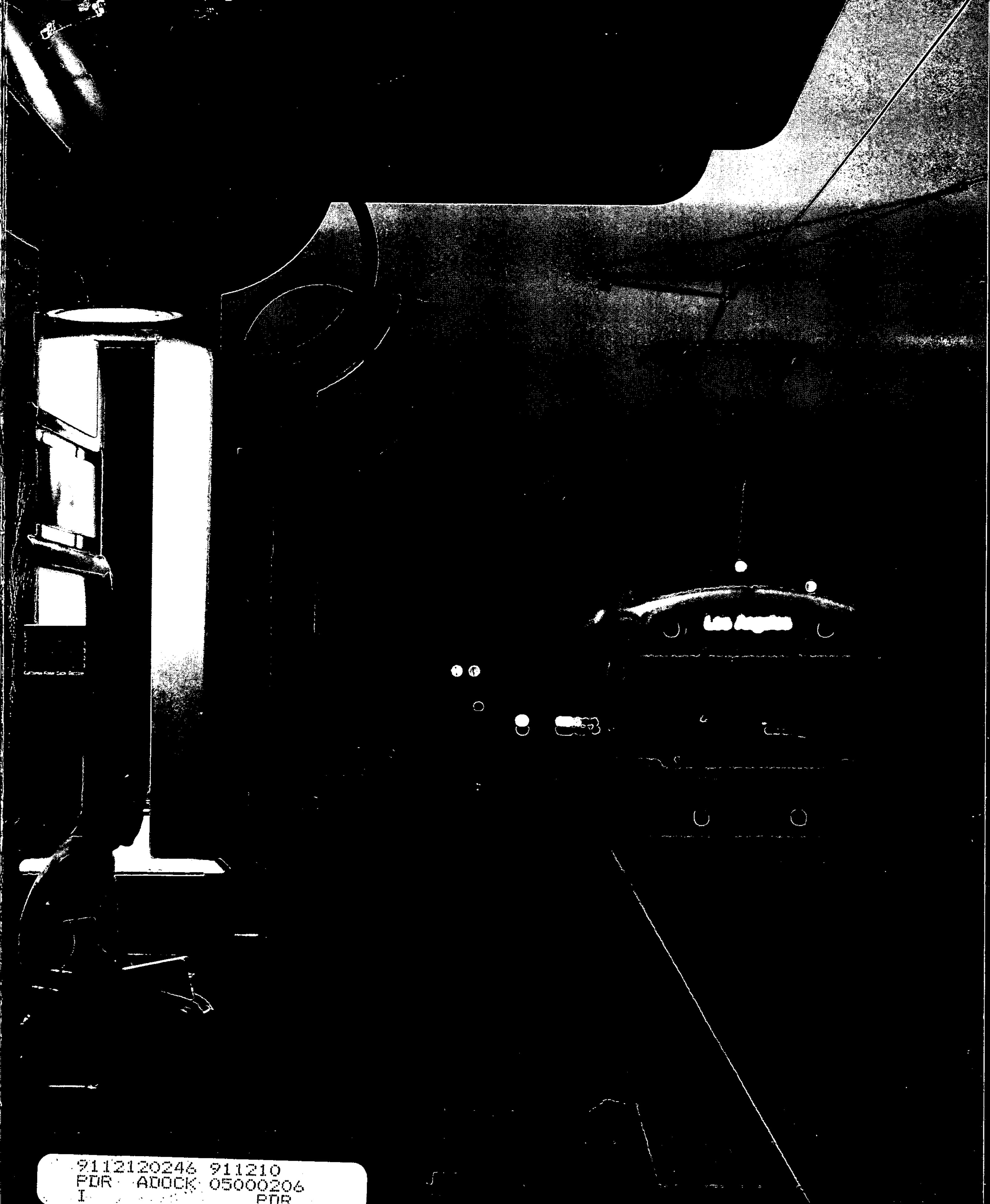
1990 Annual Report · *Electricity on a Fast Track*



Corporate Profile

SCEcorp is the parent holding company of Southern California Edison Company, the nation's second-largest electric utility, and three principal nonutility subsidiaries of The Mission Group. With headquarters in Rosemead, California, SCEcorp is primarily an energy-services company whose subsidiaries have combined assets of more than $16 billion.

SCEcorp's largest subsidiary is Edison, a 104-year-old regulated utility that provides electric service to 4 million customers in Central and Southern California. Edison's service territory covers 50,000 square miles and has a population of more than 10 million. This area has one of the nation's fastest growing and most prosperous and diversified economies.

The Mission Group's subsidiaries include Mission Energy Company, Mission First Financial and Mission Land Company. They operate throughout the United States and abroad in businesses generally related to the corporation's expertise in the energy industry. These nonutility subsidiaries focus on such areas as electric power generation, financial investments and real estate development.

Cover

Electricity powers a light-rail train of the Blue Line leaving Willow station along a 22-mile route between Long Beach and Los Angeles. The Blue Line is a clean and efficient system that began service in July and will be expanded throughout the Los Angeles Basin. This rapid-transit system is aimed at relieving traffic congestion and air pollution in the urban area. Edison worked with transportation agencies during construction of the line and supplies most of its electricity.

Advanced technologies using electricity play a key role in Edison's efforts to help its customers improve productivity, enhance energy efficiency and protect the environment. (See section called, *Special Focus: Smart Electric Solutions* on page 8.)

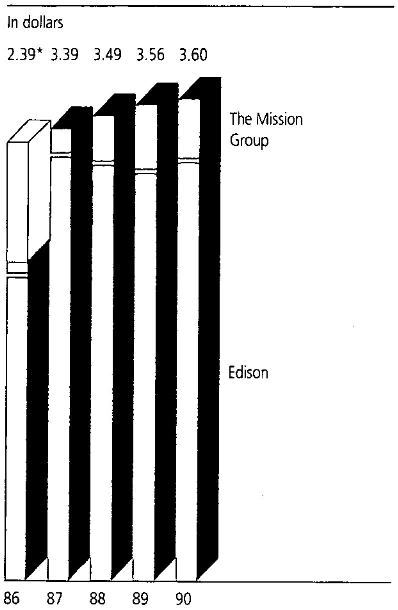
Contents

Financial Highlights

Dollars in thousands, except per-share data		1990	1989	Increase (decrease)	Five-year compound annual growth rate
SCEcorp	Revenue	**$7,198,531**	$6,904,386	4.3%	6.7%
	Net income	**$786,360**	$778,241	1.0	2.3
	Earnings per share	**$3.60**	$3.56	1.1	2.0
	Dividends (current rate)	**$2.64**	$2.56	3.1	4.1
	Rate of return on common equity	**14.5%**	15.0%	—	—
	Dividend payout ratio	**72.8%**	71.3%	—	—
Southern California Edison	Revenue	**$6,986,460**	$6,524,474	7.1%	6.2%
	Earnings available for SCEcorp common stock	**$692,627**	$678,642	2.1	0.0
	Earnings per share*	**$3.17**	$3.10	2.3	(0.3)
	Rate of return on common equity	**15.0%**	14.7%	—	—
The Mission Group	Net income	**$94,019**	$99,893	(5.9)%	62.5%
	Earnings per share*	**$.43**	$.46	(6.5)	60.8
	Equity capital	**$904,282**	$735,263	23.0	46.4
	Assets	**$1,762,199**	$1,408,199	25.1	59.3
	Rate of return on common equity	**11.8%**	17.2%	—	—

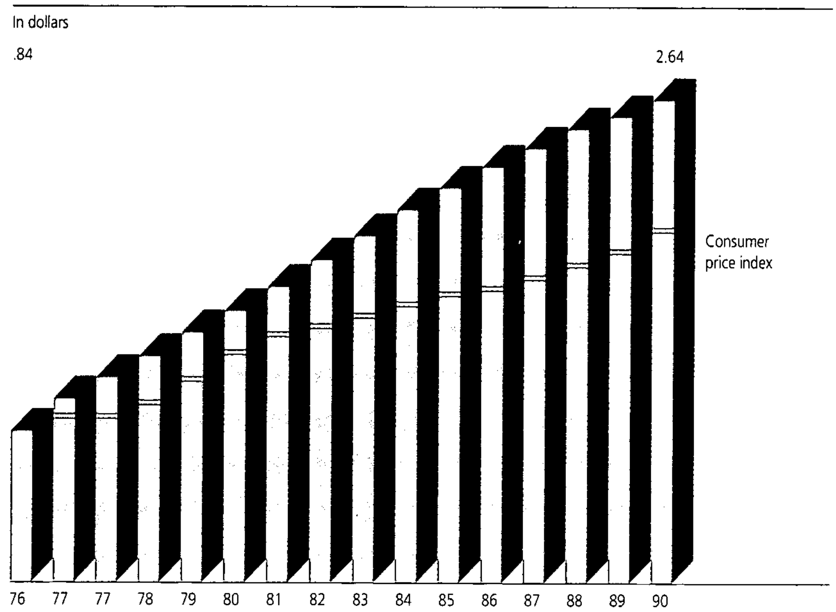
**Based on weighted-average shares of SCEcorp common stock outstanding.*

Earnings Per Share
(SCEcorp)



*Restated to reflect disallowance of nuclear-plant construction costs.

Annual Dividend Rate Per Share
(SCEcorp)



The Year at a Glance

Financial

- SCEcorp's earnings per share of common stock increased 4 cents to a record $3.60 in 1990 *(Page 31).*
- SCEcorp's earnings were a record $786 million and revenue was a record $7.2 billion *(Pages 3 and 31).*
- SCEcorp declared its 15th increase in common stock dividends in 14 years; the annual dividend is now $2.64 per share.
- SCEcorp's common stock provided a total return of 3.1% in 1990 from price changes and dividends, compared with a decrease of 4.5% for the Dow Jones Utility Average (DJUA) and a 0.5% drop for the Dow Jones Industrial Average (DJIA). Over the past 10 years, SCEcorp's common stock provided shareholders an average compounded return of more than 21% annually, compared with 15.8% for the DJUA and 15.5% for the DJIA.
- Edison remains the only California electric utility with bonds rated AA by both major bond-rating agencies.
- Edison's earnings increased 2.1% to $693 million *(Pages 20 and 31).*
- The Mission Group's three ongoing nonutility subsidiaries had earnings of $111 million, up 19%. However, these earnings were partially offset by $17 million in operating losses and reserves established for the discontinued Mission Power Engineering subsidiary *(Pages 26 and 31).*

Operational

- Edison's total electric sales rose 3.6%, compared with 1.8% in 1989 *(Page 20).*
- Edison gained 90,729 new customers *(Page 20).*
- Edison opened the nation's largest, most comprehensive facility to promote energy-efficient and non-polluting electric technologies for its customers. This innovative facility received widespread national attention from the media as well as environmental, regulatory, consumer and utility groups *(Page 9).*
- Edison made a major new commitment to energy conservation by introducing, with a coalition of statewide groups, new and intensive programs that double its conservation expenditures to a total of $141 million over 1990 and 1991. New state regulations now provide Edison the opportunity to earn a return on most of its conservation investments *(Page 12).*

Regulatory

- The Federal Energy Regulatory Commission and the California Public Utilities Commission completed hearings on Edison's proposed merger with San Diego Gas & Electric. Edison awaits decisions by both commissions *(Pages 14 and 34).*

Letter to Shareholders

The marketplace in which we do business is changing.

1990 was a good year for SCEcorp. We had record revenues and earnings, and raised our dividend for the 15th time in the last 14 years. We also enhanced service to our utility customers and further developed our nonutility businesses, preparing us for a more competitive future.

Financial Overview

SCEcorp's earnings in 1990 were a record $786 million, up 1% from 1989. Our utility subsidiary, Southern California Edison, earned $693 million, up 2% from 1989. Our three active nonutility subsidiaries earned $111 million, up 19%. These nonutility earnings were partially offset by $17 million in operating losses and reserves established for Mission Power Engineering, our discontinued engineering and construction subsidiary. SCEcorp stock continued to outperform the utility industry and the major stock indexes in total return to shareholders on a one-year, five-year and 10-year basis.

New Competition

The marketplace in which we do business is changing, and we are transforming ourselves to respond effectively.

Utility companies such as Edison no longer have a near-monopoly on electricity generation. While our customers have been served well by our utility power plants, future construction of generation facilities in most cases will be subject to competition. Over the past five years, an ever-growing proportion of the generation capacity added in the United States—57% last year—was built by companies that are not utilities.

At Edison, we will not back away from this competition. As the California Energy Commission has recognized, the most economical source of new generation for Edison's customers in the next decade will be the repowering of certain of our existing power plants for increased efficiency and reduced air emissions. Nonetheless, it is likely that a significant proportion of the new generating capacity required for our customers in the next decade will be provided by nonutility businesses, from which Edison will purchase power under long-term contracts.

As a result of these changes, a larger percentage of our total utility investment will be in transmission and distribution facilities, and energy-efficiency programs. Because we serve a rapidly growing service territory, Edison's investments in transmission and distribution in the last five years have helped to offset the effect of our reduced investments in new power plants, and we project that this will continue to be true in the current decade.

Our most intensive work focuses on two pressing problems in Southern California—poor air quality and transportation gridlock.

Customer Service: New Electric Technologies

One of the most important priorities for us in 1990 was the development of new approaches to help our customers meet their energy needs. Our most intensive work focuses on two pressing problems in Southern California—poor air quality and transportation gridlock.

Southern California businesses increasingly face competitive threats because of costs and production restrictions imposed by air quality regulations established to help our region meet federal clean-air standards. A major new mission for Edison is helping these customers identify and use new electric technologies to reduce pollution, increase productivity and preserve manufacturing jobs.

Another high-potential use of electricity is electrified transportation. Edison has been working hard in recent years to encourage development of electric vehicles. Recently, state and local governments have taken actions that give impetus to electric vehicle development. Most important among them is a new state requirement that 2% of all new vehicles sold in California by 1998—and 10% by 2003—be virtually free of emissions. Only electric vehicles can meet this requirement.

We have also participated in Southern California's growing use of electrified mass transit, such as the Blue Line light-rail train shown on the cover of this annual report. Electrified trains and buses can make a dual contribution to Southern California by reducing smog and cutting traffic congestion.

Customer Service: Energy Conservation

We have substantially intensified efforts to help our customers make the most efficient and economic use of electric energy. The importance of this commitment is underscored by the war in the Persian Gulf, as well as the intensified international competition and recession which our customers face. We need to assist our customers in getting as much productive value from our product as possible. Building on our extensive experience over the past decade, we provide an array of more than 50 cost-effective energy-management and conservation programs.

In 1990, with the assistance of environmental and consumer organizations, the California Public Utilities Commission (CPUC) created a regulatory framework that gives Edison the opportunity to earn a profit on funds invested in cost-effective conservation programs. Thus, our customers and shareholders alike can gain from these conservation activities.

We need to assist our customers in getting as much productive value from our product as possible.

Edison's Oil Use: Nearing Zero

Edison's customer energy efficiency programs, along with our long-time leadership in developing alternate and renewable energy resources and the strong performance of our nuclear units, allowed us in 1990 to hold consumption of oil for electric generation to 3 million barrels, compared with a high of 58 million barrels in 1977.

The reduction in oil use was achieved as a result of actions taken for environmental protection and energy independence since the 1970s oil embargoes. In addition to intensified conservation efforts, we have proposed to the CPUC additional investment in San Onofre Nuclear Generating Station's Unit 1, our oldest nuclear plant, to assure that it will continue to provide safe, pollution-free power into the 21st century. And further, to minimize or eliminate oil consumption, we have made arrangements to store substantial quantities of gas underground and are investing in new pipeline projects that will bring more natural gas to Southern California.

Utility Cost Control

An important element of Edison's financial performance in 1990 was holding the increase in operation and maintenance expenses to slightly better than two percentage points below the rate of inflation. We did that despite the cost of adding more than 90,000 new customers, a double-digit increase in health-care costs, and higher than projected expenses at the Palo Verde Nuclear Generating Station in Arizona, which we partially own but do not operate.

The Mission Companies: Nonutility Business Growth

SCEcorp has been responding to the changing business environment through both its nonutility and utility businesses. Anticipating the growth in nonutility power generation, we created our Mission Energy subsidiary five years ago. With its strengths in power contracting, construction management and operation of clean and efficient power plants, Mission Energy has made itself one of the largest companies in a fast-growing new industry. It is a partner in 3,000 megawatts of generation, comprising 28 projects in seven states either in operation or under construction, and is developing an additional 2,000 megawatts.

In 1990 Mission Energy expanded its focus to international projects. The United Kingdom and other countries are beginning to expand the role of privately owned generation, creating business opportunities for Mission Energy.

We remain confident that the merger as proposed would benefit our shareholders and customers and serve the public interest.

Mission First Financial completed 11 transactions in 1990, including investments in two electric generation projects and eight affordable housing projects. Mission Land entered into five new joint-venture projects during the year and completed construction on 17 new buildings at four existing industrial parks.

Our Mission Group subsidiaries, with assets of nearly $1.8 billion, have contributed significantly to SCEcorp's profits in recent years. Together they have managed their businesses to position themselves for future growth.

Merger with SDG&E

Regulatory review of our proposed merger with San Diego Gas & Electric Company continued in 1990. The review process has now taken more than two years. We were pleased that the United States Department of Justice decided the merger would not lessen competition, and that the staff of the Federal Energy Regulatory Commission (FERC) concluded that the merger should be approved. However, administrative law judges at both the FERC and the CPUC have recommended that the merger not be approved. We remain confident that the merger as proposed would benefit our shareholders and customers and serve the public interest. As is discussed more fully on page 14 of this report, the regulatory hearings have concluded and the case has been fully submitted to both the federal and state regulatory bodies. We await their decisions.

Regulatory Proceedings Regarding Affiliate Transactions

The CPUC is conducting regulatory proceedings to examine purchased-power transactions between Edison and 13 nonutility power-production projects in which our Mission Energy subsidiary has up to 50% ownership interests. As discussed on pages 24 and 46 of this report, the CPUC in September 1990 ruled that $48 million should be disallowed from Edison's rates regarding one such affiliate project. In December 1990, the CPUC granted Edison a rehearing on its decision in this case. The rehearing could result in a reduced disallowance. In addition, the Division of Ratepayer Advocates, the consumer-advocacy arm of the CPUC, has recommended substantial disallowances with respect to two other affiliate projects.

The affiliate projects sell power to Edison under contracts that are at least as favorable to Edison's customers as the CPUC-approved "standard offer" contracts, which were available to anyone at the time Edison entered into these contracts. It is important to the company that the CPUC adopt fair and reasonable treatment of these projects.

Howard P. Allen

New Management Team

Effective October 1, we were elected as chairman and chief executive officer and as president of SCEcorp and Edison. This followed the retirement of Howard P. Allen as chairman, president and chief executive officer of both companies. Mr. Allen will continue to assist the company as a consultant and as chairman of the board's executive committee. We are greatly indebted to him for his outstanding leadership during more than 36 years of dedicated service to the company.

As of December 1, David J. Fogarty retired as executive vice president after 29 years of distinguished and valuable service. On June 1, Edison promoted Charles B. McCarthy Jr. and Harold B. Ray to senior vice presidents, and Harry E. Morgan Jr. to vice president and site manager of San Onofre Nuclear Generating Station. Also, Michael L. Noel, vice president and treasurer, was elected chief financial officer on October 1.

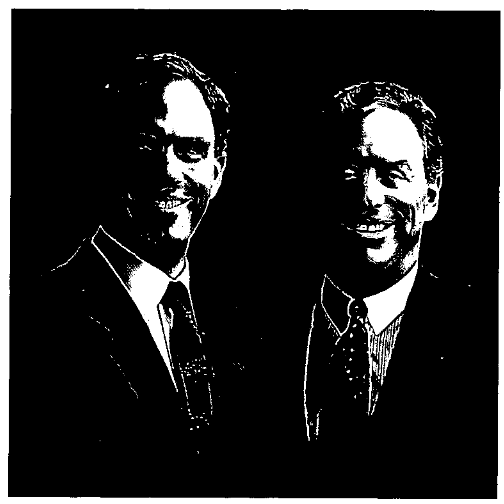
We want to recognize the dedication and skill of our 17,000 employees. Our fullest success as a national leader in the energy-services business will depend on encouraging their best ideas, initiative, judgment and enthusiasm.

