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8 **UNITED STATES DISTRICT COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**

10 , Individually and On) **Case No.:**
11 Behalf of All Others Similarly Situated,)
12) **CLASS ACTION COMPLAINT**
13 Plaintiff,)
14 vs.) **JURY TRIAL DEMANDED**
15)
16 EDISON INTERNATIONAL,)
17 SOUTHERN CALIFORNIA EDISON)
18 COMPANY, PEDRO J. PIZARRO)
19 MARIA RIGATTI, KEVIN M. PAYNE,)
20 WILLIAM M. PETMECKY III,)
21 THEODORE F. CRAVER, JR. and)
22 WILLIAM JAMES SCILACCI,)
23 Defendants.)

24 Plaintiff _____ (“Plaintiff”), individually and on behalf of all other persons
25 similarly situated, by Plaintiff’s undersigned attorneys, for Plaintiff’s complaint against
26 Defendants, alleges the following based upon personal knowledge as to Plaintiff and
27 Plaintiff’s own acts, and information and belief as to all other matters, based upon, inter
28 alia, the investigation conducted by and through Plaintiff’s attorneys, which included,

1 among other things, a review of the Defendants’ public documents, conference calls and
2 announcements made by Defendants, United States Securities and Exchange
3 Commission (“SEC”) filings, wire and press releases published by and regarding Edison
4 International and Southern California Edison Company (“SCE”, and together with
5 Edison International, “Edison” or the “Company”), analysts’ reports and advisories
6 about the Company, and information readily obtainable on the Internet. Plaintiff
7 believes that substantial evidentiary support will exist for the allegations set forth herein
8 after a reasonable opportunity for discovery.
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12 **NATURE OF THE ACTION**

13 1. This is a federal securities class action on behalf of all persons and entities
14 who purchased or otherwise acquired Edison securities between February 23, 2016, and
15 November 12, 2018, both dates inclusive (the “Class Period”), seeking to recover
16 damages caused by Defendants’ violations of the federal securities laws and to pursue
17 remedies under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the
18 “Exchange Act”) and Rule 10b-5 promulgated thereunder, against the Company and
19 certain of its top officials.
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23 2. Edison International was founded in 1886 and is based in Rosemead,
24 California. Edison International is the parent holding company of SCE. SCE is an
25 investor-owned public utility primarily engaged in the business of supplying and
26 delivering electricity to an approximately 50,000 square mile area of southern
27 California.
28

1 3. The Company supplies electricity primarily to residential, commercial,
2 industrial, agricultural, and other customers, as well as public authorities through
3 transmission and distribution networks. Its transmission facilities consist of lines
4 ranging from 33 kV to 500 kV and substations; and distribution system comprises
5 approximately 53,000 line miles of overhead lines, 38,000 line miles of underground
6 lines, and 800 substations located in California. The Company serves approximately 5
7 million customers.
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9

10 4. Throughout the Class Period, Defendants made materially false and
11 misleading statements regarding the Company's business, operational and compliance
12 policies. Specifically, Defendants made false and/or misleading statements and/or
13 failed to disclose that: (i) the Company failed to maintain electricity transmission and
14 distribution networks in compliance with safety requirements and regulations
15 promulgated under state law; (ii) consequently, the Company was in violation of state
16 law and regulations; (iii) the Company's noncompliant electricity networks created a
17 significantly heightened risk of wildfires in California; and (iv) as a result, the
18 Company's public statements were materially false and misleading at all relevant times.
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23 5. On November 8, 2018, two wildfires started in Southern California,
24 designated the Hill Fire and the Woolsey Fire. The Hill Fire, which broke out in
25 Ventura County, subsequently grew to 4,531 acres, according to the California
26 Department of Forestry and Fire Protection ("Cal Fire"). Stretching from Los Angeles
27 County to Ventura County, the Woolsey Fire burned 93,662 acres, including 83 percent
28

1 of all National Parks Service land in the Santa Monica Mountains National Recreation
2 Area, according to Cal Fire.

3
4 6. On November 12, 2018, the California Public Utilities Commission
5 (“CPUC”) launched an investigation into Edison’s subsidiary SCE, in order to “assess
6 the compliance of electrical facilities with applicable rules and regulations in fire-
7 impacted areas.”
8

9
10 7. Following CPUC’s announcement, Edison International’s stock price fell
11 \$7.44 per share, or more than 12%, to close at \$53.56 per share on November 12, 2018.
12 Over the following days, as the Hill and Woolsey Fires continued to burn, Edison
13 International’s stock price continued to fall, closing at \$47.19 on November 15, 2018, a
14 total drop of 32% from its price prior to CPUC’s announcement.
15

16
17 8. As a result of Defendants’ wrongful acts and omissions, and the
18 precipitous decline in the market value of the Company’s securities, Plaintiff and other
19 Class members have suffered significant losses and damages.
20

21 **JURISDICTION AND VENUE**

22
23 9. The claims asserted herein arise under Sections 10(b) and 20(a) of the
24 Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder,
25 17 C.F.R. § 240.10b-5.

26
27 10. This Court has jurisdiction over the subject matter of this action pursuant
28 to 28 U.S.C. § 1331 and Section 27 of the Exchange Act, 15 U.S.C. § 78aa.

