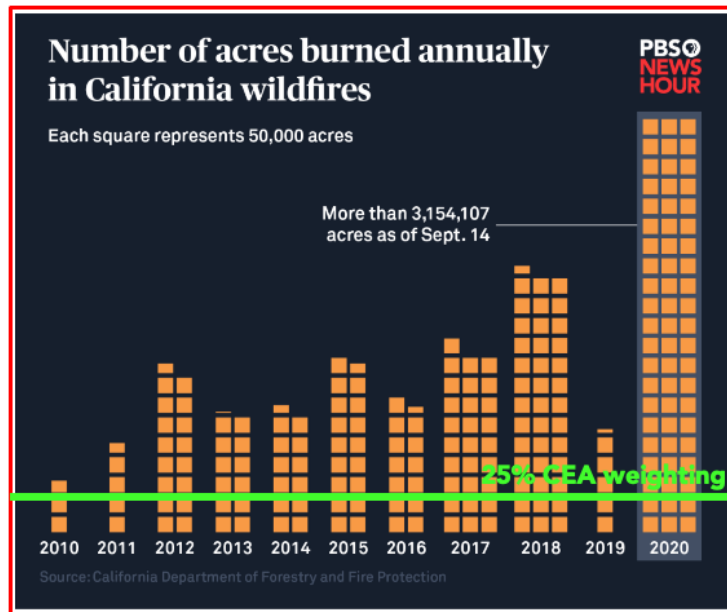
26

ADA Compliance: This slide shows a small pdf image of page 146 of Section 502 of the California State Board of Equalization's Assessors' Handbook with the relevant sentences highlighted. This image is connected to a call-out containing the following quotation: "Even where Rule 3(d) provides that the appraiser shall consider HCLD as an appropriate indicator of value for rate base regulated companies, the appraiser should also consider other indicators. [BOLD, UNDERLINE] **For instance, a Capitalized Earning Ability (CEA) indicator which is much lower than HCLD may indicate that obsolescence exists in the property,** [UNBOLD, NO UNDERLINE] to such an extent that the owner may not earn the rate of return allowed by the regulatory agency."



ADA Compliance: This slide is entitled **“DIFFERENCE IN HISTORICAL COST V. INCOME, BOE value indicators for SCE.”** This is another area chart. The Y axis is intended to represent the difference between the State Assessed Property Division’s historical cost and income indicators for Southern California Edison. The X axis represents the roll years beginning in 2009-2010 up until the present time. This red area chart shows that during this time period, the difference between these two value indicators has grown substantially. There is a horizontal lime green line bisecting the red area. Immediately above the line are the words **“25% CEA weighting.”**





28

ADA Compliance: This is a chart that shows the number of acres burned annual in California wildfires from 2010 to 2020. The chart uses columns and each column is made up of a number of orange squares each representing 50,000 acres. In 2010, there were 150,000 acres burned, represented by three orange squares. In 2011, there are 4 ½ squares representing roughly 225,000 acres burned. Here are the figures for the remaining years: 2012: 825,000 acres (16.5 orange squares) 2013: 612,500 acres (12.25 orange squares) 2014: 625,000 acres (12.5 orange squares) 2015: 875,000 acres (17.5 orange squares) 2016: 675,000 acres (13.5 orange squares) 2017: 1,400,000 acres (28 orange squares) 2018: 1,975,000 acres (39.5 orange squares) 2019: 262,000 acres (5.25 orange squares) 2020: More than 3,154,907 acres through September 14 (63 orange squares)

The chart is found at the website of the PBS News Hour at:

<https://www.pbs.org/newshour/science/californias-catastrophic-wildfires-in-3-charts>.

The chart indicates its source to be the California Department of Forestry and Fire Protection. **There is a horizontal lime green line bisecting the red area. Immediately above the line are the words "25% CEA weighting."**





ADA Compliance: A helicopter prepares to drop water at a wildfire in Yucaipa, Calif., Saturday, Sept. 5, 2020. Three fast-spreading California wildfires sent people fleeing Saturday, with one trapping campers at a reservoir in the Sierra National Forest, as a brutal heat wave pushed temperatures into triple digits in many parts of state. (AP Photo/Ringo H.W. Chiu)