Finally, we thank our board of directors and you, our shareholders, for the support and confidence you have shown in us. On behalf of the entire SCEcorp team, we commit our best efforts to serve you well.

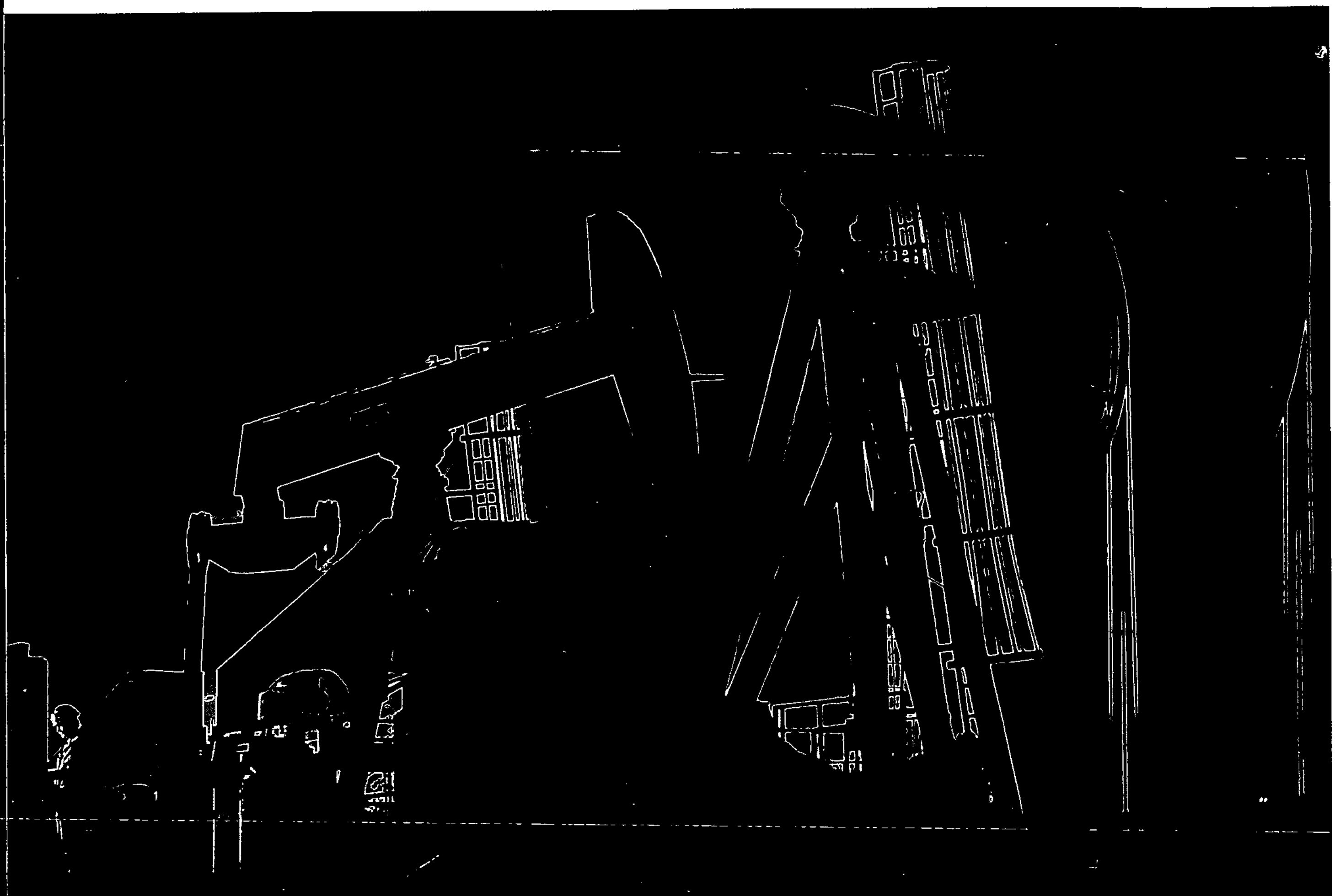
John E. Bryson
Chairman and
Chief Executive Officer

Michael R. Peevey
President

February 15, 1991



John E. Bryson Michael R. Peevey



Special Focus: **Smart Electric Solutions**

Southern California Edison has supplied reliable electric service for 104 years. In a changing business environment, the concept of good service must be expanded to meet a wider variety of customers' energy-related needs. In 1990, Edison made a major commitment to develop emerging electric technologies and promote energy conservation. These efforts are helping customers cut energy costs, increase efficiency and improve air quality.

OIL-PUMPING OPERATIONS

A large customer uses pollution-free electric motors at its oil-pumping operations in Ventura County. These motors are more reliable, easier to operate and require less maintenance than traditional internal-combustion engines. Edison works closely with many large customers to cut air emissions and comply with strict environmental requirements in oil, gas and water-pumping operations.

The Benefits of Electric Technologies

In 1989, the South Coast Air Quality Management District adopted an ambitious clean-air plan for Southern California. This unprecedented plan imposes numerous new air-emission requirements on businesses and consumers.

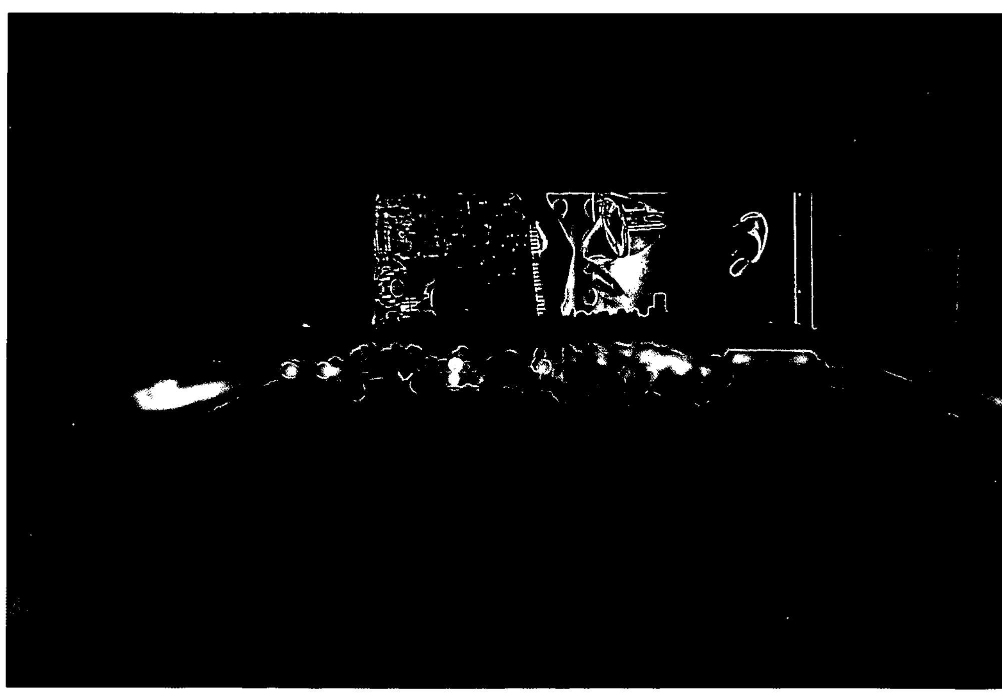
Electric technologies offer a cost-effective means to meet these requirements for many of Edison's 400,000 commercial and industrial customers. In addition, these clean and energy-efficient technologies can both reduce costs and improve product quality.

Edison has been demonstrating a host of new energy-efficient electric technologies for customers at its 23,000-square-foot Customer Technology Application Center (CTAC) in Irwindale, California. Since it opened in January 1990, the center has attracted widespread national attention, and top industry, governmental and environmental groups from all over the country have visited it.

At CTAC, visitors can participate in a variety of "hands-on" demonstrations. Industrial customers, for example, can test clean-air technologies, including ultraviolet curing and microwave and radio-frequency heating and drying. Commercial customers can learn about energy-efficient electric motors, heat pumps, lighting and new commercial cooking technologies. Residential customers and builders can see the electric "House of the Future," with its highly efficient electric appliances and home automation systems. Already, many customers have implemented in their own businesses new production methods they found at CTAC.

The Future of Electric Transportation

Electric vehicles produce 97% less air pollution than gasoline-powered ones—even counting emissions from power plants generating electricity to charge the vehicles' batteries. In the greater Los Angeles area, about two-thirds of all pollution comes from vehicles.



CLEAN-AIR COATING TECHNOLOGY

A technician from Safetran Systems Corp., an electronic equipment manufacturer, uses ultraviolet light to process the protective coating on circuit boards at its Rancho Cucamonga plant. Faced with strict new environmental regulations, the industrial customer installed this pollution-free equipment after seeing a demonstration at Edison's new Customer Technology Application Center. Businesses throughout Southern California that use coatings in manufacturing processes—such as printers, furniture manufacturers and the metal-coating industry—benefit from cost-effective electric technologies that can cut emissions and boost productivity.

Faced with that reality, air quality agencies have mandated new rules to stimulate the manufacture of low-emission vehicles. In 1990, the California Air Resources Board mandated that 2% of all new cars sold annually in the state by 1998, or 40,000 vehicles, must produce no emissions. That figure will rise to 10% of all new cars by the year 2003, or 200,000 vehicles. These goals will help establish a large market for clean electric vehicles in the coming decade. In response, all three American auto makers are developing electric vehicles.

In 1990, Edison worked closely with public and private organizations on programs to help commercialize electric vehicles. For example, Edison loans its fleet of 17 large electric vans to cities, counties and private companies to demonstrate their practical value. The company is testing two advanced vans produced by Chrysler Corp., which go 65 miles per hour and 120 miles between recharges. In addition, Edison joined the Los Angeles Department of Water and Power in a $7 million project to help bring 10,000 electric vehicles to Southern California by 1995.

Edison will have enough generating capacity over the next decade to recharge 1 million vehicles each night. This would make more efficient use of power plants, thereby reducing the average cost of electricity for all customers.

Electric transportation goes beyond electric vehicles—it also means electrically powered light-rail, heavy-rail and magnetic-levitation trains. A major success story in 1990 was the 22-mile-long Blue Line, the first link of a 300-mile mass-transit network to be built in Southern California. Edison worked closely with transit officials in planning the system—and now supplies about two-thirds of its power. The Blue Line already carries more than three times the passengers originally projected. Other links in the rail network—the planned Green Line to the Los Angeles International Airport and the downtown Los Angeles Red Line—should be operating within three years.

ELECTRIC VEHICLE

Edison employees test the company's new prototype TEVan, a non-polluting electric minivan for fleet and personal transportation. A joint project of Edison and various government and industry groups, the Chrysler-built TEVan uses advanced nickel-iron batteries that provide a driving range up to 120 miles and a top speed of 65 miles per hour. In addition to this TEVan, Edison has 17 full-size electric cargo and passenger vans that it loans for demonstration to its larger fleet customers. Vehicles cause most of the smog in the Los Angeles area, and air quality officials have mandated more clean-fuel vehicles on California roads.

PRODUCE FIRM

The Kirk Produce Company in Placentia uses a specialized energy-efficient cooling system to prolong the shelf life of its fruits and vegetables. With assistance from Edison, the customer cut its electricity bills by installing a thermal-energy storage system that makes ice at night when electricity costs are low. It uses fans in the day to cool and humidify the produce. This technology also enables Edison to use its generating plants more efficiently by shifting customers' demand for electricity from peak periods to off-peak times.

A Blueprint for Energy Efficiency

Another key element in supplying better service to customers is energy conservation. A kilowatt-hour of electricity saved through improved efficiency is as valuable to the economy as a kilowatt-hour consumed. Using energy wisely cuts air pollution as well as electricity bills.

In response to recommendations from a broad coalition of public and private groups, the California Public Utilities Commission in 1990 approved a far-reaching array of programs giving consumers and utilities incentives to conserve energy. For its part, Edison will nearly double spending on these energy-efficiency programs to a total of $141 million for 1990 and 1991. With other programs, the company plans to spend more than $180 million for all its energy-management activities during this two-year period.

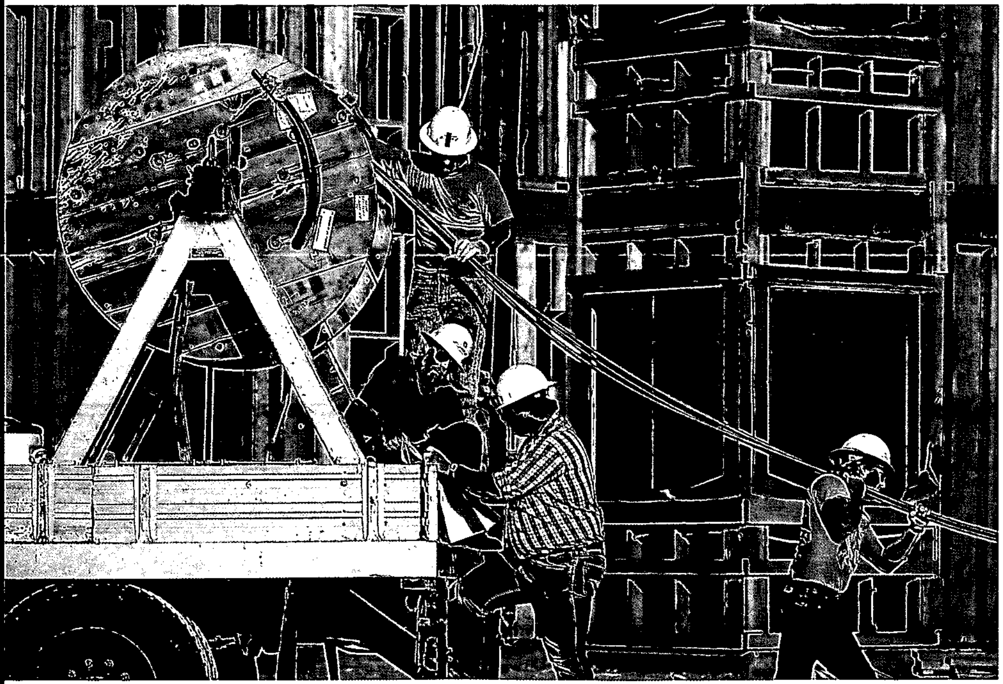
Under new and expanded programs, Edison offers incentives to commercial and residential builders to construct offices, factories and homes that go beyond California's already stringent efficiency standards. These energy-saving measures include home insulation and greater use of advanced technologies, such as energy-efficient lighting, electric motors, and heating and cooling systems.

The company also offers rebates to customers who install efficient appliances. In addition, Edison has increased funding for its light-bulb replacement program. Since 1985, Edison has distributed 1 million compact-fluorescent light bulbs to low-income customers. They last nine times as long as conventional light bulbs, while using only one-quarter the energy. In all, they save customers nearly $9 million annually through lower electricity bills.

These new programs recognize the value of energy efficiency. Under them, regulators allow Edison the opportunity to earn a profit on most of its energy-efficiency investments—similar to the traditional return on building a power plant or any other capital investment. As a result, shareholders as well as customers can benefit from energy conservation.

DESIGN WINNER

The new Social Services Center in Santa Barbara uses much less energy than conventional buildings. The energy-efficient features include highly efficient lighting, heating and air conditioning—and other specialized features like motion sensors that shut off lights when employees leave a room. The center won a top award in the Design for Excellence program, jointly sponsored by Edison and the California Energy Commission. The program encourages energy-efficient design and construction of new buildings above minimum state standards.



RESIDENTIAL CONSTRUCTION

An Edison service crew pulls cable to provide electric service at a construction site for energy-efficient homes in Thousand Oaks. The company's Welcome Home program encourages energy-efficient buildings. In 1990, agreements were signed with builders to construct more than 33,000 residential units that surpass state energy-efficiency standards by 10% to 30%. Edison helps builders promote these dwellings and also provides Welcome Home buyers with assistance in cutting electric bills.

Review of Pending Merger

The proposed merger of Edison and San Diego Gas & Electric Company (SDG&E) is a top priority for the company. The combined utility would have nearly $8.7 billion of annual revenue, 5.1 million customers, assets of $18.2 billion and a service territory of 54,100 square miles from Central California to the Mexican border.

The merged company would be stronger financially and operationally than either utility standing alone and better able to compete in a changing business environment. It would produce more stable revenue and earnings, a more diverse customer base, better growth opportunities and overall customer savings of $1.7 billion in the 1990s.

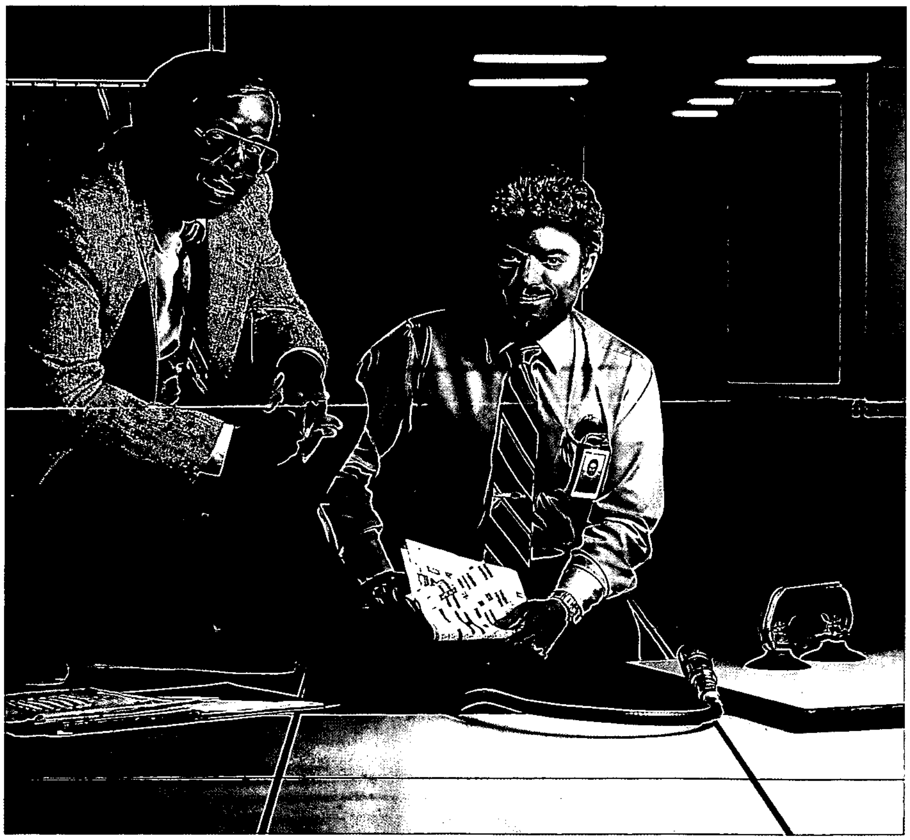
The boards of directors of SCEcorp, Edison and SDG&E agreed in November 1988 to merge the two utilities. The companies' shareholders later approved the merger at their annual meetings in April 1989. The merger must be approved by the California Public Utilities Commission (CPUC) and the Federal Energy Regulatory Commission (FERC).

Regulatory Actions

In 1990, the FERC and CPUC completed 123 days of hearings with testimony from 60 witnesses. The regulatory review of the merger proceeded through several important steps:

MERGER PLANNING

Rich Garza (left) of San Diego Gas & Electric and Richard Fox from Edison plan the integration of the two companies' computer systems at Edison's Irvine Operations Center. Twenty-two transition teams from the two utilities have been working together for months to ensure a smooth and efficient integration of facilities and operations after the merger is approved.