1 11. Venue is proper in this District pursuant to Section 27 of the Exchange
2 Act, 15 U.S.C. § 78aa, and 28 U.S.C. § 1391(b). Edison is headquartered in this
3 District, Defendants conduct business in this District, and a significant portion of
4 Defendants' actions took place within this District.
5

6 12. In connection with the acts alleged in this complaint, Defendants, directly
7 or indirectly, used the means and instrumentalities of interstate commerce, including,
8 but not limited to, the mails, interstate telephone communications, and the facilities of
9 the national securities markets.
10
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12 PARTIES

13 13. Plaintiff, as set forth in the attached Certification, acquired Edison
14 securities at artificially inflated prices during the Class Period and was damaged upon
15 the revelation of the alleged corrective disclosures.
16
17

18 14. Defendant Edison International is a California corporation with its
19 principal executive offices located at 2244 Walnut Grove Avenue (P.O. Box 976),
20 Rosemead, California 91770. Edison International's common stock trades in an
21 efficient market on the New York Stock Exchange under the ticker symbol "EIX."
22

23 15. Defendant SCE, is a California corporation with its principal executive
24 offices located at 2244 Walnut Grove Avenue (P.O. Box 976), Rosemead, California
25 91770. SCE's securities are traded on the NYSE American LLC (together with the
26 New York Stock Exchange, "NYSE").
27
28

1 16. Defendant Theodore F. Craver, Jr served as the Chief Executive Officer of
2 Edison International from 2008 until his resignation, effective September 30, 2016.

3 17. Defendant Pedro J. Pizarro has served as the Chief Executive Officer of
4 Edison International since October 2016. Prior to that, he served as President of Edison
5 International from June 2016 to September 2016 and President of SCE from October
6 International from June 2016 to September 2016 and President of SCE from October
7 2014 to May 2016.
8

9 18. Defendant Maria Rigatti served as the Chief Financial Officer of Edison
10 International since October 2016, and prior to her appointment as CFO of Edison
11 international she served in the same capacity for SCE.
12

13 19. Defendant Kevin M. Payne served as President and Chief Executive
14 Officer of SCE since June 2016.
15

16 20. Defendant William M. Petmecky has served as Vice President, Chief
17 Financial Officer and Controller of SCE since October 2016.
18

19 21. Defendant William James Scilacci, served as the Chief Financial Officer
20 of Edison International until his resignation, effective September 30, 2016.
21

22 22. The Defendants referenced above in ¶¶ 16-21 are sometimes referred to
23 herein collectively as the “Individual Defendants.”
24

25 23. The Individual Defendants possessed the power and authority to control the
26 contents of the Company’s SEC filings, press releases, and other market
27 communications. The Individual Defendants were provided with copies of the
28 Company’s SEC filings and press releases alleged herein to be misleading prior to or

1 shortly after their issuance and had the ability and opportunity to prevent their issuance
2 or to cause them to be corrected. Because of their positions with the Company, and their
3 access to material information available to them but not to the public, the Individual
4 Defendants knew that the adverse facts specified herein had not been disclosed to and
5 were being concealed from the public, and that the positive representations being made
6 were then materially false and misleading. The Individual Defendants are liable for the
7 false statements and omissions pleaded herein.
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10 **SUBSTANTIVE ALLEGATIONS**

11 **Background**

12
13 24. Edison International was founded in 1886 and is based in Rosemead,
14 California. Edison International is the parent holding company of SCE. SCE is an
15 investor-owned public utility primarily engaged in the business of supplying and
16 delivering electricity to an approximately 50,000 square mile area of southern
17 California.
18

19
20 25. The Company supplies electricity primarily to residential, commercial,
21 industrial, agricultural, and other customers, as well as public authorities through
22 transmission and distribution networks. Its transmission facilities consist of lines
23 ranging from 33 kV to 500 kV and substations. Its distribution system comprises
24 approximately 53,000 line miles of overhead lines, 38,000 line miles of underground
25 lines, and 800 substations located in California. The Company serves approximately 5
26 million customers.
27
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Materially False and Misleading Statements Issued During the Class Period¹

1
2 26. The Class Period begins on February 23, 2016, when the Company filed
3
4 its annual statement on Form 10-K for the fiscal year December 31, 2015 (the “2015
5 10-K”). In the 2015 10-K, the Company acknowledges that SCE’s operations are
6 regulated by CPUC. Specifically, “CPUC has the authority to regulate, among other
7 things, retail rates, energy purchases on behalf of retail customers, SCE capital
8 structure, rate of return, issuance of securities, disposition of utility assets and facilities,
9 oversight of nuclear decommissioning funding and costs, and aspects of the
10 transmission system planning, site identification and construction, including safety and
11 environmental mitigation.”

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15 27. The Company touted its investment in the safety of its equipment, stating
16 that the “*SCE is investing in and strengthening its electric grid and driving*
17 *operational and service excellence to improve system safety, reliability and service*
18 *while controlling costs and rates.*”

19
20 28. Defendants acknowledged in 2015 10-K that their business may result in
21 damage to private and public property, as well as injuries to bystanders, stating in
22 relevant part:
23

24
25 *The generation, transmission and distribution of electricity are dangerous*
26 *and involve inherent risks of damage to private property and injury to*
27 *employees and the general public.*
28

¹ Emphasis added throughout, unless otherwise noted.

1 Electricity is dangerous for employees and the general public should they
2 come in contact with electrical current or equipment, including through
3 downed power lines or if equipment malfunctions. Injuries and property
4 damage caused by such events can subject SCE to liability that, despite the
5 existence of insurance coverage, can be significant. The CPUC has
6 increased its focus on public safety issues with an emphasis on heightened
7 compliance with construction and operating standards and the potential for
8 penalties being imposed on utilities. Additionally, the CPUC has delegated
9 to its staff the authority to issue citations to electric utilities, which can
10 impose fines of up to \$50,000 per violation per day, pursuant to the CPUC's
11 jurisdiction for violations of safety rules found in statutes, regulations, and
12 the CPUC's General Orders. Such penalties and liabilities could be
13 significant and materially affect SCE's liquidity and results of operations.