- An environmental impact report prepared by the CPUC determined that the merger will result in substantial reduction of air pollution in Southern California because Edison's power plants are newer and more efficient than SDG&E's. In specific areas where additional emissions are forecasted, Edison has reached agreements with local air quality agencies to provide further emission controls.
- In June, Edison reached agreement with the United States Department of Justice on merger conditions that would resolve its antitrust concerns. Edison agreed to accept conditions that will provide additional transmission service to interconnected utilities when it does not harm Edison's customers or interfere with preexisting contractual commitments.
- In November, a FERC administrative law judge recommended against the merger. In 1988, the same administrative law judge also recommended against the PacifiCorp-Utah Power & Light merger, which the FERC ultimately approved by a 3-0 vote. In Edison's merger proceeding, the United States Department of Justice and the FERC staff each urged the commission to reject key portions of the administrative law judge's recommendation. Both said that the merger complies with federal merger guidelines. The FERC staff supported the position of Edison and SDG&E that the merger would produce economic benefits shared by utility customers. These benefits would include lower electric rates for customers of both Edison and SDG&E, and improved service for San Diego residents.
- On February 1, 1991, the administrative law judges assigned to review the merger at the CPUC recommended against the proposed merger. Although they recognized more than $1 billion of consumer benefits from the merger during the decade, they also found that the merger would harm competition. This decision is not binding on the CPUC's commissioners, who are expected to make their decision in 1991.

Throughout the year, Edison's representatives met with San Diego community leaders to improve mutual understanding and provide them with information about the merger. Despite these efforts, the City of San Diego and some local groups have opposed the merger, largely because they do not want to lose a hometown headquarters. Other parties opposing the merger include the California Attorney General's Office.

Assuming the merger is approved, each SDG&E common share would be exchanged for 1.3 newly issued SCEcorp common shares. Existing SDG&E preferred and preference shares would be exchanged for newly issued SCEcorp preferred and preference shares on a share-for-share basis.

A Commitment to Excellence

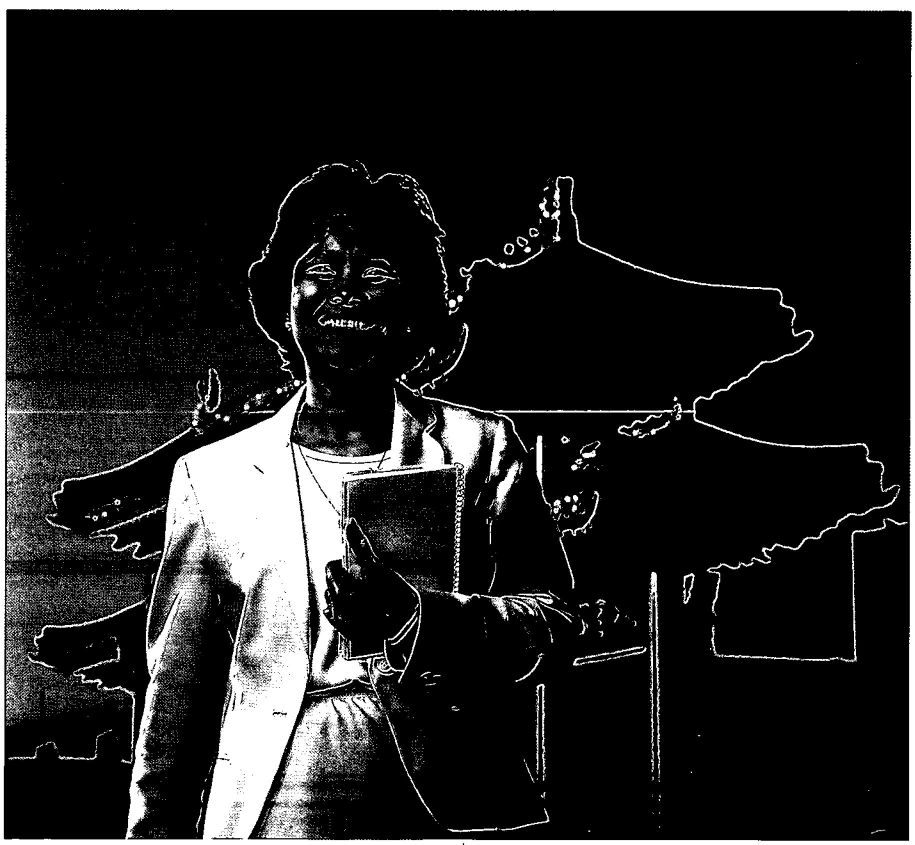
In 1990, Edison employees demonstrated their professionalism throughout the service territory. Service crews and others responded rapidly and worked 150,000 hours to restore service when fires or winds caused electric outages. The length of non-storm outages dropped 5% due to continuing emphasis on system maintenance. Telephone representatives handled 7.1 million calls from customers in 1990, a 7% increase over 1989.

Focus on Customers

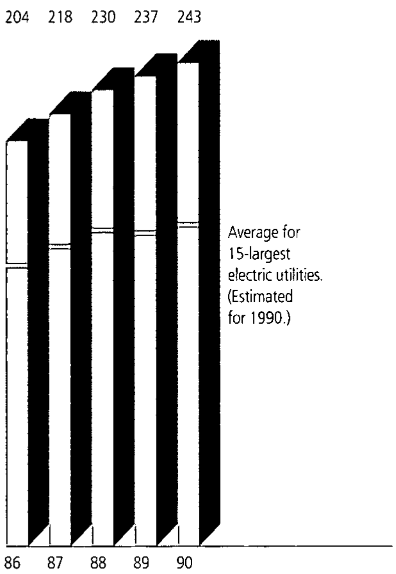
In response to rapidly changing demographics in Southern California, Edison has expanded services to non-English-speaking customers. The company has translated basic information for customers on billing procedures, conservation and safety and made it available at company offices. Edison also has a toll-free telephone service with representatives fluent in Spanish, Chinese (Mandarin and Cantonese), Vietnamese, Cambodian and Korean. Bilingual volunteers from the company's new multi-ethnic Speakers' Bureau make presentations on a variety of energy-related topics. The Edison Electric Institute, the electric utility industry's national trade association, recognized these communication programs by presenting the company with the 1990 Common Goals award for quality service.

MULTI-ETHNIC PROGRAMS

Energy Services Representative Hanh Nguyen advises residential and commercial customers in the Little Saigon area of Westminster on ways to conserve energy and reduce costs. The company translates information on billing, energy conservation and safety for its growing population of non-English-speaking customers. Edison has established toll-free telephone service using representatives fluent in various languages.



Ratio of Customers to Employees (Edison)



During the year, Edison representatives made presentations to numerous senior-citizen groups on energy use, emergency preparedness and safety. Under the company's Good Neighbor program, initiated in 1988, employees refer elderly people needing assistance to various community organizations for medical care, meals and transportation. Other noteworthy customer service achievements included:

- Providing energy conservation services to 80,000 low-income and other customers with special needs, including bilingual assistance and free installation of energy-efficient appliances;
- Encouraging more efficient energy use by conducting nearly 112,000 free energy audits for residential customers, and responding to 200,000 telephone calls about conservation on Edison's toll-free line;
- Paying part of the winter electric bills of 12,000 low-income, elderly and disabled customers. In its eighth year, Edison's Winter Energy Assistance Fund contributed more than $500,000, matching contributions from customers; and
- Offering a 24-hour, toll-free telephone number for speech- and hearing-impaired customers.

Needs of Large Customers

By intensifying and specializing its service, Edison has stemmed the potential loss of large commercial and industrial customers that considered leaving Edison's service territory or installing their own electric generating systems. Such companies include aerospace, plastics manufacturing and food concerns. Edison's experts recommended strategies, rate options, process modifications and electric technologies to increase productivity, improve product quality, decrease costs and improve air quality. Edison also helped many of these customers take advantage of financial, educational and employment assistance programs available through state and local government agencies.

Promoting Equal Opportunity

Equal opportunity is a top priority at Edison. In 1990, the company began implementing a comprehensive equal opportunity pledge made in 1989. By the end of 1990, Edison had exceeded many of its goals. Women and minorities hold 18% of the top 500 positions, just two percentage points short of the company's 1995 goal. Women and minorities hold 14% of the top 100 positions, surpassing the corporate goal of 10% by 1995 and well on the way to achieving the 20% goal by 2000. The advancement of minorities and women will not come through quotas. Instead, employees will be promoted on merit. Edison is committed to ensuring there will be no barriers to advancement by employees who perform well.

Edison's 1990 purchases from minority- and women-owned businesses grew to more than 17% of its approximately $1 billion in procurement contracts. The company expects these purchases to rise to 20% by 1993, thereby meeting a goal first established with the CPUC in 1988. Edison expects to reach the 30% target established in last year's pledge by 1998.

Investment firms owned by minorities and women manage $175 million, or 12% of Edison's pension fund. This is the highest percentage of any large pension fund. Furthermore, the company has $33 million in credit lines and deposits with 35 minority- and women-owned firms, making it the largest such utility program in the nation.

Percentages of male, female and minority employees at year-end 1985 and 1990

	MALE % YEAR-END		FEMALE % YEAR-END		BLACK % YEAR-END		ASIAN AMERICAN % YEAR-END		AMERICAN INDIAN % YEAR-END		HISPANIC % YEAR-END		TOTAL MINORITIES % YEAR-END	
	1985	1990	1985	1990	1985	1990	1985	1990	1985	1990	1985	1990	1985	1990
Management(1)	81.7	76.7	18.3	23.3	3.8	5.1	6.4	7.8	0.5	0.5	8.3	11.5	19.0	24.9
Administrative & operative(2)	74.3	74.9	25.7	25.1	9.4	9.1	3.7	4.5	1.1	1.4	19.8	23.3	34.0	38.3
Total Edison(3)	77.0	75.6	23.0	24.4	7.4	7.5	4.6	5.8	0.9	1.0	15.6	18.6	28.5	33.0

(1) Includes the "officials" and "professionals" affirmative action categories.

(2) Includes the "technicians," "office and clerical," "craftsmen," "operators" and "service workers" categories.

(3) Regular employees only.

Good Corporate Citizenship

Each year, Edison and its employees support a broad range of civic, charitable and cultural organizations. Overall, the corporation supported more than 2,500 non-profit organizations during the year. Edison's good will and strong ties to more than 800 communities in its service territory are integral to its business.

Support for education is a high priority and takes many forms. During the year, 100 employees and retirees participated in the new Edison Student Mentoring Program. These volunteers help disadvantaged youngsters who have received educational grants from Edison adapt to the demands of community college.

In 1990, the company expanded the number and amount of scholarships, awards and grants to students in its service territory. This included two four-year $20,000 scholarships to minority students. In all, annual awards to high school seniors and community college graduates seeking to advance themselves totaled $320,000.

In Edison's 25th United Way Campaign, employees showed their generosity by pledging a record $2.6 million—and the company another $1.2 million—to help people in need. United Way supports more than 900 charitable organizations in Edison's service territory. Employees also donated thousands of hours of their time as volunteers to various community organizations—including ones for battered women and children, the elderly and the homeless.

EMPLOYEE HEALTH CARE

Dr. Carol Peebles, staff physician, administers a treadmill test at Edison's health-care center in Rosemead. The company's flexible benefits program allows employees to choose the coverage best suited to their needs. Edison also encourages employees to maintain healthy lifestyles to help minimize overall health-care costs. Edison was the first non-medical corporation to receive accreditation by the Joint Commission on Accreditation of Healthcare Organizations. Its innovative health-care programs have reduced cost increases from 23% annually during the 1980s to 10% in 1990.

Review of Southern California Edison Company

The utility's earnings increased 2.1% to $693 million from $679 million in 1989, because of reduced taxes and improvements in several areas of operations. Revenue grew 7.1% to a record $7.0 billion from $6.5 billion in 1989.

Growth in Peak Demand, Customers and Sales

On June 27, 1990, during an extended heat wave, the Edison system met a record peak demand for electricity of 17,647 megawatts (MW), which was 10% higher than the previous record. Edison started up 21 generating units in the two days preceding the peak, and an additional 13 peaking and combined-cycle units on the peak day, achieving 100% startup reliability.

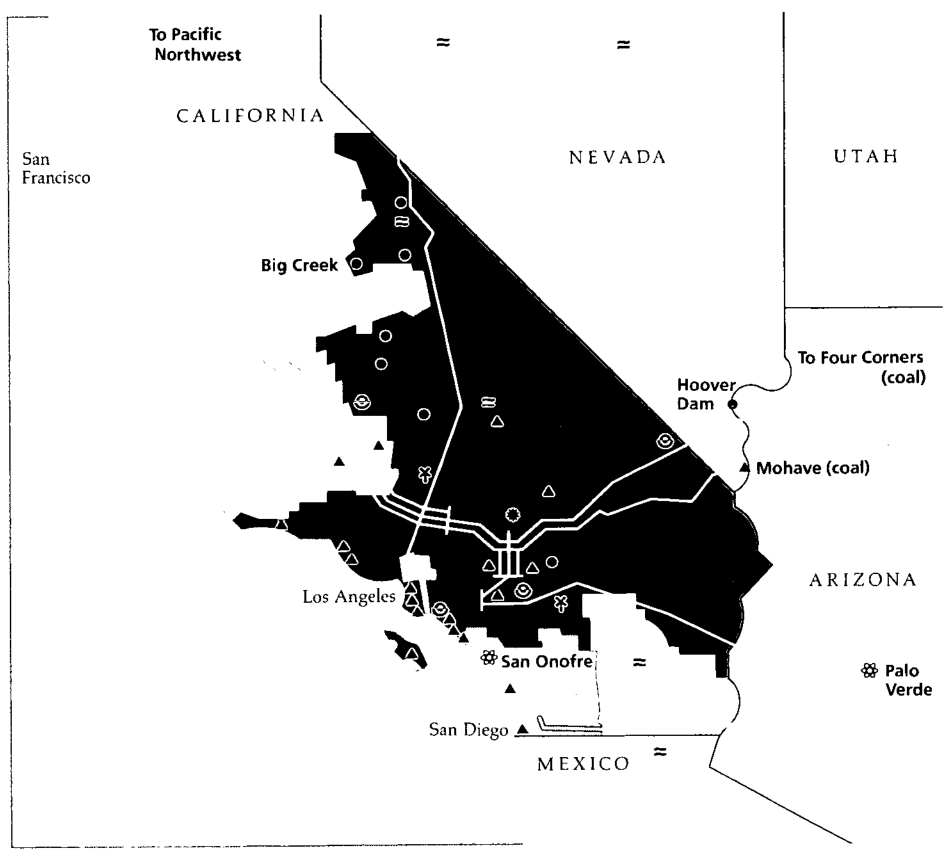
In 1990, Edison added 90,729 customers to exceed the 4 million mark. By this measurement, it is the second-largest electric utility in the United States. Edison has added nearly 450,000 new customers in the last five years.

Retail electric sales climbed 3.6% to 70.1 billion kilowatt-hours (kwh) from 67.6 billion kwh in 1989. Total electric sales in 1990, including sales to other utilities and municipalities, rose 3.6% to 71.6 billion kwh from 69.1 billion in 1989.

SERVICE TERRITORY

Edison supplies more than 4 million customers with electricity from nine energy resources, more than any other electric utility in the world. Its 50,000-square-mile service territory in Central and Southern California has one of the nation's most diversified and prosperous regional economies. To the south is the area served by San Diego Gas & Electric Company.

- ■ Southern California Edison Company service area
- □ San Diego Gas & Electric Company service area
- 〓 Extra-high-voltage transmission lines
- ● Hydroelectric
- ▲ Fossil
- Nuclear
- ≈ Geothermal
- Wind
- ✸ Solar
- Biomass



Research Focus on New Technologies

Edison's research programs seek to provide customers with better value and more choices for their energy dollars. In the last two years, the company's research has shifted from emphasizing generation of electricity to a sharp focus on energy efficiency and environmental protection. Many of these programs are directed at conservation and helping consumers and businesses use electric technologies more effectively.

In 1990, the company continued to test an advanced two-way communications and electronic metering network that links the utility with customers. These "smart" meters can offer customers a variety of energy-management choices and informational services. Eventually, this network could allow Edison to remotely read meters, connect and disconnect service, enhance operation of its distribution system, and offer time-of-use pricing and other services to customers.

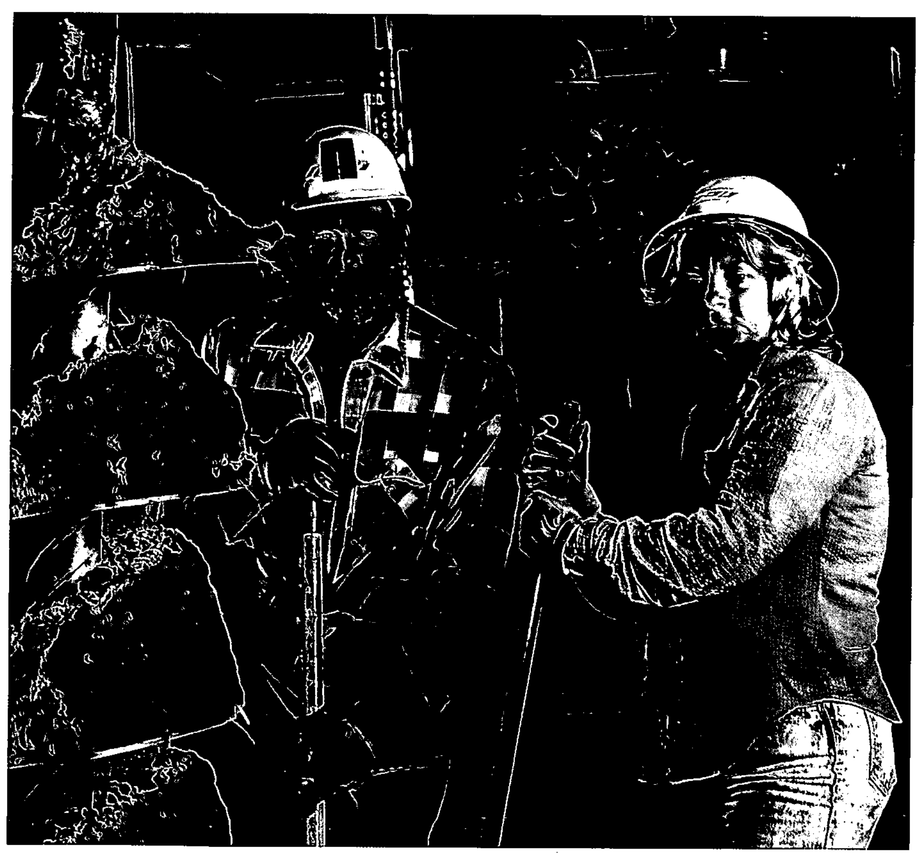
Other research projects focus on electric transportation, as well as generation and transmission improvements.

Diverse Generating Resources

Today, Edison supplies customers with electricity from nine types of generating resources: oil, natural gas, hydroelectric, coal, nuclear, biomass, solar, wind and geothermal. About one-third of this power comes from renewable and alternative

SANTA BARBARA FIRE

Steve O'Donnell (left), Rick Torres and Diane Miller, members of a service crew from Edison's Santa Barbara district, dig holes to replace electricity poles lost in fires that destroyed nearly 700 homes and buildings and charred 4,900 acres in June and July. Working around-the-clock, 41 Edison crews installed 170 new poles and 110 transformers and restored service within 96 hours to nearly all 5,000 customers affected.



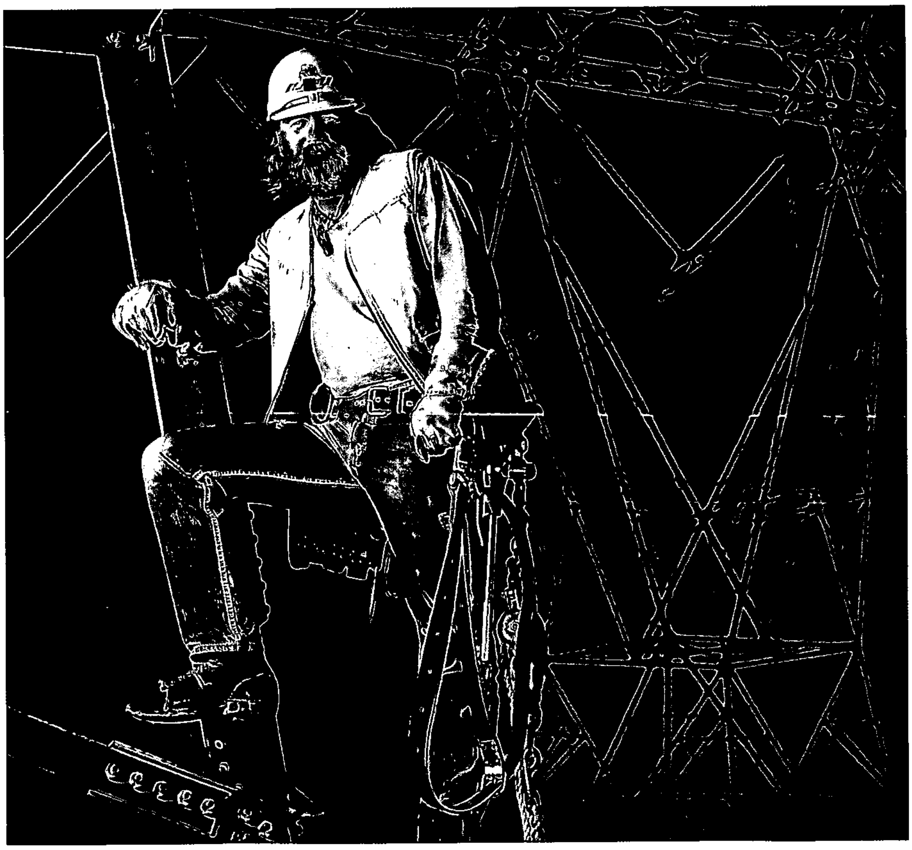
resources developed in the 1980s. This diversity provides considerable protection against supply disruptions and volatility in world energy markets.

In the 1990s, Edison plans to add new transmission capacity for more access to power from neighboring regions and to avoid construction of costly new power plants. In this decade, purchases from outside sources will remain a major source of power. The company also seeks to reduce costs by: greater short-term ("spot-market") purchases of electricity; expansion of conservation and load management programs; improvements in existing power-plant efficiency; and repowering of older oil- and gas-fired units with new combustion turbines that reduce air emissions and increase efficiency.

Performance of Nuclear Plants

During the year, 20% of customers' electricity needs was generated by nuclear power plants in California and Arizona. This nuclear energy saved 26 million barrels of oil or its equivalent in natural gas, resulting in fuel savings of about $363 million.

The three units at the San Onofre Nuclear Generating Station generated nearly 15% of the electricity used by Edison's customers. Edison owns 80% of the 450-MW Unit 1 and 75% of Unit 2 and Unit 3, which have a combined capacity of 2,150 MW. The company manages and operates the three units.

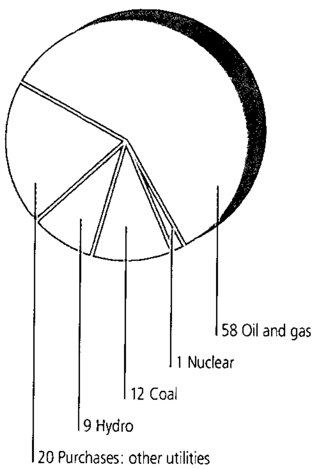


PACIFIC INTERTIE

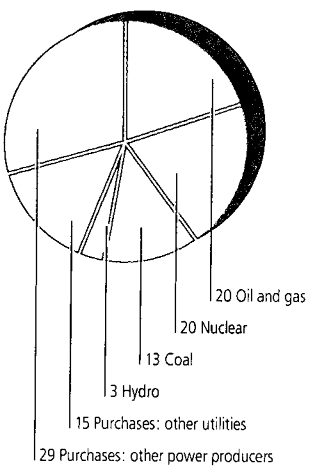
Lineman/splicer Bob Fox helps to maintain a tower of the Pacific Intertie transmission system near Palmdale. The line is a major transmission link between California and the Pacific Northwest for sales and purchases of power. Edison is expanding its transmission facilities to enhance reliability and provide greater access to low-cost energy in neighboring states and the Pacific Northwest. Edison plans to have 5,300 MW of transmission access to the Pacific Northwest and Southwest by 1997.

Generation Mix (Edison)
In percent

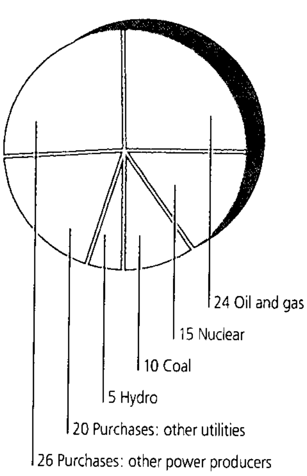
1980



1990



2000 Projected



Together, the San Onofre units operated on average at 74% of their capacity for the year, exceeding the 1990 national average for nuclear plants. San Onofre ranked among the top four sites nationwide in electricity production. Unit 1 was shut down for the last six months of 1990 for its 10th refueling outage, which extended into 1991 to replace reactor components. Unit 3 completed a three-month outage for refueling in mid-July.

Edison owns a 15.8% interest in the Palo Verde Nuclear Generating Station near Phoenix, Arizona. The three 1,221-MW units are managed by Arizona Public Service Company. In 1990, these units together produced on average at 64% of their capacity.

Higher Fuel and Purchased-Power Costs

Fuel and purchased-power costs are Edison's largest expenses in supplying electricity to customers. These costs rose from $2.63 billion in 1989 to $2.90 billion in 1990. Most of this increase was due to large increases in purchases from nonutility power producers. These purchases were made under contracts required by federal law and state regulation.

Natural gas was the primary fuel used in Edison's 55 gas- and oil-powered generating units. During the past three years, Edison's gas supplies have been curtailed about 30% of the time. In response to these curtailments, the CPUC permitted Edison to lease gas storage space from Southern California Gas Company for the second consecutive year. By using stored gas, Edison can avoid burning oil, which produces higher air emissions.

To avoid these gas curtailments, more gas pipeline capacity into California is needed. In 1990, Edison continued to negotiate details of a 1989 agreement with a subsidiary of Pacific Gas & Electric Company to construct a major gas-pipeline expansion project. Edison has an option to become a 20% equity owner in this project, which eventually will supply 30% to 40% of its gas needs from Canada. This expansion project is scheduled for completion in late 1993.

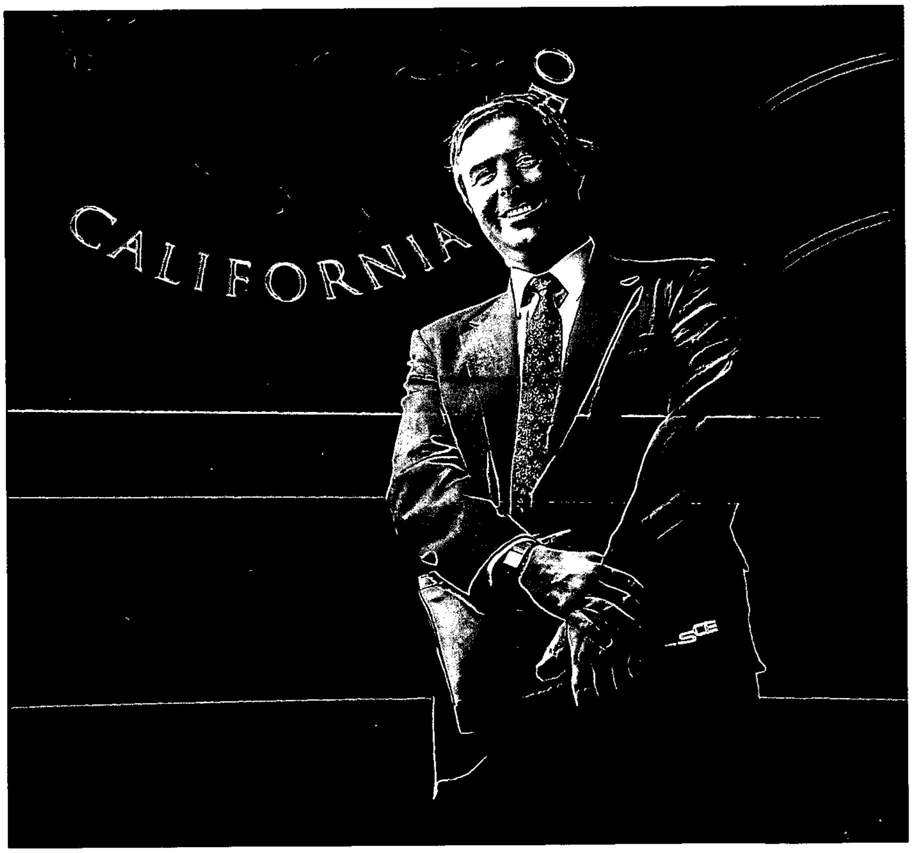
In late 1990, Edison also signed 15-year contracts for firm supplies with four Canadian companies that will supply a total of 200 million cubic feet of natural gas daily beginning in 1994. Edison also is seeking new firm gas supplies from sources in Wyoming and the Southwest.

Regulatory Review

Rate Approvals Edison received approval for a number of revenue changes in 1990, resulting in a net annual rate increase of 2.0%, or $133 million. Additional changes effective January 1, 1991, further increase revenue by $464 million, or 6.8%. The major elements contributing to these rate changes included a $93 million decrease on February 1, 1990, related primarily to changes in fuel and purchased-power costs, offset by a $459 million increase on January 1, 1991; and rate increases of $186 million in 1990 for a phase-in plan approved by the California Public Utilities Commission (CPUC) to recover the company's investment-related costs in the Palo Verde Nuclear Generating Station in Arizona.

1992 General Rate Case In December 1990, the company filed its 1992 General Rate Case application with the CPUC. The filing requests a $154 million increase, or 2.2%, beginning January 1, 1992, to cover increases in the company's costs of doing business. The CPUC will issue a decision by year-end 1991.

Purchased-Power Reasonableness Review On September 25, 1990, the CPUC disallowed $48 million ($37 million plus interest) of Edison's purchased-power expenses from mid-1985 through late 1987. The disallowance is for power purchased from Kern River Cogeneration Company (KRCC), a nonutility power producer that is



REGULATORY ACTIVITIES

John Hughes, manager of Edison's Regulatory Affairs, frequently meets with the regulatory staff of the California Public Utilities Commission in San Francisco. During 1990, Edison representatives attended hundreds of meetings, workshops and formal hearings to address regulatory matters concerning the company. They dealt with a variety of issues, including natural gas pricing, environmental programs, fuel costs, new transmission projects and the 1992 general rate case.

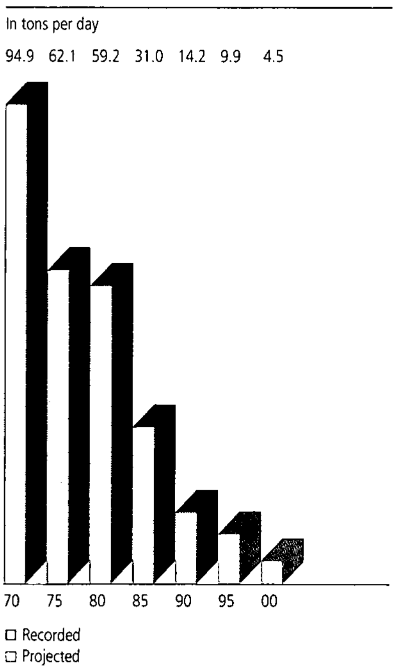
50% owned by Mission Energy Company, an SCEcorp subsidiary. The KRCC contract was found to be for the purchase of "as-available" rather than "firm" capacity. The CPUC disallowed the amount of capacity payments to KRCC exceeding those that would have been based on the as-available capacity price. In response, Edison urged a rehearing, pointing out that the decision ignores substantial ratepayer benefits, which include $31 million of savings compared with a CPUC-approved standard offer contract. In December 1990, the CPUC agreed to reconsider the amount of the disallowance; a final decision is expected in 1991.

Edison also purchases power from the Sycamore and Watson projects, both of which are nonutility power producers partially owned by Mission Energy Company. For the period of late 1987 through early 1989, the CPUC's Division of Ratepayer Advocates (DRA) has recommended disallowances of $37 million (excluding interest) for power purchased from the Sycamore project and $14 million (excluding interest) for power purchased from the Watson project. Edison strongly disagrees with these proposed disallowances. In fact, Edison's customers receive substantial benefits from these projects. Hearings on these issues are expected to be held in late 1991.

The DRA is currently reviewing Edison's power purchases from the remaining 10 nonutility power producers partly owned by Mission Energy Company, and its reports on these projects are expected in late 1991. Hearings on these projects are not expected until early 1992.

For more information, see Note 3 of "Notes to Consolidated Financial Statements," Page 46.

Average Nitrogen-Oxide Emissions (Edison)

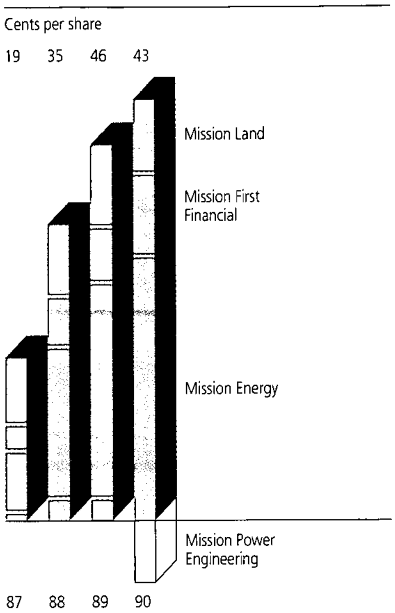


The 1990 Electricity Report The California Energy Commission (CEC) released its 1990 Electricity Report that forecasts Edison will need about 1,200 megawatts (MW) of additional generating capacity between 1996 and 1999. According to the CEC, Edison should have 800 MW of this additional power available by 1997. The need for the remaining 400 MW will be addressed in the 1992 Electricity Report.

Edison believes that repowering older oil- and gas-fired power plants is the most cost-effective, environmentally sound way to increase generating capacity. The CEC concurs with this judgment, but it proposes that half of the additional power needed by 1997 should come from renewable and alternative resources.

Review of The Mission Group

The Mission Group: Earnings Per Share



The Mission Group was established in 1987 as the parent company for SCEcorp's nonutility businesses. Its objective is to broaden SCEcorp's earnings base by developing and investing in secure businesses with growth potential.

The Mission Group's earnings were $94.0 million, compared with $99.9 million in 1989. It contributed 43 cents per share to SCEcorp earnings in 1990, compared with 46 cents per share in 1989.

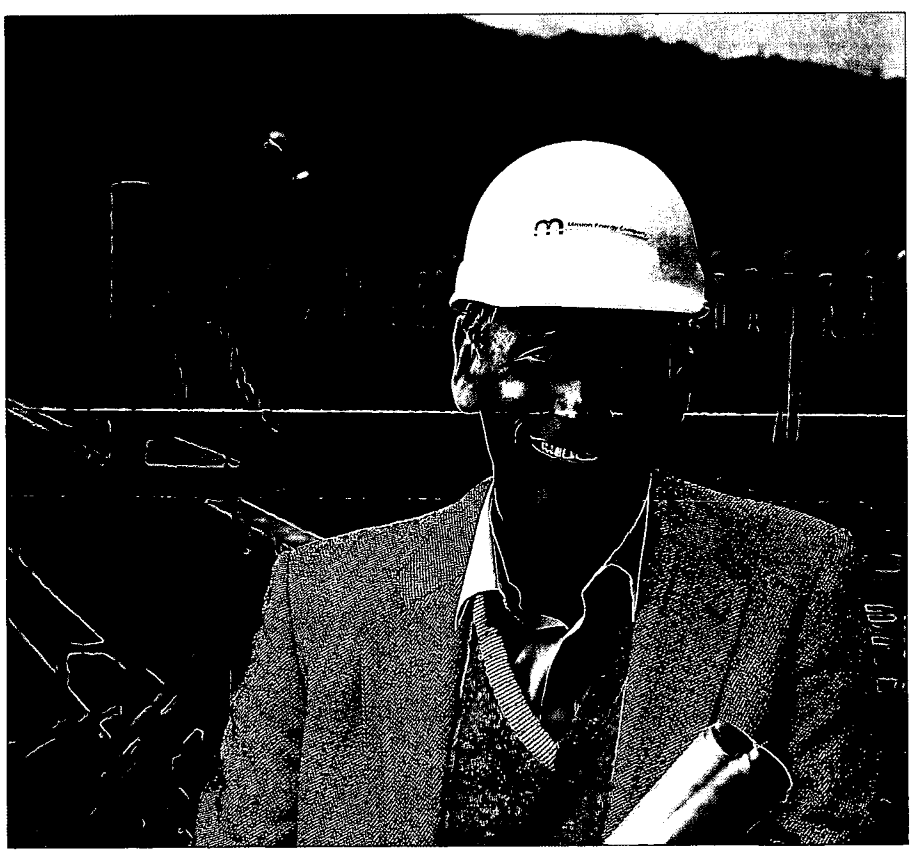
The Mission Group's two largest contributors to income—Mission Energy and Mission First Financial—in 1990 had substantially higher earnings, and Mission Land earned slightly less than in 1989. The net earnings increase at these three subsidiaries was partially offset by costs incurred and reserves established for litigation and the discontinued operations at Mission Power Engineering. At year end, The Mission Group had assets totaling nearly $1.8 billion, with SCEcorp's equity amounting to $904.3 million. The Mission Group earnings were 12% of SCEcorp's total 1990 earnings, compared with 13% in 1989.

Mission Energy Company

Mission Energy Company, the largest subsidiary, is a national leader in the ownership, development and operation of independent power generation projects, especially cogeneration and geothermal plants. The company provides a full range of services that include: management of engineering and construction work; operation

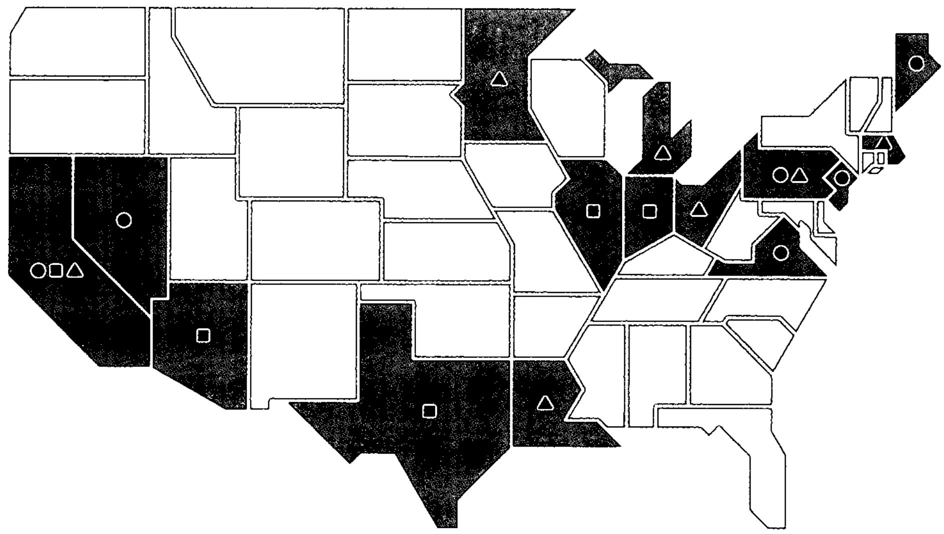
POWER PROJECT

Mario Brunasso, project manager at Mission Energy Company, oversees construction at the Salinas River cogeneration plant being built in Monterey County by Mission Energy and Texaco. Construction started in 1990 on this 33-megawatt (MW) project, the first of three that will provide electricity in the oil fields of Central California. Mission Energy, the largest subsidiary of The Mission Group, owns interest in 21 operating projects totaling 2,349 MW, enough capacity to serve 1.2 million people.