14 29. Relatedly, the 2015 10-K discussed the risks posed to the Company's
15 financial condition and operations should they be responsible for wild-fires, stating in
16 relevant part:

17 ***Weather-related incidents and other natural disasters could materially***
18 ***affect SCE's financial condition and results of operations.***

19 Weather-related incidents and other natural disasters, including storms,
20 wildfires and earthquakes, can disrupt the generation and transmission of
21 electricity, and can seriously damage the infrastructure necessary to deliver
22 power to SCE's customers. These events can lead to lost revenues and
23 increased expenses, including higher maintenance and repair costs. They
24 can also result in regulatory penalties and disallowances, particularly if SCE
25 encounters difficulties in restoring power to its customers on a timely basis.
26 These occurrences could materially affect SCE's business, financial
27 condition and results of operations, and the inability to restore power to
28 SCE's customers could also materially damage the business reputation of
SCE and Edison International

SCE's insurance coverage for wildfires arising from its ordinary
operations may not be sufficient.

Edison International has experienced increased costs and difficulties in
obtaining insurance coverage for wildfires that could arise from SCE's
ordinary operations. In addition, the insurance that has been obtained for

1 wildfire liabilities may not be sufficient. Uninsured losses and increases in
2 the cost of insurance may not be recoverable in customer rates. A loss
3 which is not fully insured or cannot be recovered in customer rates could
4 materially affect Edison International's and SCE's financial condition and
5 results of operations. Furthermore, insurance for wildfire liabilities may not
6 continue to be available at all or at rates or on terms similar to those
7 presently available to Edison International.

8 * * *

9 *Wildfire Insurance*

10 ***Severe wildfires in California have given rise to large damage claims against***
11 ***California utilities for fire-related losses alleged to be the result of the failure of***
12 ***electric and other utility equipment.*** Invoking a California Court of Appeal
13 decision, plaintiffs pursuing these claims have relied on the doctrine of inverse
14 condemnation, which can impose strict liability (including liability for a claimant's
15 attorneys' fees) for property damage. Prolonged drought conditions in California
16 have also increased the risk of severe wildfire events. On June 1, 2015, Edison
17 International renewed its liability insurance coverage, which included coverage for
18 SCE's wildfire liabilities up to a \$610 million limit (with a self-insured retention
19 of \$10 million per wildfire occurrence). Various coverage limitations within the
20 policies that make up this insurance coverage could result in additional self-
21 insured costs in the event of multiple wildfire occurrences during the policy period
22 (June 1, 2015 to May 31, 2016). SCE also has additional coverage for certain
23 wildfire liabilities of \$390 million, which applies when total covered wildfire
24 claims exceed \$610 million, through June 14, 2016. SCE may experience
25 coverage reductions and/or increased insurance costs in future years. ***No***
26 ***assurance can be given that future losses will not exceed the limits of SCE's***
27 ***insurance coverage.***

28 30. The 2015 10-K discussed a prior incident where its equipment
malfunctioned and caused multiple fires in Long Beach, California:

In July 2015, SCE's customers who are served via the network portion of
SCE's electric system in Long Beach, California experienced service
interruptions due to multiple underground vault fires and underground
cable failures. No personal injuries have been reported in connection with
these events. SCE instituted an internal investigation and commissioned an
external investigation of these events and their causes, ***which revealed that***

1 *the main cause of the interruptions was a lack of adequate management*
2 *oversight of the downtown network system. The investigations also*
3 *revealed deficiencies in maintaining the knowledge base on the*
4 *configuration and operation of the system, and a lack of sophisticated*
5 *controls needed to more efficiently and effectively prevent and respond to*
6 *the cascading events that occurred.*

7 31. On February 21, 2017, when the Company filed its annual statement on
8 Form 10-K for the fiscal year December 31, 2016 (the “2016 10-K”). In the 2016 10-
9 K, the Company acknowledges that SEC’s operations are regulated by CPUC.
10 Specifically, “CPUC has the authority to regulate, among other things, retail rates,
11 energy purchases on behalf of retail customers, SCE capital structure, rate of return,
12 issuance of securities, disposition of utility assets and facilities, oversight of nuclear
13 decommissioning funding and costs, and aspects of the transmission system planning,
14 site identification and construction, *including safety.*”
15
16

17 32. The Company touted its purported dedication to improve its infrastructure
18 in the 2016 10-K, highlighting the SCE’s “plans” to modernize its electric grid, stating
19 in relevant part:
20

21 **Electricity Industry Trends**

22 The electric power industry is undergoing transformative change driven by
23 technological advancements such as customer-owned generation and energy
24 storage, which could alter the nature of energy generation and delivery.
25 California's environmental policy objectives are accelerating the pace and
26 scope of the industry change. The electric grid is a critical enabler of the
27 adoption of new energy technologies that support California's climate
28 change and GHG reduction objectives, which continue to be publicly
supported by California policy makers notwithstanding a potential change
in the federal approach to such matters. The grid is also key to enabling
more customer choices with respect to new energy technologies. *The*

1 *transformative change taking place in the electric power industry is*
2 *integral to Edison International's strategy.*

3 *SCE plans to be a key enabler of the adoption of new energy technologies*
4 *that benefit customers of the electric grid while also helping the state of*
5 *California achieve its environmental goals. SCE expects to achieve these*
6 *objectives through modernizing the electric grid to improve the safety and*
7 *reliability of the transmission and distribution network and enabling*
8 *increased penetration of DERs [distributed energy resources]. SCE's*
9 *ongoing focus to drive operational and service excellence should allow it to*
10 *achieve these objectives while controlling costs and customer rates. SCE's*
11 *focus on the transmission and distribution side of the utility business aligns*
12 *with California's policy supporting competitive power markets. It also*
13 *represents a lower risk than investment in conventional, natural gas-fired*
14 *generation, which faces potentially stricter GHG limits as well as the*
15 *increasing competitiveness of renewable resource fueled generation....*