NONUTILITY PROJECTS

- ● Mission Energy Company
- ▲ Mission First Financial
- ■ Mission Land Company



and maintenance; financing of power facilities; and ownership and management of fuel supplies for its cogeneration projects.

Mission Energy owns interests in 21 operating joint-venture projects totaling 2,349 megawatts (MW), including three projects totaling 414 MW added in 1990. Seven other projects totaling 559 MW are under construction, while the company is seeking permits for six more totaling 950 MW. A number of these operating projects are in Edison's service territory. However, to avoid future regulatory issues, Edison will no longer purchase power from new Mission Energy projects without prior approval of the California Public Utilities Commission.

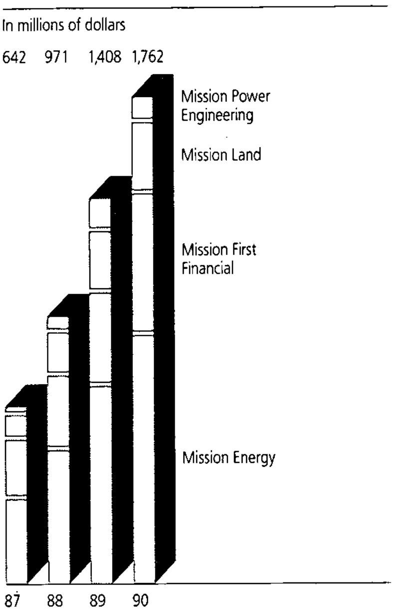
To provide a hedge against rising gas prices and guarantee fuel supplies for its projects, Mission Energy has begun to purchase interests in proven producing natural gas and oil reserves.

In 1990, the company purchased a 20% interest in Four Star Oil and Gas Company, based in Houston, Texas, from Texaco, Inc. Four Star has ownership interests in oil- and gas-producing operations in eight U.S. locations.

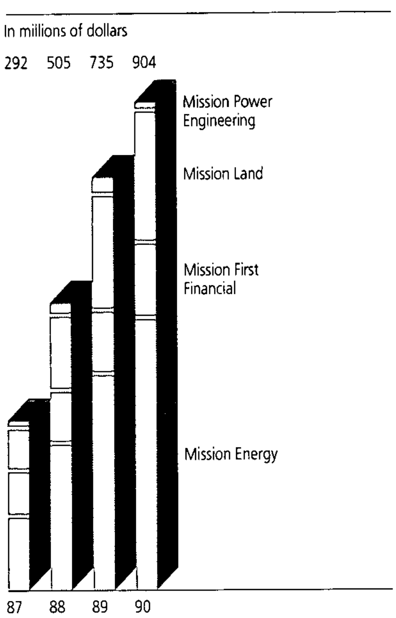
In December, Mission Energy and Texaco Canada Petroleum (TexCan) agreed to jointly purchase and operate oil- and natural gas-producing properties in British Columbia from Esso Resources Canada. The properties include: approximately 230 billion cubic feet of proven natural gas reserves and 100 billion cubic feet of probable reserves; and 4 million barrels of proven reserves of crude oil and natural gas liquids and 2 million barrels of probable reserves.

In 1990, Mission Energy's earnings increased to $69.5 million, or 32 cents a share—up more than 23%. Revenue rose to $153.8 million from $127.8 million in 1989. At year end, equity investment in the company totaled $494.7 million.

The Mission Group: Assets



The Mission Group: Equity



Mission First Financial

Mission First Financial invests primarily in energy-related projects, which represent about 70% of its portfolio. This approach allows the company to bring its specialized skills to complicated financial transactions.

Since its inception in 1987, Mission First Financial has invested in 25 projects. In 1990, it completed sale/leaseback transactions for: the 1,370-MW Midland Cogeneration Plant in Michigan; the 192-MW Vidalia Hydroelectric Plant in Louisiana; and for a Boeing 747 aircraft. In addition, the company invested in eight real estate limited partnerships to provide affordable housing for low- and medium-income people. Five of the projects are in California.

In 1990, Mission First Financial's earnings increased to $21.3 million, or 10 cents per share—up 43%. Revenue rose to $29.9 million from $25.7 million in 1989. At year end, equity investment in this subsidiary totaled $132.1 million.

Mission Land Company

Mission Land invests in real estate. It owns, develops and operates industrial parks, as well as office, retail and residential properties. The company concentrates on investments in Southern California, which is expected to remain one of the fastest growing regions in the nation into the next century.

Mission Land continues to grow through joint developments and expansion of its solely owned industrial parks. During 1990, Mission Land continued construction projects in four of its industrial parks and reached agreements for five new joint ventures in California. Mission Land sold $33.1 million in industrial property during 1990.

In 1990, Mission Land Company's earnings decreased to $19.9 million, or 9 cents per share—down 10%. Revenue rose to $48.9 million, compared with $45.7 million in 1989. Earnings were slightly lower because of a slowdown in the real estate market, but the company believes it is well positioned for future growth. At year end, equity investment in this company totaled $238.1 million.

Mission Power Engineering Company

In 1990, Mission Power Engineering lost $16.7 million, or 8 cents per share. By comparison, it earned $6.6 million, or 3 cents per share, in 1989. Revenue was $7.5 million, compared with $209.4 million in 1989. At year end, equity investment in this subsidiary totaled $3.8 million.

The loss for 1990 resulted primarily from a continuing dispute with California Energy Company over a completed geothermal construction project, and from reserves established in connection with this litigation. Mission Power Engineering has sued California Energy Company to collect disputed project costs, and California Energy Company has countersued. In the third quarter of 1990, Mission Power Engineering discontinued operations.

Financial Information

Selected Financial Data: 1986–1990

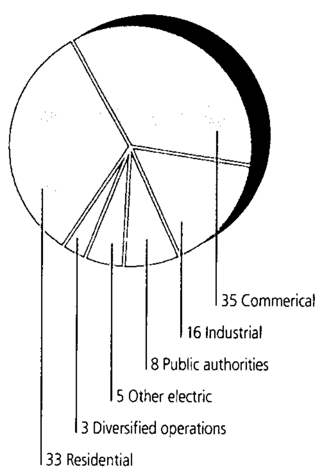
Dollars in thousands, except per-share data	**1990**	1989	1988	1987	1986[a]
SCEcorp and Subsidiaries					
Operating revenue	**$ 7,198,531**	$ 6,904,386	$ 6,252,719	$ 5,601,926	$ 5,368,087
Operating expenses	**5,947,427**	5,736,612	5,156,351	4,637,135	4,420,931
Net income	**786,360**	778,241	761,831	738,531	520,727
Weighted-average shares of common stock outstanding (000)	**218,474**	218,463	218,332	218,014	217,780
Per-share data:					
Earnings	**$3.60**	$3.56	$3.49	$3.39	$2.39
Dividends declared	**2.62**	2.54	2.45½	2.35½	2.25
Book value[a]	**25.19**	24.21	23.18	22.16	21.13
Market value at year end	**37⅞**	39⅜	32⅜	30½	33⅞
Dividend payout ratio	**72.8%**	71.3%	70.3%	69.5%	94.1%
Rate of return on common equity[a]	**14.51%**	14.99%	15.33%	15.51%	11.09%
Price/earnings ratio	**10.5**	11.1	9.3	9.0	14.2
Ratio of earnings to fixed charges	**2.72**	2.79	2.86	2.91	2.71
Assets[a]	**$16,312,246**	$15,443,051	$14,866,276	$14,350,664	$13,683,053
Retained earnings	**3,038,378**	2,824,421	2,601,086	2,375,915	2,150,751
Common shareholders' equity [a]	**5,502,650**	5,288,687	5,064,848	4,833,734	4,605,069
Preferred and preference stock of subsidiary:					
Not subject to mandatory redemption	**358,755**	358,755	358,755	361,238	361,654
Subject to mandatory redemption	**210,492**	223,800	239,037	277,538	299,049
Long-term debt of subsidiaries	**5,291,366**	5,282,764	5,421,747	5,150,883	5,122,243
Southern California Edison Company					
Financial data:					
Earnings available for SCEcorp common stock	**$692,627**	$678,642	$684,689	$697,188	$503,198
Earnings per share[b]	**3.17**	3.10	3.14	3.20	2.31
Internal generation of funds	**76%**	88%	100%	77%	74%
Operating and sales data:					
Area peak demand (MW)	**17,647**	15,632	15,987	14,775	14,599
Area generation capacity at peak (MW)	**20,323**	20,136	18,893	18,206	18,320
Kilowatt-hour sales (000)	**71,613,760**	69,135,748	67,885,761	65,539,481	64,197,405
Customers	**4,031,678**	3,940,949	3,831,656	3,717,262	3,589,414
Employees	**16,604**	16,627	16,660	17,086	17,553
The Mission Group					
Common shareholder's equity	**$904,282**	$735,263	$505,371	$292,108	$166,381
Net income	**94,019**	99,893	77,763	41,343	17,529
Earnings per share[b]	**.43**	.46	.35	.19	.08
Percent of SCEcorp's earnings per share	**11.9%**	12.9%	10.0%	5.6%	3.3%

[a] *Restated for nuclear-plant construction-cost disallowances.*

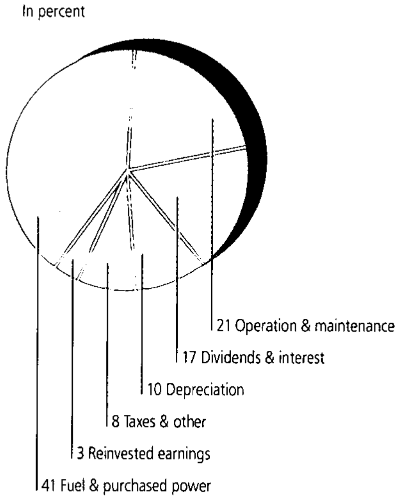
[b] *Based on weighted-average shares of SCEcorp common stock outstanding.*

Management's Discussion and Analysis of Results of Operations and Financial Condition

Sources of Revenue
(SCEcorp)



Distribution of Revenue
(SCEcorp)



Results of Operations

Earnings SCEcorp's earnings per share for 1990 were $3.60, compared with $3.56 in 1989 and $3.49 in 1988. Net income rose to $786.4 million in 1990, compared with $778.2 million in 1989 and $761.8 million in 1988. Revenue grew to $7.2 billion from $6.9 billion in 1989 and $6.3 billion in 1988.

In 1990, Southern California Edison Company (Edison) contributed 88% of SCEcorp's earnings, or $3.17 per share, a 7-cent increase over 1989. This increase primarily resulted from reduced income taxes and minor improvements in several areas of operations. Utility earnings in 1989 declined 4 cents per share from 1988, resulting largely from costs associated with the Palo Verde Nuclear Generating Station (Palo Verde) outage (see Note 3 of "Notes to Consolidated Financial Statements") and the pending merger with San Diego Gas & Electric Company (SDG&E).

In 1990, The Mission Group of nonutility businesses provided earnings of 43 cents per share, or 12% of SCEcorp's earnings, compared with 46 cents per share in 1989 and 35 cents per share in 1988. Net income for 1990 was $94.0 million, compared with $99.9 million in 1989 and $77.8 million in 1988. The Mission Group's two largest contributors to income in 1990 had substantially higher earnings, with Mission Energy Company's (Mission Energy) earnings up 23% to 32 cents per share, as a result of placing three new projects into service, and Mission First Financial's earnings rising 43% to 10 cents per share, resulting from several new financing investments during the year. Mission Land Company's (Mission Land) earnings of 9 cents per share were off 10% as a result of slower real estate activity. The net increase in earnings at these three subsidiaries was more than offset by costs incurred and a reserve established in connection with litigation and discontinued operations at Mission Power Engineering Company (Mission Power). The reserve was established as a result of a dispute with a client over recovery of costs for a completed construction project.

The Mission Group's earnings increase of 11 cents to 46 cents per share in 1989 over 1988 was largely from additional Mission Energy projects placed into operation, project-financing investments at Mission First Financial, and the management and sale of Mission Land properties.

Operating Revenue Operating revenue totaled $7.2 billion in 1990, a $294.1 million increase over 1989. Electric revenue increased $461.9 million over 1989, partially offset by a $167.8 million decrease in revenue from diversified operations. Over 98% of electric revenue is derived from Edison's retail sales, which are subject to rate regulation by the California Public Utilities Commission (CPUC). The remaining electric revenue is from Edison's sales to wholesale customers, which are regulated by the Federal Energy Regulatory Commission (FERC).

Electric revenue increased in 1990, primarily due to rate increases and a 3.6% rise in retail sales, reflecting the addition of nearly 91,000 customers. Rates increased in 1990 as a result of a CPUC-authorized increase of $201 million, or 3.3%, effective July 1, 1989, mainly to offset Edison's higher energy costs. Additionally, the CPUC authorized an attrition rate increase of $41 million for 1990 to offset higher nonfuel operating expenses.

Electric revenue for 1991 will reflect a CPUC-authorized rate increase of $464 million, or 6.8%, primarily to offset Edison's higher energy costs. The CPUC also authorized a 12.85% return on common equity for 1991, unchanged from 1990 and down from 13.00% in 1989.

The decrease in revenue from diversified (nonutility) operations primarily resulted from discontinued operations at Mission Power and the reserve it established as a result of a dispute with a client, as previously discussed. However, the other three Mission companies posted a combined revenue increase of $26.8 million in 1990.

Operating Expenses Operating expenses in 1990 increased $210.8 million over 1989, compared with increases of $580.3 million in 1989 and $519.2 million in 1988.

Purchased-power expense increased $433.4 million in 1990 over 1989, compared with increases of $403.4 million in 1989 and $454.5 million in 1988, reflecting increased power purchases from nonutility generators as required by federal regulations. These power purchases were made at CPUC-approved rates, which are generally higher than those for other sources. Purchased-power expense will continue to increase from additional purchases from nonutility power producers, escalating prices under certain CPUC-approved contracts and higher forecasted gas prices.

The CPUC periodically reviews the reasonableness of Edison's purchased-power expenses. As reported in Note 3 of "Notes to Consolidated Financial Statements," several purchased-power contracts with nonutility power producers have been reviewed by the CPUC's Division of Ratepayer Advocates and disallowances have been imposed or recommended. The CPUC will conduct future reviews of these and other purchased-power contracts.

Edison's fuel expense declined $168.6 million in 1990, after increasing by $23.1 million in 1989 and decreasing by $119.0 million in 1988. The increase in purchased power has led to lower fuel expense as Edison reduced generation at its own facilities. Although electric generation was down in 1989 from 1988, higher fuel costs caused the $23.1 million increase in fuel expense for 1989.

The CPUC has established various rate-making mechanisms to accumulate revenue or energy costs until they are recovered from, or refunded to, utility customers through authorized rate adjustments. These provisions for regulatory adjustment clauses reflect net overcollections of $205.6 million in 1990, compared with $184.2 million in 1989 and $240.7 million in 1988. These overcollections are principally due to rate increases in the energy cost adjustment clause to recover prior undercollections.

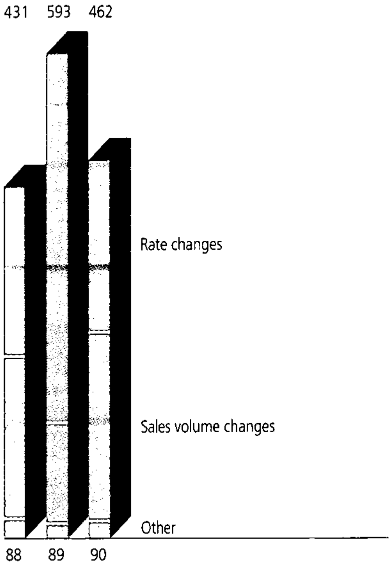
Other operating expenses decreased $88.5 million in 1990, which reflects the discontinuance of operations at Mission Power. Operating expenses incurred in providing service to new utility customers partially offset the reduction at Mission Power.

Operating income before income taxes increased 4.5% in 1990. However, income taxes decreased 1.6%, primarily due to a favorable settlement of tax issues related to prior years.

Other Income and Deductions To minimize the rate impact of Palo Verde construction costs, the CPUC authorized a 10-year rate phase-in plan for Palo Verde Units 1, 2 and 3, which defers $200 million of revenue during the first four years of operation for each unit. Deferrals for each unit, for years one through four, are $80 million, $60 million, $40 million and $20 million, respectively. Edison will collect the deferred revenue, with interest, evenly over the final six years of each unit's rate phase-in plan. The four-year deferral periods for Units 1 and 2 ended in February 1990 and September 1990, respectively. The $117.2 million decline in the provision for rate phase-in plan in 1990 reflects the conclusion of the deferrals for Units 1 and 2 and the collection of the deferred revenue in rates.

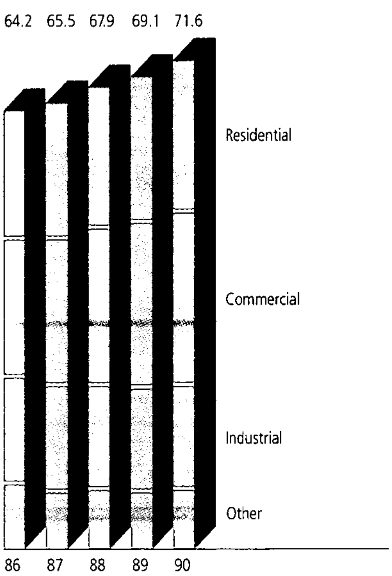
Electric Revenue Increases (SCEcorp)

In millions of dollars



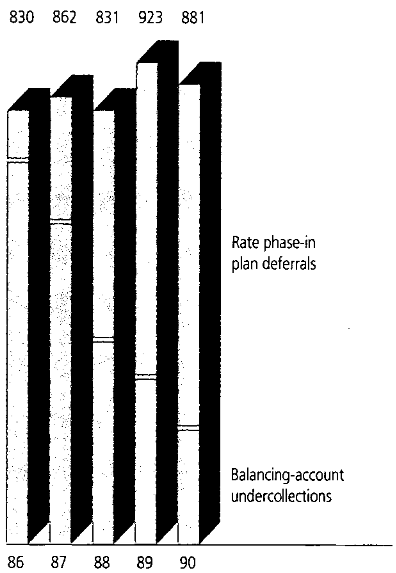
Kwh Sales (Edison)

In billions



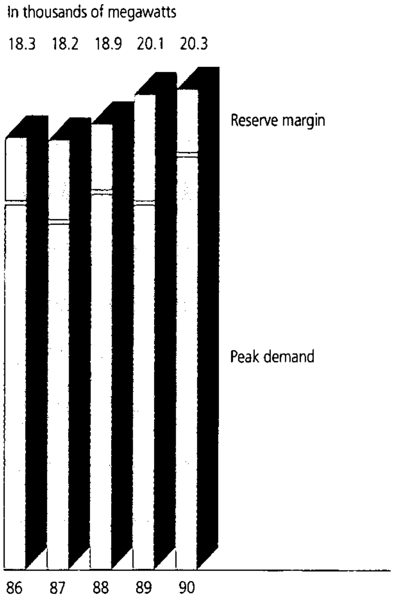
Regulatory Balancing Accounts and Rate Phase-in Plan (Edison)

In millions of dollars



Total Generation Capacity (Edison)

In thousands of megawatts



New Accounting Standards As discussed further in Note 5 of "Notes to Consolidated Financial Statements," the income tax accounting standard issued in 1987 requires major balance sheet adjustments. The Financial Accounting Standards Board is considering requests to amend certain provisions of the standard and has tentatively postponed its required implementation date one additional year to 1993. These adjustments are not expected to significantly affect future earnings.

As reported in Note 6 of "Notes to Consolidated Financial Statements," a new accounting standard will require the expected cost of postretirement benefits other than pensions to be charged to expense during the years employees render service. SCEcorp's current policy is to recognize the cost of these benefits as they are paid. Annual employee benefits expense is expected to increase significantly upon adoption of the new standard in 1993. CPUC hearings on the rate-making impact of this new standard are expected to begin in 1991. Edison anticipates recovering the additional postretirement benefit expense in rates. With rate recovery and the application of regulatory accounting principles, no significant financial effect should result from this accounting standard.