16 33. Further, discussing its capital expenditure plans “[t]o support a safe and
17 reliable transmission and distribution network, and to modernize the electric grid”, the
18 Company stated that it forecasted capital expenditures of up to \$19.3 billion for 2017
19 through 2020. More specifically, the Company forecasted capital expenditures of \$4.16
20 billion in 2017, \$182 million of which was to be used to modernize its electric grid.
21 Commenting on these forecasted expenditures, the 2016 10-K states that the “2017
22 capital expenditures is a baseline of grid modernization spending that will promote
23 increased safety and reliability and also allow for a timely ramp-up of grid
24 modernization capital expenditures in subsequent years. “

1 34. The Company also discussed its General Rate Case (“GRC”)² for 2018,
2 stating that “[t]he capital programs requested in SCE's 2018 GRC are focused on safety
3 and reliability through investments in the distribution grid to replace aging equipment
4 and enhance capabilities to integrate increasing amounts of DERs.”

5
6 35. Discussing the ratemaking process overseen by CPUC, the 2016 10-K
7 notes the importance of safety measures put in place by SCE, explaining:
8

9 Revenue authorized by the CPUC through triennial GRC proceedings is
10 intended to provide SCE a reasonable opportunity to recover its costs and
11 earn a return on its net investments in generation and distribution assets and
12 general plant (also referred to as "rate base") on a forecast basis. The
13 CPUC sets an annual revenue requirement for the base year which is made
14 up of the operation and maintenance costs, depreciation, taxes and a return
15 consistent with the authorized cost of capital (discussed below). In the
16 GRC proceedings, the CPUC also generally approves the level of capital
17 spending on a forecast basis. Following the base year, the revenue
18 requirements for the remaining two years are set by a methodology
19 established in the GRC proceeding, which generally, among other items,
20 includes annual allowances for escalation in operation and maintenance
21 costs and additional changes in capital-related investments. *The CPUC is*
22 *conducting a triennial safety model assessment proceeding ("S-MAP") to*
23 *evaluate the utility models used to prioritize safety risks, examine the*
24 *utilities' assessment of their key risks and their proposed mitigation*
25 *programs, and develop requirements for annual reporting of risk*
26 *spending and mitigation results.* The risk assessment approach developed
in the S-MAP will be incorporated into SCE's triennial GRC through a
Risk Assessment and Mitigation Phase (RAMP), which will be initiated by
November 15 in the year preceding each GRC application filing date.
SCE's first RAMP will be filed in November 2018 for its 2021 GRC. The
purpose of the RAMP is to provide information about the utility's
assessment of its key safety risks and its proposed programs for mitigating

27 ² GRCs are proceedings used to address the costs of operating and maintaining the utility system and the allocation of those
28 costs among customer classes. For California's three large investor-owned utilities (IOUs), the GRCs are parsed into two
phases. Phase I of a GRC determines the total amount the utility is authorized to collect, while Phase II determines the share
of the cost each customer class is responsible and the rate schedules for each class. Each large electric utility files a GRC
application every three years. For smaller utilities, authorized costs and allocation of costs are done in just one phase.

1 those risks. The information developed during the RAMP will inform the
2 utility's recommended projects and funding requests in the subsequent
3 phase of the GRC.

4 36. The 2016 10-K also contained statements nearly identical to those detailed
5 above in ¶ 28, concerning the risks associated with the “generation, transmission and
6 distribution of electricity[,]” and wild-fires. The 2016 10-K also discussed the
7 Company’s service interruptions in Long Beach, detailed above in in ¶ 30, which were
8 caused by equipment fire and resulted in various penalties.
9

10 37. On February 22, 2018, the Company filed its annual statement on Form
11 10-K for the fiscal year December 31, 2017 (the “2017 10-K”). In the 2017 10-K, the
12 Company acknowledges that SEC’s operations are regulated by CPUC. Specifically,
13 “CPUC has the authority to regulate, among other things, . . . disposition of utility
14 assets and facilities, . . . and aspects of the transmission system planning, site
15 identification and construction, *including safety and environmental mitigation.*”
16
17

18 38. The 2017 10-K also contained statements nearly identical to those detailed
19 above in ¶ 28, concerning the risks associated with the “generation, transmission and
20 distribution of electricity[,]” and weather-related incidents.
21
22

23 39. The 2017 10-K also discussed various risks to the company as a result of
24 wild-fire related liabilities:
25

26 *Damage claims against SCE for wildfire-related losses may materially*
27 *affect SCE’s financial condition and results of operations.*

28 Prolonged drought conditions and shifting weather patterns in California
resulting from climate change as well as increased tree mortality rates have