Financial Condition

Liquidity and Capital Resources SCEcorp's liquidity is primarily affected by dividend payments and its subsidiaries' construction expenditures and debt maturities. Capital resources include cash provided by subsidiary company operations and external financings.

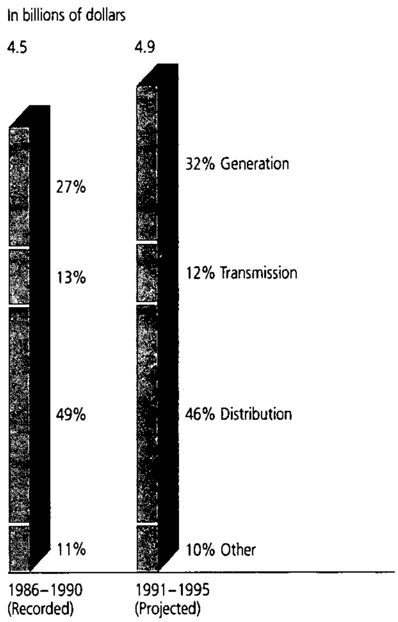
The CPUC regulates Edison's capital structure, thereby limiting the dividends that Edison may pay to SCEcorp. At December 31, 1990, Edison could pay approximately $1.1 billion in additional dividends to SCEcorp and still maintain its capital structure within the CPUC-authorized range. The California Public Utilities Code also prohibits Edison from making loans or advances to SCEcorp or The Mission Group. These restrictions are not expected to affect SCEcorp's ability to meet its cash obligations.

External financings are influenced by market conditions and other factors, including limitations imposed by Edison's Articles of Incorporation and Trust Indenture. As of December 31, 1990, Edison could issue approximately $4.1 billion of additional first and refunding mortgage bonds and $2.1 billion of preferred stock at current interest and dividend rates.

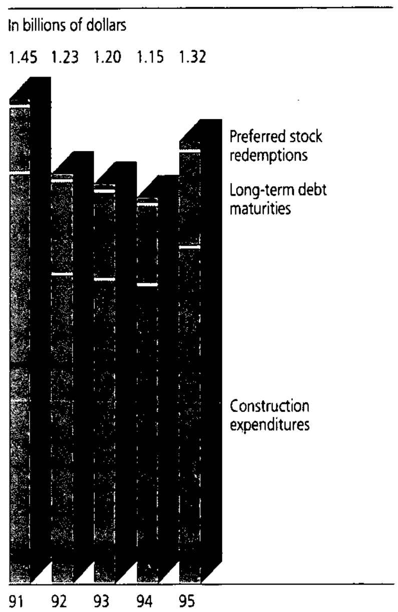
SCEcorp continues to meet most of its capital requirements by cash generated through operations. For 1990, net cash from operations increased $20.7 million over 1989, primarily due to the collection of revenue previously deferred under the Palo Verde rate phase-in plan.

SCEcorp's subsidiaries raise additional cash through short- and long-term debt issuances. Short-term debt is used by Edison to finance fuel inventories and balancing account undercollections, as authorized by the CPUC. In 1990, Edison issued $600 million of first mortgage bonds, primarily to refinance existing debt at lower interest rates. The Mission subsidiaries issued $57 million in long-term debt, primarily to finance their continued growth. Other uses of cash for financing activities, as detailed in the consolidated statements of cash flows, are for dividends, which totaled $568.0 million in 1990, and Edison's repayment of long-term debt. Cash outflows exceeded cash inflows from financing activities by $72.0 million in 1990.

Construction Expenditures
(Edison)



Projected Capital Requirements (SCEcorp)



SCEcorp's subsidiaries have lines of credit totaling $2.1 billion. About $1.3 billion of this amount supports Edison's commercial paper and other borrowings to finance general cash requirements, fuel inventories and undercollections in regulatory balancing accounts. Another $515 million is available to Edison for the long-term refinancing of certain variable-rate indebtedness for pollution control facilities. The remaining $300 million supports commercial paper and other borrowings to finance general cash requirements at Mission Energy and Mission First Financial, and leveraged leases at Mission First Financial.

The primary uses of cash for investing activities are for capital expenditures, investments in nonutility activities and contributions to nuclear decommissioning trusts. Currently, Edison contributes $97 million per year to nuclear decommissioning trusts. These contributions will continue until the trust funds are used to decommission Edison's nuclear plants. Net cash used for investing activities increased by $77.0 million over 1989.

Capital Structure SCEcorp's capital structure as of December 31, 1990, was: common equity, 48.4%; preferred stock, 5.0%; and long-term debt, 46.6%.

Pending Merger

Under the terms of a November 1988 agreement to merge SDG&E into Edison, SCEcorp will exchange 1.3 shares of newly issued common stock for each SDG&E common share. SDG&E preferred and preference stock will be exchanged for SCEcorp preferred and preference stock with similar provisions, except that dividends on each series will be increased between 10% and 20%. During April 1989, the shareholders of SCEcorp, Edison and SDG&E approved the merger agreement. The merger is subject to approval by regulatory agencies, including the CPUC and the FERC. The FERC and CPUC administrative law judges have recommended that the merger not be approved because of its impact on competition. Edison expects decisions from both commissions in 1991.

Pro forma financial statements of the combined companies are presented in SCEcorp's 1990 Securities and Exchange Commission Annual Report on Form 10-K.

Independent Power Producers

Federal law requires utilities to purchase power from nonutility electric-generation companies at state-mandated prices. Edison is required to buy this power even if the prices exceed other power sources, including Edison's own facilities. Additionally, certain nonutility producers sell power they generate to large industrial and commercial customers of Edison from projects located on-site. Further loss of sales to such customers may occur in the future if the electric utility industry undergoes deregulation.

Environmental Matters

As reported in Note 10 of "Notes to Consolidated Financial Statements," Edison is subject to numerous legislative and regulatory environmental requirements in the areas of air and water pollution, waste management, hazardous chemical use, noise abatement, land use, aesthetics and nuclear control. Edison's potential cost for these environmental requirements cannot be determined at this time.

Responsibility for Financial Reporting

The management of SCEcorp is responsible for preparing the accompanying financial statements. The statements were prepared in accordance with generally accepted accounting principles and necessarily include amounts based on management's estimates and judgment. Management believes other information in the annual report is consistent with the financial statements.

Management maintains systems of internal control that provide reasonable assurance assets are safeguarded, transactions are properly executed in accordance with management's authorization, and accounting records may be relied upon for the preparation of financial statements and other financial information. The design of internal control systems involves management's judgment concerning the relative cost and expected benefits of specific control measures. These systems are augmented by internal audit programs through which the adequacy and effectiveness of internal controls, policies and procedures are evaluated and reported to management.

In addition, Arthur Andersen & Co., as part of its independent audit of SCEcorp's financial statements, is responsible under generally accepted auditing standards to evaluate the internal control structures in order to determine the scope of its auditing procedures for the purpose of expressing its opinion on the financial statements.

Management believes SCEcorp's systems of internal control are adequate to accomplish the objectives discussed herein. Management has implemented all of the internal and external auditors' significant recommendations regarding the systems of internal control.

The audit committee of the board of directors, which is composed entirely of nonemployee directors, meets periodically with both the external and internal auditors, who have unrestricted access to the committee. This committee recommends to the board of directors the annual appointment of a firm of independent public accountants, considers the audit scope and independence of the external auditor, discusses the adequacy of internal controls, reviews financial reporting issues and is advised of management's actions regarding these matters.

Management is responsible for fostering a climate in which SCEcorp's affairs are conducted in accordance with the highest standards of personal and corporate conduct, which are reflected in SCEcorp's Standards of Conduct. Management maintains programs to encourage and assess compliance with these standards.

Richard K. Bushey
Vice President
and Controller

John E. Bryson
Chairman of the Board
and Chief Executive Officer

February 1, 1991

Report of Independent Public Accountants

To the Shareholders and the Board of Directors, SCEcorp:

We have audited the accompanying consolidated balance sheets and statements of capitalization of SCEcorp (a California corporation) and its subsidiaries as of December 31, 1990, and 1989, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of SCEcorp's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCEcorp and its subsidiaries as of December 31, 1990, and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

Los Angeles, California
February 1, 1991

ARTHUR ANDERSEN & CO.

Consolidated Statements of Income

In thousands, except per-share amounts Year ended December 31,	1990	1989	1988
Electric revenue	$6,986,284	$6,524,386	$5,931,682
Diversified operations	212,247	380,000	321,037
Total operating revenue	7,198,531	6,904,386	6,252,719
Fuel	827,393	996,026	972,973
Purchased power	2,071,910	1,638,495	1,235,110
Provisions for regulatory adjustment clauses—net	205,638	184,206	240,681
Other operating expenses	1,084,149	1,172,651	1,068,886
Maintenance	375,338	377,888	375,444
Depreciation and decommissioning	715,680	689,614	646,569
Income taxes	489,798	497,793	446,395
Property and other taxes	177,521	179,939	170,293
Total operating expenses	5,947,427	5,736,612	5,156,351
Operating income	1,251,104	1,167,774	1,096,368
Provision for rate phase-in plan	2,283	119,478	170,856
Allowance for equity funds used during construction	13,226	12,598	18,125
Interest income	147,896	168,331	121,708
Taxes on nonoperating income	(16,453)	(78,555)	(79,547)
Other—net	2,644	7,148	(162)
Total other income—net	149,596	229,000	230,980
Income before interest and other expenses	1,400,700	1,396,774	1,327,348
Interest on long-term debt	454,500	467,096	439,842
Other interest expense	136,661	130,210	108,498
Allowance for borrowed funds used during construction	(9,636)	(9,482)	(11,883)
Capitalized interest	(11,311)	(13,797)	(17,636)
Preferred and preference stock dividend requirements of subsidiary	44,126	44,506	46,696
Total interest and other expenses—net	614,340	618,533	565,517
Net income	$ 786,360	$ 778,241	$ 761,831
Weighted-average shares of common stock outstanding	218,474	218,463	218,332
Earnings per share	$3.60	$3.56	$3.49

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Balance Sheets

In thousands December 31,	1990	1989
ASSETS		
Utility plant, at original cost	**$17,044,604**	$16,439,476
Less—accumulated provision for depreciation and decommissioning	**5,696,083**	5,095,086
	11,348,521	11,344,390
Construction work in progress	**741,040**	593,760
Nuclear fuel, at amortized cost	**294,908**	394,124
	12,384,469	12,332,274
Less—property-related accumulated deferred income taxes	**1,164,602**	1,051,527
Total utility plant	**11,219,867**	11,280,747
Nonutility property—less accumulated provision for depreciation of $36,021,000 and $36,017,000 at respective dates	**108,627**	97,060
Nuclear decommissioning trusts	**384,667**	270,069
Investments in partnerships and unconsolidated subsidiaries	**1,021,502**	773,682
Investments in leveraged leases	**316,120**	169,997
Other investments	**62,240**	52,140
Total other property and investments	**1,893,156**	1,362,948
Cash and equivalents	**479,106**	150,676
Receivables, including unbilled revenue, less allowances of $18,238,000 and $14,085,000 for uncollectible accounts at respective dates	**860,613**	866,048
Fuel stock	**181,048**	89,895
Materials and supplies, at average cost	**104,166**	96,888
Regulatory balancing accounts—net	**225,485**	320,765
Prepayments and other current assets	**145,666**	150,486
Total current assets	**1,996,084**	1,674,758
Unamortized debt issuance and reacquisition expense	**290,172**	288,664
Rate phase-in plan	**655,950**	602,073
Other deferred charges	**257,017**	233,861
Total deferred charges	**1,203,139**	1,124,598
Total assets	**$16,312,246**	$15,443,051

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

In thousands December 31,	1990	1989
CAPITALIZATION AND LIABILITIES		
Common shareholders' equity	**$ 5,502,650**	$ 5,288,687
Preferred stock of subsidiary:		
Not subject to mandatory redemption	**358,755**	358,755
Subject to mandatory redemption	**210,492**	223,800
Long-term debt of subsidiaries	**5,291,366**	5,282,764
Total capitalization *(see accompanying statements)*	**11,363,263**	11,154,006
Other long-term liabilities	**160,506**	154,819
Current portion of subsidiaries' long-term debt and redeemable preferred stock	**233,356**	215,075
Short-term debt	**1,313,189**	793,967
Accounts payable	**537,282**	518,363
Accrued taxes	**425,030**	458,901
Accrued interest	**122,079**	132,284
Dividends payable	**147,511**	143,300
Accumulated deferred income taxes—net	**37,750**	100,669
Deferred unbilled revenue and other	**503,035**	398,765
Total current liabilities	**3,319,232**	2,761,324
Accumulated deferred investment tax credits	**515,692**	537,699
Accumulated deferred income taxes—net	**652,637**	542,736
Customer advances and other deferred credits	**300,916**	292,467
Total deferred credits	**1,469,245**	1,372,902
Commitments and contingencies *(Notes 1, 3, 8, 9 and 10)*		
Total capitalization and liabilities	**$16,312,246**	$15,443,051

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flows

In thousands Year ended December 31,	1990	1989	1988
Cash flows from operating activities:			
Net income	$ 786,360	$ 778,241	$ 761,831
Adjustments for noncash items:			
Depreciation and decommissioning	715,680	689,614	646,569
Amortization	168,608	157,454	156,732
Allowance for funds used during construction	(22,862)	(22,080)	(30,008)
Rate phase-in plan	(53,877)	(166,132)	(196,181)
Deferred income taxes and investment tax credits	142,091	203,337	176,614
Equity in income from partnerships and unconsolidated subsidiaries	(127,065)	(127,036)	(87,070)
Income from leveraged leases	(21,238)	(12,231)	(17,056)
Other — net	9,481	(23,206)	(20,420)
Changes in working capital components:			
Receivables	5,435	(165,705)	(74,554)
Regulatory balancing accounts	95,280	74,261	226,609
Fuel stock, materials and supplies	(98,431)	35,287	2,047
Prepayments and other current assets	(11,153)	6,904	(12,689)
Accrued interest and taxes	(74,005)	38,638	(63,314)
Accounts payable and other current liabilities	107,873	134,170	(43,292)
Net cash provided by operating activities	1,622,177	1,601,516	1,425,818
Cash flows from financing activities:			
Issuances of long-term debt	650,649	193,306	631,343
Repayment of long-term debt	(554,291)	(168,368)	(350,383)
Redemption of subsidiary preferred and preference stock	(13,303)	(15,363)	(48,775)
Nuclear-fuel financing	(106,252)	(129,107)	(18,569)
Short-term debt financings — net	519,222	135,549	51,917
Dividends paid	(568,033)	(550,524)	(530,409)
Net cash used by financing activities	(72,008)	(534,507)	(264,876)
Cash flows from investing activities:			
Capital expenditures	(905,289)	(837,990)	(834,630)
Nuclear decommissioning trusts	(114,598)	(112,983)	(157,086)
Investments in leveraged leases — net	(129,024)	(6,101)	(200)
Investments in partnerships and unconsolidated subsidiaries	(246,184)	(272,557)	(168,332)
Distributions from partnerships and unconsolidated subsidiaries	123,973	100,432	55,998
Proceeds from sale of assets	28,742	35,370	27,637
Other — net	20,641	(50,871)	(19,388)
Net cash used by investing activities	(1,221,739)	(1,144,700)	(1,096,001)
Net increase (decrease) in cash and equivalents	328,430	(77,691)	64,941
Cash and equivalents, beginning of year	150,676	228,367	163,426
Cash and equivalents, end of year	$ 479,106	$ 150,676	$ 228,367
Cash payments for interest and taxes:			
Interest	$ 535,531	$ 512,555	$ 485,500
Taxes	392,881	356,147	421,901
Noncash investing and financing activities:			
Obligation to fund investment in partnerships and unconsolidated subsidiaries	$ 20,844	$ 13,401	$ —

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Capitalization

Notes to Consolidated Statements of Capitalization are on page 42.

In thousands				December 31, 1990	1989
Common shareholders' equity (a):					
Common stock—no par value; 400,000,000 shares authorized; 218,474,432 outstanding at each respective date (b)				**$ 2,464,272**	$ 2,464,266
Retained earnings *(see accompanying statements)*				**3,038,378**	2,824,421
Total				**5,502,650**	5,288,687
Cumulative preferred stock of subsidiary (c):		December 31, 1990			
Not subject to mandatory redemption:	Series	Shares Outstanding	Redemption Price		
$25 par value:	4.08%	1,000,000	$ 25.50	**25,000**	25,000
	4.24	1,200,000	25.80	**30,000**	30,000
	4.32	1,653,429	28.75	**41,336**	41,336
	4.78	1,296,769	25.80	**32,419**	32,419
	5.80	2,200,000	25.25	**55,000**	55,000
$100 par value:	7.58	750,000	101.00	**75,000**	75,000
	8.70	500,000	101.00	**50,000**	50,000
	8.96	500,000	101.00	**50,000**	50,000
Total				**358,755**	358,755
Subject to mandatory redemption (d):					
$100 par value:	7.325%	487,381	103.03	**48,738**	51,738
	7.80	447,495	104.04	**44,750**	46,550
	8.54	570,000	102.75	**57,000**	59,250
	8.70A	406,874	104.14	**40,687**	42,000
	12.31	310,550	105.83	**31,055**	36,000
Preferred stock to be redeemed within one year				**(11,738)**	(11,738)
Total				**210,492**	223,800
Long-term debt of subsidiaries (d):					
	Maturity	Interest Rates			
First and refunding mortgage bonds (e):	1991 through 1994	5% to 9⅛%		**718,000**	690,000
	1995 through 1999	7⅜% to 9%		**1,100,000**	1,100,000
	2000 through 2009	8¼% to 9.95%		**668,250**	673,500
	2010 through 2022	8⅜% to 10%		**1,625,000**	1,350,777
Pollution control bonds (f):	1999 through 2015	6¾% to 10¾% and variable		**962,255**	947,730
Funds held by trustees (f)				**(9,924)**	(11,945)
Debentures and notes (g):	1991 through 1999	9.6% to 11.5% and variable		**301,638**	464,734
Nuclear fuel indebtedness (h)				**183,433**	292,517
Long-term debt due within one year				**(221,618)**	(203,337)
Unamortized debt discount—net				**(35,668)**	(21,212)
Total				**5,291,366**	5,282,764
Total capitalization				**$11,363,263**	$11,154,006

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

(a) The California Public Utilities Commission (CPUC) regulates Southern California Edison Company's (Edison) capital structure, thereby limiting the dividends that Edison may pay its parent company, SCEcorp. At December 31, 1990, Edison could pay approximately $1.1 billion in additional dividends to SCEcorp and still maintain its capital structure within the CPUC-authorized range. The California Public Utilities Code also prohibits Edison from making loans or advances to any of its nonutility affiliates.

(b) SCEcorp issued 12,500 and 327,451 shares of common stock in 1989 and 1988, respectively. No stock was issued during 1990.

(c) Edison's authorized shares of original preferred, $25 cumulative preferred, $100 cumulative preferred, $25 preference and $100 preference stock are 480,000, 24,000,000, 12,000,000, 10,000,000 and 2,000,000 shares, respectively. All series of cumulative preferred stock are redeemable. The 310,550 shares of $100 cumulative preferred stock, 12.31% series, are not subject to redemption until May 1, 1992, other than pursuant to mandatory redemption provisions.

Changes in Edison's preferred and preference stock during the last three years were:

	Year ended December 31,		
Shares	**1990**	1989	1988
Not subject to mandatory redemption:			
5.20% preference	—	—	99,337
Subject to mandatory redemption:			
7.325% preferred	**30,000**	30,000	52,619
7.80% preferred	**18,000**	18,000	26,500
8.54% preferred	**22,500**	22,500	22,500
8.70% A preferred	**13,125**	13,125	26,250
12.31% preferred	**49,450**	70,000	70,000
7.375% preference	—	—	1,154,546
Total shares redeemed	**133,075**	153,625	1,451,752

Premiums paid upon redemption of preferred and preference shares are charged to common equity through a reduction to additional paid-in capital.