1 increased the duration of the wildfire season and the risk of severe wildfire
2 events. Severe wildfires and increased urban development in high fire risk
3 areas in California have given rise to large damage claims against California
4 utilities for fire-related losses alleged to be the result of utility practices
5 and/or the failure of electric and other utility equipment. Certain California
6 courts have previously found utilities to be strictly liable for property
7 damage, regardless of fault, by applying the theory of inverse condemnation
8 when a utility's facilities were determined to be a substantial cause of a
9 wildfire that caused the property damage. The rationale stated by these
10 courts for applying this theory to investor-owned utilities is that property
11 losses resulting from a public improvement, such as the distribution of
12 electricity, can be spread across the larger community that benefited from
13 such improvement. However, in December 2017, the CPUC issued a
14 decision denying the investor-owned utility's request to include in its rates
15 uninsured wildfire-related costs arising from several 2007 fires, finding that
16 the investor-owned utility did not prudently manage and operate its
17 facilities prior to or at the outset of the 2007 wildfires. An inability to
18 recover uninsured wildfire-related costs could materially affect SCE's
19 business, financial condition and results of operations. For example, if SCE
20 is found liable for damages related to the December 2017 Wildfires, and
21 SCE is unable to, or believes that it will be unable to, recover those
22 damages, SCE may not have sufficient cash or equity to pay dividends to
23 Edison International or may be prohibited from declaring such dividends
24 because it does not meet California law requirements for the declaration of
25 dividends. . . .

19 ***SCE's insurance coverage for wildfires arising from its ordinary***
20 ***operations may not be sufficient.***

21 Edison International has experienced increased costs and difficulties in
22 obtaining insurance coverage for wildfires that could arise from SCE's
23 ordinary operations. Edison International, SCE or its contractors may
24 experience coverage reductions and/or increased wildfire insurance costs in
25 future years. No assurance can be given that losses will not exceed the
26 limits of SCE's or its contractors' insurance coverage. SCE may not be able
27 to recover uninsured losses and increases in the cost of insurance in
28 customer rates. Losses which are not fully insured or cannot be recovered in
customer rates could materially affect Edison International's and SCE's
financial condition and results of operations.

1 40. The 2017 10-K also discussed wildfires in southern California in
2 December of 2017, and noted the serious risks that may arise should the Company be
3 found responsible for the fires. Specifically, the filing stated in relevant part:
4

5 **Southern California Wildfires**

6 In December 2017, several wind-driven wildfires (the "December 2017
7 Wildfires") impacted portions of SCE's service territory and caused
8 substantial damage to both residential and business properties and service
9 outages for SCE customers.

10 The largest of these fires, known as the Thomas Fire, originated in Ventura
11 County and burned acreage located in both Ventura and Santa Barbara
12 Counties. According to the most recent California Department of Forestry
13 and Fire Protection ("Cal Fire") incident information reports, the Thomas
14 Fire burned over 280,000 acres, destroyed an estimated 1,063 structures,
15 damaged an estimated 280 structures and resulted in two fatalities. During
16 2017, SCE incurred approximately \$35 million of capital expenditures
17 related to restoration of service resulting from the December 2017
18 Wildfires.

19 The causes of the December 2017 Wildfires are being investigated by Cal
20 Fire and other fire agencies. SCE believes the investigations include the
21 possible role of SCE's facilities. SCE expects that one or more of the fire
22 agencies will ultimately issue reports concerning the origins and causes of
23 the December 2017 Wildfires but cannot predict when these reports will be
24 released or if any findings will be issued before the investigations are
25 completed.

26 Any potential liability of SCE for December 2017 Wildfire-related
27 damages will depend on a number of factors, including whether SCE is
28 determined to have substantially caused, or contributed to, the damages and
whether parties seeking recovery of damages will be required to show
negligence in addition to causation. Certain California courts have
previously found utilities to be strictly liable for property damage,
regardless of fault, by applying the theory of inverse condemnation when a
utility's facilities were determined to be a substantial cause of a wildfire
that caused the property damage. The rationale stated by these courts for
applying this theory to investor-owned utilities is that property losses
resulting from a public improvement, such as the distribution of electricity,

1 can be spread across the larger community that benefited from such
2 improvement. However, in December 2017, the CPUC issued a decision
3 denying the investor-owned utility's request to include in its rates uninsured
4 wildfire-related costs arising from several 2007 fires, finding that the
5 investor-owned utility did not prudently manage and operate its facilities
6 prior to or at the outset of the 2007 wildfires.

7 In addition to liability for property damages, when inverse condemnation is
8 found to be applicable to a utility, the utility may be held liable, without
9 regard to fault, for associated interest and attorney's fees (collectively,
10 "Property Losses"). If inverse condemnation is held to be inapplicable to
11 SCE in connection with the December 2017 Wildfires, SCE could still be
12 held liable for Property Losses if those losses were found to have been
13 proximately caused by SCE's negligence. If SCE was found negligent,
14 SCE also could be held liable for fire suppression costs, business
15 interruption losses, evacuation costs, medical expenses and personal
16 injury/wrongful death claims. These potential liabilities, in the aggregate,
17 could be substantial. Additionally, SCE could potentially be subject to fines
18 for alleged violations of CPUC rules and laws in connection with the
19 December 2017 Wildfires.

20 SCE is aware of multiple lawsuits filed related to the December 2017
21 Wildfires naming SCE as a defendant. One of these lawsuits also named
22 Edison International as a defendant. At least four of these lawsuits were
23 filed as purported class actions. The lawsuits, which have been filed in the
24 superior courts of Ventura, Santa Barbara and Los Angeles Counties allege,
25 among other things, negligence, inverse condemnation, trespass, private
26 nuisance, and violations of the public utility and health and safety codes.
27 SCE expects to be the subject of additional lawsuits related to the
28 December 2017 Wildfires. The litigation could take a number of years to
be resolved because of the complexity of the matters and the time needed
to complete the ongoing investigations.

Given the preliminary stages of the investigations and the uncertainty as to
the causes of the December 2017 Wildfires, and the extent and magnitude
of potential damages, Edison International and SCE are currently unable to
reasonably estimate whether SCE will incur material losses and, if so, the
range of possible losses that could be incurred.

SCE has approximately \$1 billion of wildfire-specific insurance coverage,
subject to a self-insured retention of \$10 million per occurrence, for

1 wildfire-related claims for the period ending on May 31, 2018. SCE also
2 has approximately \$300 million of additional insurance coverage for
3 wildfire-related occurrences for the period from December 31, 2017 to
4 December 31, 2018 which may be used in addition to the \$1 billion in
5 wildfire insurance for wildfire events occurring on or after December 31,
6 2017 and on or before May 31, 2018, and would be available for new
7 wildfire events, if any, occurring after May 31, 2018 and on or before
8 December 30, 2018. Various coverage limitations within the policies that
9 make up SCE's wildfire insurance coverage could result in material self-
10 insured costs in the event of multiple wildfire occurrences during a policy
11 period. SCE also has other general liability insurance coverage of
12 approximately \$450 million but it is uncertain whether these other policies
13 would apply to liabilities alleged to be related to wildfires. Should
14 responsibility for damages be attributed to SCE for a significant portion of
15 the losses related to the December 2017 Wildfires, SCE's insurance may
16 not be sufficient to cover all such damages. SCE or its vegetation
17 management contractors may experience coverage reductions and/or
18 increased insurance costs in future years. No assurance can be given that
19 future losses will not exceed the limits of insurance coverage.

20 In addition, SCE may not be authorized to recover its uninsured damages
21 through customer rates if, for example, the CPUC finds that the damages
22 were incurred because SCE was not a prudent manager of its facilities. The
23 CPUC's Safety and Enforcement Division ("SED") is conducting an
24 investigation to assess the compliance of SCE's facilities with applicable
25 rules and regulations in areas impacted by the December 2017 Wildfires.

26 41. Similarly, the 2017 10-K discussed another natural disaster which
27 occurred in Santa Barbara County, California in January of 2018:

28 **Montecito Mudslides**

In January 2018, torrential rains in Santa Barbara County produced
mudslides and flooding in Montecito and surrounding areas (the "Montecito
Mudslides"). According to Santa Barbara County, the Montecito Mudslides
destroyed an estimated 135 structures, damaged an estimated 324 structures,
and resulted in at least 21 fatalities, with two additional fatalities presumed.

Six of the lawsuits mentioned above allege that SCE has responsibility for
the Thomas Fire and that the Thomas Fire proximately caused the

1 Montecito Mudslides, resulting in the plaintiffs' claimed damages. SCE
2 expects that additional lawsuits related to the Montecito Mudslides will be
3 filed.

4 As noted above, the cause of the Thomas Fire has not been determined. In
5 the event that SCE is determined to have liability for damages caused by the
6 Thomas Fire, SCE cannot predict whether the courts will conclude that the
7 Montecito Mudslides were caused by the Thomas Fire or that SCE is
8 responsible or liable for damages caused by the Montecito Mudslides. As a
9 result, Edison International and SCE are currently unable to reasonably
10 estimate whether SCE will incur material losses and, if so, the range of
11 possible losses that could be incurred. If it is determined that the Montecito
12 Mudslides were caused by the Thomas Fire and that SCE is responsible or
13 liable for damages caused by the Montecito Mudslides, then SCE's
14 insurance coverage for such losses may be limited to its wildfire insurance.
15 Additionally, if SCE is determined to be liable for a significant portion of
16 costs associated with the Montecito Mudslides, SCE's insurance may not be
17 sufficient to cover all such damages and SCE may be unable to recover any
18 uninsured losses.

19 If it is ultimately determined that SCE is legally responsible for losses
20 caused by the Montecito Mudslides, SCE could be held liable for resulting
21 Property Losses if inverse condemnation is found applicable. If SCE is
22 determined to have been negligent, in addition to Property Losses, SCE
23 could be liable for business interruption losses, evacuation costs, clean-up
24 costs, medical expenses and personal injury/wrongful death claims
25 associated with the Montecito Mudslides. These liabilities, in the aggregate,
26 could be substantial. SCE cannot predict whether it will be subjected to
27 regulatory fines related to the Montecito Mudslides.

28 42. The statements referenced in ¶¶ 26-41 were materially false and
misleading because Defendants made false and/or misleading statements, as well as
failed to disclose material adverse facts about the Company's business, operational and
compliance policies. Specifically, Defendants made false and/or misleading statements
and/or failed to disclose that: (i) the Company failed to maintain electricity
transmission and distribution networks in compliance with safety requirements and

1 regulations promulgated under state law; (ii) consequently, the Company was in
2 violation of state law and regulations; (iii) the Company's noncompliant electricity
3 networks created a significantly heightened risk of wildfires in California; and (iv) as a
4 result, the Company's public statements were materially false and misleading at all
5 relevant times.
6

7 **The Truth Begins to Emerge**

9 43. On November 8, 2018, two wildfires started in Southern California,
10 designated the Hill Fire and the Woolsey Fire. The Hill Fire, which broke out in
11 Ventura County, subsequently grew to 4,531 acres, according to Cal Fire. Stretching
12 from Los Angeles County to Ventura County, the Woolsey Fire burned 93,662 acres,
13 including 83 percent of all National Parks Service land in the Santa Monica Mountains
14 National Recreation Area, according to Cal Fire.
15
16

17 44. The Woolsey and Hill fires impacted a total of 45,470 Edison customers.
18

19 45. On November 9, 2018, the Company issued a press release providing an
20 update on the fires, stating in relevant part:
21

22 ROSEMEAD, Calif., November 9, 2018 — Southern California Edison's
23 Emergency Operations Center has mobilized resources and crews to assist
24 first responders and to begin restoring power in communities affected by the
25 wildfires in Ventura and Los Angeles counties as soon as fire officials say it
is safe.