(d) Preferred stock redemption requirements, long-term debt maturities and sinking fund requirements for the five years subsequent to December 31, 1990, are:

	Year ended December 31,				
In thousands	1991	1992	1993	1994	1995
Preferred stock redemption requirements	$ 11,738	$ 11,738	$ 12,338	$ 12,338	$ 13,913
Long-term debt maturities and sinking fund requirements	221,618	277,271	259,283	232,680	280,786
Total	$233,356	$289,009	$271,621	$245,018	$294,699

(e) Substantially all Edison properties are subject to the liens of trust indentures, except for fuel inventories, which are financed with short-term debt in conformity with CPUC rate-making procedures.

(f) Edison has issued first and refunding mortgage bonds and other indebtedness to governmental agencies in exchange for proceeds from pollution control bonds. These proceeds have been deposited with trustees and are used to finance construction of pollution control facilities. Certain pollution control bonds may be redeemed at the discretion of bondholders under certain circumstances. Edison has made arrangements with security dealers for the remarketing or purchase of the pollution control bonds in such cases. Edison has arranged lines of credit of $515 million as of December 31, 1990, to refinance these bonds, should remarketing be unsuccessful.

(g) SCEcorp's nonutility subsidiaries had debt outstanding in the amount of $291.1 million and $256.4 million at December 31, 1990, and 1989, respectively, supported by letters and lines of credit aggregating $355.7 million and $378.8 million at December 31, 1990, and 1989, respectively.

(h) Nuclear-fuel financing was composed of:

	December 31,	
In thousands	**1990**	1989
Foreign-currency-denominated notes[1]	**$ 38,625**	$ —
Commercial paper and notes[2]	**127,743**	272,620
Spent nuclear fuel obligation[3]	**17,065**	19,897
	183,433	292,517
Current maturities	**(3,134)**	(2,823)
Total	**$180,299**	$289,694

(1) A subsidiary of Edison issued foreign-currency-denominated notes totaling $39.6 million in February 1990. The notes mature 24 months from the date of issuance and the proceeds were used to finance nuclear fuel. Through a related interest rate and currency exchange agreement, the effective interest cost of the notes is reduced to below prevailing commercial paper rates. The weighted-average interest rate on the notes was 8.0% for 1990 (compared with the nominal rate of 14⅞%). Edison is guarantor of both the notes and the related agreement. Foreign-currency translation gains and losses have been deferred and are included in the translated value of the liability. Any such translation gain or loss is assumed by the counterparty to the agreement. Edison is exposed to credit loss in the event of nonperformance by the counterparty to the agreement. Edison, however, does not anticipate such nonperformance.

(2) A portion of commercial paper and notes issued to finance nuclear fuel has been classified as long-term debt in connection with refinancing terms under lines of credit with commercial banks. The long-term portion finances nuclear fuel scheduled for consumption after 12 months from the balance sheet date.

(3) Pursuant to the Nuclear Waste Policy Act of 1982, Edison has signed a contract with the U.S. Department of Energy for disposal of spent nuclear fuel from the San Onofre Nuclear Generating Station. The interest rate is fixed at 10.57%.

Consolidated Statements of Retained Earnings

In thousands, except per-share amounts Year ended December 31,	1990	1989	1988
Balance at beginning of year	**$2,824,421**	$2,601,086	$2,375,915
Net income	**786,360**	778,241	761,831
Dividends declared on common stock	**(572,403)**	(554,906)	(536,660)
Balance at end of year	**$3,038,378**	$2,824,421	$2,601,086
Dividends declared per common share	**$2.62**	$2.54	$2.45½

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Note 1. Pending Merger

On November 30, 1988, SCEcorp, Southern California Edison Company (Edison) and San Diego Gas & Electric Company (SDG&E) executed an agreement to merge SDG&E into Edison. Under the terms of the merger agreement, SCEcorp will exchange 1.3 shares of newly issued common stock for each SDG&E common share. SDG&E preferred and preference stock will be exchanged for SCEcorp preferred and preference stock with similar provisions, except that dividends on each series will be increased between 10% and 20%. During April 1989, the shareholders of SCEcorp, Edison and SDG&E approved the merger agreement. The merger is subject to approval by regulatory agencies, including the California Public Utilities Commission (CPUC) and the Federal Energy Regulatory Commission (FERC). The FERC and CPUC administrative law judges have recommended that the merger not be approved because of its impact on competition. Edison expects decisions from both commissions in 1991.

Note 2. Summary of Significant Accounting Policies

Consolidation Policy The consolidated financial statements include the accounts of SCEcorp and its subsidiaries. The principal subsidiaries are Edison, a rate-regulated electric utility, and The Mission Group, the parent company of SCEcorp's nonutility subsidiaries. SCEcorp uses the equity method of accounting to report investments in partnerships and 50% or less owned subsidiaries. All significant intercompany transactions have been eliminated, except intercompany profits from energy sales to Edison by nonutility energy-producing affiliates, which are allowed in utility customer rates.

Accounting Principles Edison is regulated by the CPUC and the FERC. The accompanying consolidated financial statements reflect the rate-making policies of these commissions, as applied to Edison, in conformity with generally accepted accounting principles applicable to rate-regulated enterprises.

Utility Plant The costs of plant additions, including replacements and betterments, are capitalized and included in utility plant. Capitalized costs include direct material and labor, construction overhead and an allowance for funds used during construction (AFUDC). The cost of property that is replaced or retired, and related removal costs, less salvage, is charged to the accumulated provision for depreciation. Accumulated deferred income taxes related to utility plant are presented as a deduction from utility plant to conform with rate-making procedures used to determine rate base.

Construction Financing Costs AFUDC represents the cost of debt and equity funds used to finance construction of utility plant. It is reported in the consolidated statements of income as a reduction of interest charges for the debt component and as other income for the equity component. Plant construction costs, including AFUDC, are recovered in authorized rates through related depreciation when completed projects are placed into commercial operation.

The AFUDC rate, which reflects semiannual compounding, was 11.03%, 11.06% and 10.76% for 1990, 1989 and 1988, respectively.

Interest on loans used to finance construction projects of partnerships and unconsolidated subsidiaries is capitalized until the projects are operational. Such capitalized interest is included in the consolidated statements of income as a reduction of interest charges and in the consolidated balance sheets as investments in partnerships and unconsolidated subsidiaries.

Depreciation and Decommissioning Depreciation of utility plant, except nuclear fuel, is computed on a straight-line, remaining-life basis. Depreciation of nonutility properties is computed on a straight-line basis over their estimated useful lives.

The estimated cost of decommissioning Edison's nuclear generating facilities is $836.1 million, in current-year dollars, and is recovered in rates through annual allowances charged to depreciation expense. Retail rates include annual decommissioning revenue requirements that are deposited in trusts until decommissioning begins. Trust fund contributions are invested in high-grade securities and are reported at the lower of cost or market value. At December 31, 1990, the market value of the trusts was $398.4 million. Approximately 84% of the trust fund contributions qualified as tax deductions.

Nuclear Fuel The cost of nuclear fuel, including its disposal, is amortized on the basis of generation and is charged to fuel expense. In accordance with rate-making procedures adopted by the CPUC, nuclear-fuel financing costs are capitalized until the fuel is placed into production.

Research, Development and Demonstration (RD&D)
RD&D costs not related to a specific project are expensed in the year incurred. RD&D costs related to specific construction projects are capitalized until it is determined whether they will result in construction of plant. If construction does not result, the costs are charged to expense.

Edison's RD&D costs were:

In thousands	Year ended December 31, 1990	1989	1988
RD&D costs charged to expense	**$40,985**	$42,555	$43,414
RD&D costs deferred/capitalized	**11,991**	12,601	17,455
Total RD&D costs	**$52,976**	$55,156	$60,869

In 1988, a balancing account was established for RD&D costs charged to expense, which requires Edison to refund to ratepayers any CPUC-authorized but unspent RD&D funds at the end of the rate-case cycle.

Unamortized Debt Issuance and Reacquisition Expense
Debt premium, discount and issuance expenses are amortized over the lives of the related issuances. The expense of reacquiring bonds that are redeemed without refunding is amortized over the period the debt would have remained outstanding. The reacquisition expenses are amortized over the lives of the new debt issues when debt is reacquired with refunding.

Revenue Revenue is recorded for electricity that has been delivered to utility customers through the end of each period but has not yet been billed.

Regulatory Balancing Accounts

Operating Revenue An electric revenue adjustment mechanism (ERAM) balancing account minimizes the effect on earnings of retail sales fluctuations. Differences between authorized and recorded base-rate revenue are accumulated in the account until they are refunded to, or recovered from, utility customers through CPUC-authorized rate adjustments.

Energy Costs The energy cost adjustment clause (ECAC) adjusts results of operations for variations between the recorded energy costs, and revenue designated for recovery of such costs. Undercollected or overcollected energy costs are accumulated in the ECAC balancing account until they are recovered from, or refunded to, utility customers through CPUC-authorized rate adjustments.

Currently, all fuel and purchased-power costs, including energy purchased by Edison from unregulated energy-producing affiliates, are recovered through the ECAC balancing account. When the annual energy rate (AER) component of ECAC is in effect, 10% of fuel and purchased-power costs are recovered through the AER and 90% of such costs through the ECAC balancing account. The 10% AER component was in effect during the first five months of 1988 and from February 1, 1990, through August 8, 1990.

The CPUC has established performance incentives based on target generation levels for Edison's nuclear generating units. Fuel savings or costs attributable to levels above or below the targeted ranges are divided equally between Edison and customers through adjustments to the ECAC balancing account.

Major Plant Additions Prior to 1988, Edison used major additions adjustment clause (MAAC) balancing accounts to accumulate the differences between revenue required and revenue authorized to provide recovery of ownership costs of San Onofre Nuclear Generating Station (San Onofre) Units 2 and 3 and Palo Verde Nuclear Generating Station (Palo Verde) Units 1 and 2.

Commencing in 1988, ownership costs of San Onofre Units 2 and 3 are being recovered in base rates. The ownership costs of Palo Verde Units 1, 2 and 3 are also recovered in base rates to the extent they are not deferred in accordance with the Palo Verde rate phase-in plan discussed below. Recovery of the remaining undercollections in the MAAC balancing accounts has been authorized over a three-year period beginning in 1989. Edison records interest income on these undercollections, excluding accumulated deferred income taxes, using the annual AFUDC rate. At December 31, 1990, $35.3 million remains to be collected in rates charged to utility customers.

Interest and Taxes Interest on regulatory balancing accounts, except MAAC, is accrued at the three-month prime commercial paper rate. The weighted-average interest rates were 8.13%, 8.85% and 7.60% for 1990, 1989 and 1988, respectively. Income tax effects on the changes in the regulatory balancing accounts are deferred.

Palo Verde Rate Phase-In Plan Palo Verde Units 1, 2 and 3 have been in commercial operation, for rate-making purposes, since February 1, 1986, September 19, 1986, and January 20, 1988, respectively. The CPUC has authorized a 10-year rate phase-in plan, which defers $200 million of revenue during the first four years of operation for each unit. Deferrals for each unit, for years one through four, are $80 million, $60 million, $40 million and $20 million, respectively. The deferrals and related interest income on the deferred balance will be recovered evenly over the final six years of each unit's rate phase-in plan. The deferred balance at December 31, 1990, was $656.0 million.

Statements of Cash Flows For purposes of the consolidated statements of cash flows, short-term temporary cash investments are considered to be cash equivalents.

Reclassifications Certain items in prior periods have been reclassified to conform them to the financial statement presentations for December 31, 1990.

Note 3. Regulatory Matters

Energy Cost Proceedings

Contracts with Edison Affiliates The CPUC's Division of Ratepayer Advocates (DRA), which periodically reviews the reasonableness of utility expenses, recommended in December 1988 that the CPUC disallow recovery of part of the expenses incurred by Edison for power purchased from the Kern River Cogeneration Company (KRCC), a nonutility power producer. Mission Energy Company, which is one of SCEcorp's nonutility subsidiaries, owns a 50% interest in KRCC. After conducting hearings on the DRA recommendation, the CPUC issued a decision in September 1990 disallowing recovery of $48 million of Edison power expenses (including interest) paid to KRCC between mid-1985 and late 1987. The disallowance was based on the conclusion that the contract is essentially for the purchase of "as-available" rather than "firm" capacity. If the same principles were applied to expenses incurred by Edison from late 1987 through year-end 1990, the disallowance would increase to $86 million (including interest). Future KRCC disallowances, if any, would be less significant than those through 1990 due to forecasted increases in the price of as-available capacity in subsequent years.

In an application for rehearing, Edison contested the amount of the disallowance, arguing that if the CPUC treats the capacity delivered under the contract on an as-available basis, it should treat the energy that KRCC delivered the same way. Pricing the energy on an as-available basis would reduce the disallowance to approximately $17 million for the period between mid-1985 and late 1987. In December 1990, the CPUC granted Edison's request for a rehearing for the purpose of determining the appropriate level of disallowance for the mid-1985 through late 1987 period.

The expenses incurred by Edison for the KRCC project for the period between late 1987 and early 1990 are currently under review by the DRA. Hearings on these expenses have not been scheduled.

In November 1990, the DRA recommended that the CPUC disallow recovery of part of the expenses incurred by Edison for power purchased from the Sycamore Cogeneration Company (Sycamore) and the Watson Cogeneration Company (Watson) during late 1987 through early 1989. Mission Energy owns 50% of the Sycamore and 49% of the Watson projects. The recommended disallowances for Sycamore and Watson, which total $37 million and $14 million (both excluding interest), respectively, are based on different reasons than the KRCC decision.

The recommended disallowance for Sycamore includes $33 million, primarily based on the DRA's allegations that Edison should have terminated or renegotiated the contract in 1985, and $4 million based on the assertion that the energy price could exceed avoided cost.

The DRA's recommended $14 million disallowance for Watson is primarily based on allegations that Edison overpaid Watson for both capacity and energy during late 1987 through early 1989.

Edison believes its purchases from Sycamore and Watson saved its customers more than $10 million during the review period and will vigorously contest the proposed disallowances. Hearings on the Sycamore and Watson matters have been scheduled for late 1991.

The DRA is currently reviewing payments made to the remaining 10 nonutility power producers owned in part by Mission Energy. The DRA reports on these projects have not been issued.

Contracts with Non-affiliates In December 1988, the DRA also recommended that the CPUC disallow the recovery of $83 million in payments made between late 1984 and late 1987 under 17 contracts negotiated with non-affiliates. This recommended disallowance was withdrawn by the DRA on February 20, 1991.

Other Matters In addition, the DRA's December 1988 report recommended a disallowance of $3 million in power payments made in 1987 to Pacific Power & Light Company (PP&L). Hearings have been held on this matter, and a CPUC decision is expected soon. In 1989, the DRA recommended a further disallowance of $20 million paid to PP&L and $6 million related to fuel oil carrying charges and contract administration matters, for the period from late 1987 through early 1989. Hearings have not been held on this additional recommended disallowance.

The probable effect on net income of the outcome of the above matters cannot be determined at this time. However, SCEcorp believes that the outcome of the above proceedings will not have a material effect on its financial position.

Palo Verde Outage Review During March 1989, Arizona Public Service Company, operating agent for Palo Verde, removed Units 1 and 3 from service for refueling and modifications of plant and management systems as required by regulatory agencies. The California Public Utilities Code requires Edison to notify the CPUC when a plant is out of service for nine or more consecutive months. Although Edison believes that the code requirement is not intended to apply when a facility is shut down for a planned outage of predetermined duration, Edison advised the CPUC of the Palo Verde outage on December 6, 1989. On December 18, 1989, the CPUC initiated an order instituting investigation (OII) to determine, for rate recovery purposes, the reasonableness of certain costs incurred during the period the Palo Verde units were not in service. In the OII, the CPUC ordered the subsequent collection of customer revenue in connection with the ownership and operation of the Palo Verde units to be subject to refund pending the outcome of its outage review. Unit 3 and Unit 1 resumed operation in January and July 1990, respectively. In July 1990, the code section requiring an investigation was clarified with an amendment that excludes planned outages of predetermined duration in determining whether an investigation is required.

Edison, which owns a 15.8% interest in Palo Verde, believes the plant modifications and operating costs are reasonable and proper items for rate recovery. Although Edison cannot predict whether the CPUC will ultimately allow recovery of costs subject to the OII, Edison believes that the amount of refund likely to result from the investigation or the amount denied recovery, if any, will not have a material effect on results of operations. Hearings on this matter will occur in 1991 as part of the 1992 general rate case proceeding.

Resale Rates In accordance with FERC procedures, resale revenue is subject to refund with interest if subsequently disallowed. Edison believes that any refunds resulting from pending rate proceedings will not have a material effect on net income.

Note 4. Short-Term Debt

SCEcorp's subsidiaries maintain lines of credit that may be utilized at negotiated or bank index rates. At December 31, 1990, such lines totaled $2.1 billion.

Approximately $1.6 billion of these lines of credit support commercial paper and other borrowings to finance general cash requirements, fuel inventories and undercollections in regulatory balancing accounts. The remaining $515 million of these lines of credit are available for the long-term refinancing of certain variable-rate pollution control indebtedness.

The subsidiaries' short-term debt components were:

	December 31,	
In millions	**1990**	1989
General purpose	**$ 506.6**	$ 89.2
Leveraged leases	**140.9**	99.0
Balancing accounts	**506.7**	501.6
Fuel	**436.1**	481.6
Total borrowings supported by lines of credit	**1,590.3**	1,171.4
Amount reclassified as long-term	**(268.6)**	(371.6)
Unamortized discount	**(8.5)**	(5.8)
Net short-term debt	**$1,313.2**	$ 794.0

Commercial paper outstanding was $1.5 billion at December 31, 1990, and $892.9 million at December 31, 1989.

Note 5. Income Taxes

SCEcorp's subsidiaries are included in its consolidated federal income tax and combined state franchise tax returns. Under income tax allocation agreements, each affiliate calculates its tax liability separately.

Current and Deferred Taxes Income tax expense includes the current tax liability from operations, and deferred income taxes provided on certain items of income and expense which are reported in different periods for tax and financial reporting purposes.

The current and deferred components of income tax expense were:

	Year ended December 31,		
In thousands	**1990**	1989	1988
Current:			
Federal	**$244,245**	$253,469	$241,917
State	**119,915**	119,542	107,411
	364,160	373,011	349,328
Deferred—Federal and State:			
Investment and energy tax credits—net	**(20,234)**	(2,331)	(11,210)
Depreciation	**188,476**	207,703	173,380
Regulatory balancing accounts	**(29,157)**	(24,995)	(79,774)
Leveraged leases	**63,114**	35,063	38,950
Fuel inventory	**(10,783)**	(1,890)	26,573
Unbilled revenue	**(20,968)**	(31,803)	(24,420)
Rate phase-in plan	**21,625**	66,682	78,743
Accrued liabilities	**(24,075)**	(21,929)	7,994
Contributions in aid of construction	**(15,170)**	(15,526)	(28,836)
Other	**(10,737)**	(7,637)	(4,786)
	142,091	203,337	176,614
Total income tax expense	**$506,251**	$576,348	$525,942
Classification of income taxes:			
Included in operating expenses	**$489,798**	$497,793	$446,395
Included in other income	**16,453**	78,555	79,547
Total income tax expense	**$506,251**	$576,348	$525,942

Accumulated deferred investment tax credits are amortized over the lives of the related properties.

The federal and composite federal and state statutory income tax rates are 34% and 40.138%, respectively, for 1990, 1989 and 1988.