26 *The company's top priority continues to be the safety of customers,*
27 *employees and communities.* SCE is working closely with first responder
28 partners and is prepared to safely and quickly restore power as soon as
possible.

1 As of 5:45 p.m., 23,000 customers were without power, with 20,000 of
2 them in Los Angeles County, many affected by the fires. SCE is currently
3 monitoring several fires impacting customers within its service territory,
4 including the Hill Fire in Ventura County and the Woolsey Fire in Ventura
5 and Los Angeles counties, which has moved into the Malibu area.

6 *The fires have damaged SCE equipment and lines and caused outages in*
7 *fire-affected areas.* Once it is safe to do so and access has been granted,
8 SCE's damage assessment teams will determine what equipment and repairs
9 are needed before repairs can begin. SCE air patrols may also be required to
10 fully assess damage caused by the fires in more remote areas, but that
11 access is limited due to flight restrictions for fire-fighting operations.

12 *SCE has been in communication with the California Public Utilities*
13 *Commission with respect to these fires and has submitted an initial*
14 *electric safety incident report on the Woolsey Fire reporting an outage in*
15 *the vicinity.* The information in the report is preliminary. There has been no
16 determination of origin or cause of either wildfire. SCE will fully cooperate
17 with any investigations.

18 * * *

19 **Edison's Efforts at Managing the Wildfire Threat in California**

20 *Safety is the company's top priority and a core value for SCE.* Our
21 employees work vigilantly year-round to strengthen the electric system and
22 protect the public and our employees against a variety of natural and man-
23 made threats. We have long taken substantial steps to reduce the risk of
24 wildfires in our service territory and continue to look for ways to enhance
25 our operational practices and infrastructure. SCE employs design and
26 construction standards, vegetation management practices and other
27 operational practices to mitigate wildfire risk and has collaborative
28 partnerships with fire agencies to maintain fire safety.

46. On November 12, 2018, the CPUC launched an investigation into Edison's
subsidiary Southern California Edison Company in order to "assess the compliance of
electrical facilities with applicable rules and regulations in fire-impacted

1 areas.” According to CPUC, electrical infrastructure may have suffered malfunctions
2 near ground zero of the blazes. Specifically, it was reported that on the day the fires
3 began SCE issued an alert to the CPUC that a substation circuit near the Woolsey Fire
4 origin "relayed," or sensed a disturbance on the circuit, just two minutes before Cal Fire
5 said that the devastating fire began.
6

7
8 47. Following CPUC’s announcement, Edison International’s stock price fell
9 \$7.44 per share, or more than 12%, to close at \$53.56 per share on November 12, 2018.
10 Over the following days, as the Hill and Woolsey Fires continued to burn, Edison
11 International’s stock price continued to fall, closing at \$47.19 on November 15, 2018, a
12 total drop of 32% from its price prior to CPUC’s announcement.
13
14

15 **CLASS ACTION ALLEGATIONS**

16 48. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil
17 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or
18 otherwise acquired Edison securities during the Class Period (the “Class”); and were
19 damaged upon the revelation of the alleged corrective disclosures. Excluded from the
20 Class are Defendants herein, the officers and directors of the Company, at all relevant
21 times, members of their immediate families and their legal representatives, heirs,
22 successors or assigns and any entity in which Defendants have or had a controlling
23 interest.
24
25
26

27 49. The members of the Class are so numerous that joinder of all members is
28 impracticable. Throughout the Class Period, Edison securities were actively traded on

1 the NYSE. While the exact number of Class members is unknown to Plaintiff at this
2 time and can be ascertained only through appropriate discovery, Plaintiff believes that
3 there are hundreds or thousands of members in the proposed Class. Record owners and
4 other members of the Class may be identified from records maintained by Edison or its
5 transfer agent and may be notified of the pendency of this action by mail, using the form
6 of notice similar to that customarily used in securities class actions.
7

8
9 50. Plaintiff's claims are typical of the claims of the members of the Class as all
10 members of the Class are similarly affected by Defendants' wrongful conduct in
11 violation of federal law that is complained of herein.
12

13 51. Plaintiff will fairly and adequately protect the interests of the members of
14 the Class and has retained counsel competent and experienced in class and securities
15 litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.
16
17

18 52. Common questions of law and fact exist as to all members of the Class and
19 predominate over any questions solely affecting individual members of the Class.
20 Among the questions of law and fact common to the Class are:
21

- 22 • whether the federal securities laws were violated by Defendants' acts as
23 alleged herein;
- 24 • whether statements made by Defendants to the investing public during the
25 Class Period misrepresented material facts about the business, operations
26 and management of Edison;
- 27 • whether the Individual Defendants caused Edison to issue false and
28 misleading financial statements during the Class Period;

- Plaintiff and members of the Class purchased, acquired and/or sold Edison securities between the time the Defendants failed to disclose or misrepresented material facts and the time the true facts were disclosed, without knowledge of the omitted or misrepresented facts.

55. Based upon the foregoing, Plaintiff and the members of the Class are entitled to a presumption of reliance upon the integrity of the market.

56. Alternatively, Plaintiff and the members of the Class are entitled to the presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants omitted material information in their Class Period statements in violation of a duty to disclose such information, as detailed above.

COUNT I

(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder Against All Defendants)

57. Plaintiff repeats and reallege each and every allegation contained above as if fully set forth herein.

58. This Count is asserted against Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

59. During the Class Period, Defendants engaged in a plan, scheme, conspiracy and course of conduct, pursuant to which they knowingly or recklessly engaged in acts, transactions, practices and courses of business which operated as a fraud and deceit upon Plaintiff and the other members of the Class; made various untrue statements of material

1 facts and omitted to state material facts necessary in order to make the statements made,
2 in light of the circumstances under which they were made, not misleading; and employed
3 devices, schemes and artifices to defraud in connection with the purchase and sale of
4 securities. Such scheme was intended to, and, throughout the Class Period, did: (i)
5 deceive the investing public, including Plaintiff and other Class members, as alleged
6 herein; (ii) artificially inflate and maintain the market price of Edison securities; and (iii)
7 cause Plaintiff and other members of the Class to purchase or otherwise acquire Edison
8 securities and options at artificially inflated prices. In furtherance of this unlawful
9 scheme, plan and course of conduct, Defendants, and each of them, took the actions set
10 forth herein.
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15 60. Pursuant to the above plan, scheme, conspiracy and course of conduct, each
16 of the Defendants participated directly or indirectly in the preparation and/or issuance of
17 the quarterly and annual reports, SEC filings, press releases and other statements and
18 documents described above, including statements made to securities analysts and the
19 media that were designed to influence the market for Edison securities. Such reports,
20 filings, releases and statements were materially false and misleading in that they failed to
21 disclose material adverse information and misrepresented the truth about Edison finances
22 and business prospects.
23
24
25

26 61. By virtue of their positions at Edison , Defendants had actual knowledge
27 of the materially false and misleading statements and material omissions alleged herein
28 and intended thereby to deceive Plaintiff and the other members of the Class, or, in the

1 alternative, Defendants acted with reckless disregard for the truth in that they failed or
2 refused to ascertain and disclose such facts as would reveal the materially false and
3 misleading nature of the statements made, although such facts were readily available to
4 Defendants. Said acts and omissions of Defendants were committed willfully or with
5 reckless disregard for the truth. In addition, each Defendant knew or recklessly
6 disregarded that material facts were being misrepresented or omitted as described above.
7
8

9 62. Information showing that Defendants acted knowingly or with reckless
10 disregard for the truth is peculiarly within Defendants' knowledge and control. As the
11 senior managers and/or directors of Edison, the Individual Defendants had knowledge of
12 the details of Edison internal affairs.
13

14 63. The Individual Defendants are liable both directly and indirectly for the
15 wrongs complained of herein. Because of their positions of control and authority, the
16 Individual Defendants were able to and did, directly or indirectly, control the content of
17 the statements of Edison. As officers and/or directors of a publicly-held Company, the
18 Individual Defendants had a duty to disseminate timely, accurate, and truthful
19 information with respect to Edison businesses, operations, future financial condition and
20 future prospects. As a result of the dissemination of the aforementioned false and
21 misleading reports, releases and public statements, the market price of Edison securities
22 was artificially inflated throughout the Class Period. In ignorance of the adverse facts
23 concerning Edison business and financial condition which were concealed by
24 Defendants, Plaintiff and the other members of the Class purchased or otherwise
25
26
27
28

1 acquired Edison securities at artificially inflated prices and relied upon the price of the
2 securities, the integrity of the market for the securities and/or upon statements
3 disseminated by Defendants, and were damaged thereby.
4

5 64. During the Class Period, Edison securities were traded on an active and
6 efficient market. Plaintiff and the other members of the Class, relying on the materially
7 false and misleading statements described herein, which the Defendants made, issued or
8 caused to be disseminated, or relying upon the integrity of the market, purchased or
9 otherwise acquired shares of Edison securities at prices artificially inflated by
10 Defendants' wrongful conduct. Had Plaintiff and the other members of the Class known
11 the truth, they would not have purchased or otherwise acquired said securities, or would
12 not have purchased or otherwise acquired them at the inflated prices that were paid. At
13 the time of the purchases and/or acquisitions by Plaintiff and the Class, the true value of
14 Edison securities was substantially lower than the prices paid by Plaintiff and the other
15 members of the Class. The market price of Edison securities declined sharply upon
16 public disclosure of the facts alleged herein to the injury of Plaintiff and Class members.
17
18
19
20
21

22 65. By reason of the conduct alleged herein, Defendants knowingly or
23 recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and
24 Rule 10b-5 promulgated thereunder.
25

26 66. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff
27 and the other members of the Class suffered damages in connection with their respective
28 purchases, acquisitions and sales of the Company's securities during the Class Period,

1 upon the disclosure that the Company had been disseminating misrepresented financial
2 statements to the investing public.

3
4 **COUNT II**

5 **(Violations of Section 20(a) of the Exchange Act Against The Individual**
6 **Defendants)**

7 67. Plaintiff repeats and reallege each and every allegation contained in the
8 foregoing paragraphs as if fully set forth herein.

9
10 68. During the Class Period, the Individual Defendants participated in the
11 operation and management of Edison, and conducted and participated, directly and
12 indirectly, in the conduct of Edison business affairs. Because of their senior positions,
13 they knew the adverse non-public information about Edison misstatement of income and
14 expenses and false financial statements.
15

16
17 69. As officers and/or directors of a publicly owned Company, the Individual
18 Defendants had a duty to disseminate accurate and truthful information with respect to
19 Edison financial condition and results of operations, and to correct promptly any public
20 statements issued by Edison which had become materially false or misleading.
21

22
23 70. Because of their positions of control and authority as senior officers, the
24 Individual Defendants were able to, and did, control the contents of the various reports,
25 press releases and public filings which Edison disseminated in the marketplace during
26 the Class Period concerning Edison results of operations. Throughout the Class Period,
27 the Individual Defendants exercised their power and authority to cause Edison to engage
28