The differences between recorded state and federal income taxes and amounts determined on income before taxes by applying the federal statutory tax rate are reconciled and presented below:

	Year ended December 31,		
In thousands	**1990**	1989	1988
Expected federal income tax expense at statutory rate	**$ 439,488**	$ 460,560	$ 437,843
Increase (decrease) in income tax expense resulting from:			
Federal deduction for state taxes on income	**(40,975)**	(41,976)	(40,005)
Depreciation and related timing difference not deferred	**55,821**	52,296	39,015
State tax provision	**120,514**	123,458	117,662
Investment and energy tax credits	**(33,003)**	(28,799)	(34,869)
All other differences	**(35,594)**	10,809	6,296
Total income tax expense	**$ 506,251**	$ 576,348	$ 525,942
Pretax income	**$1,292,611**	$1,354,589	$1,287,773
Effective tax rate (total income tax expense ÷ pretax income)	**39.2%**	42.5%	40.8%

Deferred income taxes for tax depreciation prior to 1981 and certain construction overheads have not been provided because the tax effects of such timing differences are not allowed for retail rate-making purposes until the taxes become payable. The cumulative net amount of these timing differences was $2.0 billion at December 31, 1990, 1989 and 1988.

New Accounting Standard Under current accounting rules, deferred income tax balances are not adjusted to reflect changes in tax rates or laws. However, in 1987, the Financial Accounting Standards Board (FASB) released an income tax accounting standard requiring such adjustments. The FASB is considering requests to amend certain provisions of the standard and has tentatively postponed its required implementation date one additional year to 1993.

When the new income tax accounting standard is implemented, other significant balance sheet adjustments will be required. SCEcorp will record additional deferred income taxes related to the equity component of AFUDC, which is currently recorded on an after-tax basis; the debt component of AFUDC, which was recorded on a net-of-tax basis prior to 1987; and other temporary differences for which deferred income taxes have not been provided.

Additional balance sheet adjustments will be recorded for the net reduction in deferred income tax liabilities resulting from income tax rate changes; the recognition of deferred income tax assets attributable to the reduction of the book basis of property by unamortized investment tax credits; and to classify property-related accumulated deferred taxes as a liability instead of a reduction of utility plant. The majority of additional deferred tax assets and liabilities will be offset by recording regulatory assets and liabilities representing the anticipated effects of these adjustments on customer rates. Such regulatory assets and liabilities will be adjusted as they are recovered or refunded through the rate-making process and for changes in tax rates or laws. Accordingly, these adjustments are not expected to significantly affect future earnings.

Note 6. Employee Benefit Plans

Pension Plan SCEcorp has a noncontributory defined-benefit pension plan, administered by a trustee, covering substantially all full-time employees who fulfill minimum service requirements. Benefits are based on years of accredited service and average compensation. SCEcorp's policy is to fund the plan on a level-premium actuarial method, provided that annual contributions meet the minimum funding requirements of the Employee Retirement Income Security Act and do not exceed the maximum deductible amount under income tax regulations. Prior service costs from pension plan amendments are funded over 30-year periods.

The components of pension expense were:

	Year ended December 31,		
In thousands	**1990**	1989	1988
Net pension expense:			
Service cost for benefits earned	**$ 57,430**	$ 49,307	$ 43,340
Interest cost on projected benefit obligation	**116,141**	108,341	102,249
Actual return on plan assets	**35,278**	(306,493)	(133,687)
Net amortization and deferral	**(167,214)**	199,260	40,610
Pension cost pursuant to accounting standards	**41,635**	50,415	52,512
Regulatory adjustment	**5,173**	(4,210)	(6,416)
Net pension cost recognized	**$ 46,808**	$ 46,205	$ 46,096

In conformity with the accounting principles for rate-regulated enterprises, regulatory adjustments have been recorded to reflect, in net income, the pension costs calculated under the actuarial method used for rate-making purposes. The difference between pension costs calculated for accounting and rate-making purposes has been recorded as a deferred charge in the consolidated balance sheets.

The plan's funded status was:

	December 31,	
In thousands	**1990**	1989
Actuarial present value of benefit obligations:		
Vested benefits	**$1,124,985**	$1,061,799
Nonvested benefits	**28,590**	32,781
Accumulated benefit obligation	**1,153,575**	1,094,580
Value of projected future compensation levels	**448,750**	486,779
Projected benefit obligation	**$1,602,325**	$1,581,359
Plan assets at fair value	**$1,542,568**	$1,630,125
Projected benefit obligation in excess of (less than) plan assets	**$ 59,757**	$ (48,766)
Unrecognized net gain	**65,394**	172,849
Unrecognized prior service cost	**(6,567)**	(7,000)
Unrecognized net obligation being amortized over 17 years	**(78,594)**	(84,117)
Accrued pension liability	**$ 39,990**	$ 32,966
Assumptions for defined benefit pension plan:		
Discount rate	**8.0%**	7.5%
Rate of increase in future compensation	**6.0%**	6.0%
Expected long-term rate of return on assets	**8.5%**	8.5%

Assets of the plan consist primarily of common stocks, corporate and government bonds, short-term investments and guaranteed investment contracts.

Employee Stock Plans SCEcorp maintains an Employee Stock Ownership Plan (ESOP) and a Stock Savings Plus Plan (SSPP), designed to supplement employees' retirement income. Contributions to the ESOP were funded primarily by federal income tax benefits and contributions by employees. SCEcorp contributions to the SSPP were $17.2 million in 1990, and $16.9 million each in 1989 and 1988.

Under Edison's Long-Term Incentive Compensation Plan, 1,477,500 shares of SCEcorp common stock were reserved at December 31, 1990, for issue to key employees in various forms, including the exercise of stock options.

SCEcorp common shares subject to option at December 31, 1990, were:

Options:	Shares	Share Price*
Outstanding, January 1, 1989	—	
Granted	115,200	\$32.00–\$32.37
Canceled	(8,522)	32.37
Outstanding, December 31, 1989	106,678	32.00– 32.37
Granted	156,650	39.69
Outstanding, December 31, 1990	263,328	32.00– 39.69
Exercisable, December 31, 1990	106,470	32.00– 32.37

**Share options accrue dividend equivalents at a rate equal to dividends declared on outstanding common shares. Such dividend equivalents may be utilized against the grant price at the time the share options are exercised.*

At December 31, 1990, and 1989, 1,214,172 and 1,370,822 shares, respectively, were reserved for future grants.

Other Postretirement Benefits Employees retiring from SCEcorp's subsidiaries on or after attaining age 55 and with at least 10 years of service are entitled to postretirement health care, dental, life insurance and other benefits for themselves and their dependents. Health-care benefits are provided by a combination of programs, and are subject to deductibles, copayment provisions and other limitations. The plans may be amended or changed periodically. The costs of these benefits are recognized as expense as claims and premiums are paid, and totaled \$24.3 million in 1990, \$21.2 million in 1989 and \$22.8 million in 1988.

New Accounting Standard In December 1990, the FASB issued a new standard on accounting for postretirement benefits other than pensions. The new standard requires the expected cost of these benefits to be charged to expense during the years employees render service. This is a significant change from SCEcorp's current policy of recognizing the cost of these benefits as they are paid. SCEcorp is required to implement the new accounting and disclosure rules no later than 1993, and may do so through a cumulative adjustment or ratably over future periods.

SCEcorp expects to implement the new standard effective January 1, 1993, and amortize the transition obligation at that date over a 20-year period. Based on a preliminary review by actuaries, the accumulated obligation at December 31, 1990, measured in accordance with the new standard, is approximately \$700 million. Had the new standard been implemented in 1990, the actuaries estimate additional postretirement benefits expensed in 1990 would have been in the range of \$70 million to \$80 million. Management believes that there will be a similar relationship between the accumulated obligation and additional expense in 1993, although it could differ significantly due to changes in health-care cost trends or interest rates.

The CPUC has initiated an investigation to determine the rate-making impact of the new standard. Hearings on this matter are expected to begin in 1991. Edison anticipates recovering the additional postretirement benefit expense in rates. With rate recovery and the application of regulatory accounting principles, no significant financial effect should result from this accounting standard.

Note 7. Jointly Owned Utility Projects

Edison owns undivided interests in several generating stations and transmission systems for which each participant provides its own financing. Edison's proportionate share of expenses pertaining to such projects is included in the respective operating expense category in the consolidated statements of income.

The investment in each project, as included in the consolidated balance sheet as of December 31, 1990, was:

In thousands	Plant in Service	Accumulated Depreciation	Under Construction	Ownership Interest
El Dorado Transmission System	\$ 23,586	\$ 9,860	\$ 1,440	60%(a)
Four Corners Coal Generating Station — Units 4 and 5	422,739	157,553	17,560	48
Mohave Coal Generating Station	247,184	107,621	7,436	56
Pacific Intertie DC Transmission System	201,663	45,298	2,577	50
Palo Verde Nuclear Generating Station	1,485,729	159,617	6,168	15.8
San Onofre Nuclear Generating Station	4,428,495	1,071,381	73,438	(b)
Yuma Axis Generating Station (c)	12,579	11,712	1	33.3
Total	\$6,821,975	\$1,563,042	\$108,620	

(a) Represents a composite rate.
(b) Ownership interest is 80% in Unit 1 and 75% in Units 2 and 3.
(c) In January 1990, Edison entered into an agreement to sell its interest in this facility, subject to CPUC and FERC approval.

Note 8. Leases

Investments in Leveraged Leases A nonutility subsidiary is the lessor in several leveraged-lease agreements, under which property is leased for terms extending from 24 to 30 years. All operating, maintenance, insurance and decommissioning costs are the responsibility of the lessees. The total cost of these facilities was $1.1 billion at December 31, 1990, and $635.9 million at December 31, 1989.

The equity investment in these facilities represents 23% of the purchase price. The remaining 77% is nonrecourse debt, which is secured by first liens on the leased property. The lenders accept their security interests as their only remedy in the event of default by the lessee.

The components of the net investment in leveraged leases were:

	December 31,	
In thousands	**1990**	1989
Rentals receivable (net of principal and interest on nonrecourse debt)	**$ 561,742**	$ 257,782
Unearned income	**(260,842)**	(87,785)
Investment in leveraged leases	**300,900**	169,997
Estimated residual value	**15,220**	—
Deferred income taxes	**(171,737)**	(107,611)
Net investment in leveraged leases	**$ 144,383**	$ 62,386

Operating Lease Commitments SCEcorp's subsidiaries lease automotive, computer, office and miscellaneous equipment through operating rental agreements with varying terms, provisions and expiration dates.

At December 31, 1990, estimated remaining rental commitments for noncancelable operating leases were:

Year ended December 31,	*In thousands*
1991	$ 30,918
1992	26,228
1993	21,696
1994	17,503
1995	12,811
For periods thereafter	13,544
Total future rental commitments	$122,700

Note 9. Commitments

Construction Program and Fuel Supply As of December 31, 1990, construction expenditures of SCEcorp's subsidiaries are estimated to be $1.2 billion for 1991, $938.9 million for 1992 and $925.2 million for 1993. In addition, minimum long-term commitments of approximately $1.3 billion existed as of December 31, 1990, under fuel supply contracts.

Long-Term Purchased-Power and Transmission Contracts Edison has contracted to purchase a portion of the generating output of a hydroelectric facility and firm transmission service from another utility, as needed. Although there is no investment in the facility or transmission line, these contracts provide for minimum payments based, in part, on the debt service requirements of the provider, whether or not the facility or transmission line is operable. The power contract is not expected to provide more than 5% of current or estimated future operating capacity.

The cost of power and firm transmission service obtained under these contracts, including payments made when the facility or transmission line is not operating, is included in purchased power and other operating expenses in the consolidated statements of income. Purchased-power costs are generally recoverable through the ECAC balancing account.

Selected information pertaining to these contracts at December 31, 1990, is summarized below:

	Purchased Power	Transmission Service
Year contract expires	2017	2016
Share of effective operating capacity—megawatts	277.5	—
Share of energy output	5.54%	—
Required minimum annual payments	*In thousands*	
1991	$ 3,000	$ 4,701
1992	3,400	4,531
1993	3,400	4,377
1994	3,400	4,237
1995	3,400	4,110
For periods thereafter	73,950	61,709
Total	$90,550	$83,665

Costs under the purchased-power contract were $3.4 million in 1990, $4.5 million in 1989 and $3.8 million in 1988. Costs under the transmission contract were $4.9 million in 1990, $4.4 million in 1989 and $5.3 million in 1988.

Note 10. Contingencies

Nuclear Insurance The federal statutory limit on public liability claims that could arise from a nuclear incident is \$7.8 billion. Participants in San Onofre and Palo Verde have purchased the maximum private primary insurance available (\$200 million). The balance is to be covered by the industry's retrospective rating plan, using deferred premium charges. This secondary level of financial protection is required by the Nuclear Regulatory Commission (NRC). The maximum amount of the deferred premium that may be charged for each nuclear incident is \$63 million per reactor, but not more than \$10 million per reactor may be charged in any one year for each incident. Edison could be required to pay a maximum of \$183.6 million per nuclear incident, based on its ownership interests in San Onofre and Palo Verde, but it would have to pay no more than \$29.1 million per incident in any one year. Such amounts include a 5% surcharge that would be applicable in the event that additional funds are needed to satisfy public liability claims, and are subject to adjustment for inflation.

Property damage insurance, including decontamination costs, covers losses up to \$500 million at San Onofre and Palo Verde. Decontamination liability and property damage coverage in excess of the primary \$500 million layer also has been purchased in amounts exceeding NRC requirements. Insurance covering part of the additional expense of replacement power, which could result from an accident-related nuclear unit outage, is also provided. These policies are issued primarily by mutual insurance companies owned by utilities with nuclear facilities. If losses at any nuclear facility covered by the arrangement were to exceed the accumulated funds available for these insurance programs, Edison could be assessed retrospective premium adjustments of up to \$31.5 million per year. Insurance premiums are charged to operating expenses.

Antitrust Litigation In 1978, five resale customers filed a suit in federal district court, alleging violation of antitrust laws. The complaint sought monetary damages, a trebling of such damages, and certain injunctive relief. The complaint alleged that Edison engaged in anticompetitive behavior by charging more for electricity it sold to resale customers than it charged certain classes of retail customers. The complaint also alleged that Edison acted alone and in concert with other utilities to prevent or limit such resale customers from obtaining bulk power supplies from other sources to reduce or replace the resale customers' purchases from Edison. The plaintiffs estimated that their actual damages, before trebling, were approximately \$99.5 million from February 1, 1978, through December 31, 1985. The trial began on July 8, 1986, and concluded on September 26, 1986. On October 24, 1990, the court issued a final judgment favorable to Edison. On November 15, 1990, the plaintiffs filed an appeal of the decision to the Ninth Circuit Court of Appeals.

In 1983, another resale customer, the City of Vernon, also filed a complaint against Edison in federal district court, alleging violation of certain antitrust laws. The complaint alleged that Edison engaged in anticompetitive behavior by restricting access to Edison transmission facilities and foreclosing Vernon from purchasing bulk power supplies from other sources. The complaint also alleged that Edison unlawfully designed its resale rates in certain respects.

Vernon claimed damages of approximately \$60 million before trebling. Final judgment for Edison on all claims was entered on August 31, 1990. Vernon filed a notice of appeal of the court's decisions on October 23, 1990.

On January 31, 1991, California Energy Company filed an action in federal district court against SCEcorp and three of its subsidiaries (Mission Energy, Mission Power Engineering Company and Edison), alleging violation of antitrust laws and unlawful interference with its lender contracts and negotiations for future financing. The suit seeks \$260 million in damages, before trebling, and requests a permanent injunction prohibiting the merger of Edison and SDG&E. SCEcorp and its subsidiaries are reviewing the allegations and will vigorously contest the lawsuit.

Environmental Matters Edison is subject to numerous legislative and regulatory environmental requirements pertaining to air and water pollution, waste management, hazardous chemical use, noise abatement, land use, aesthetics and nuclear control. These requirements have caused, and will continue to cause, Edison to incur substantial additional costs to operate its existing facilities, to construct and operate new facilities, and to clean up waste disposal sites for which it may be responsible. The potential cost of these environmental requirements for Edison cannot be determined at this time. Edison believes that the costs incurred in complying with these environmental requirements either will be covered by insurance or recognized by the CPUC or the FERC as reasonable and necessary costs of service for rate purposes. There can be no assurance that these costs will be recoverable, but Edison believes that any costs that are unrecovered will not have a significant impact on its financial position or results of operations.

Quarterly Financial Data

Unaudited

In millions, except per-share data	1990 Total	1990 Fourth	1990 Third	1990 Second	1990 First	1989 Total	1989 Fourth	1989 Third	1989 Second	1989 First
Operating revenue	$7,199	$1,755	$2,258	$1,595	$1,591	$6,904	$1,620	$2,182	$1,572	$1,530
Operating income	1,251	297	406	266	282	1,168	213	497	243	215
Net income	786	182	286	146	172	778	119	401	141	117
Per share:										
Earnings	3.60	.83	1.31	.67	.79	3.56	.54	1.83	.65	.54
Dividends declared	2.62	.66	.66	.66	.64	2.54	.64	.64	.64	.62
Common stock prices										
High	$40¼	$39⅞	$38¾	$40	$40¼	$41	$41	$37⅞	$36¼	$33⅝
Low	33½	35⅛	33½	35⅝	35⅝	31	34⅛	34½	31¼	31
Close	37⅞	37⅞	36	37½	37¼	39⅜	39⅜	35¾	34¾	31½

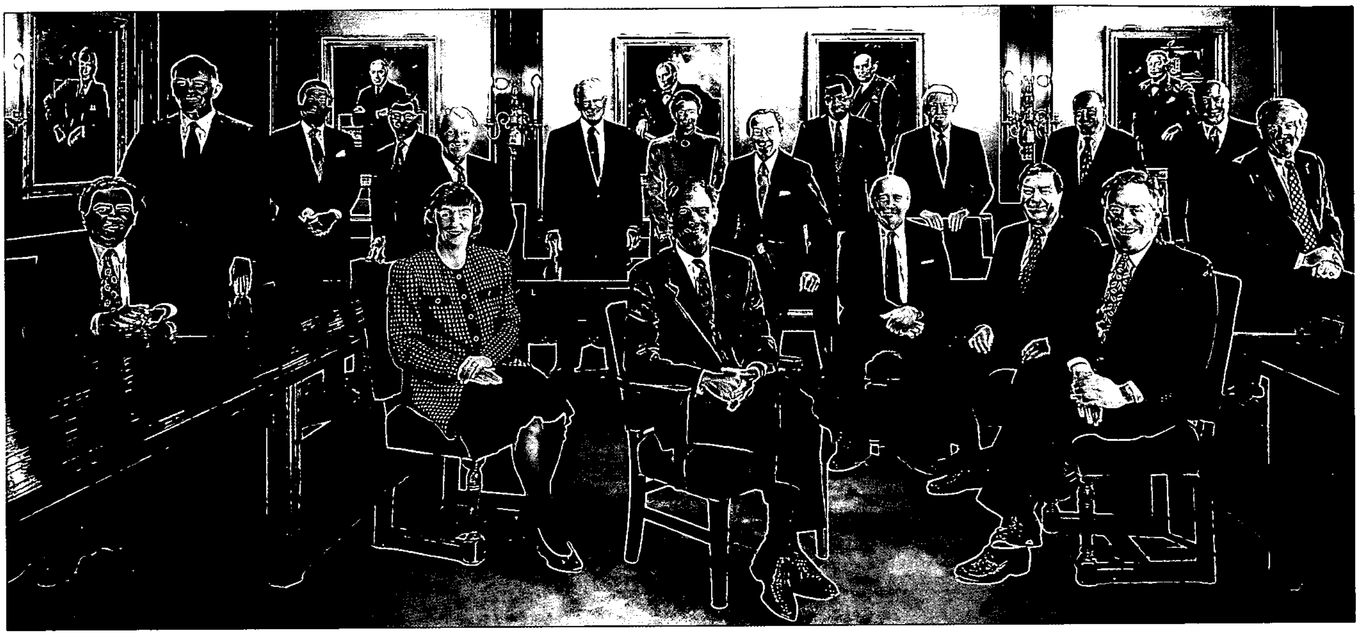
Electric Revenue and Kilowatt-Hour Sales

Class of Service	Electric Revenue (In thousands) % of 1990 Total	1990	1989	1988	Kilowatt-Hour Sales (In thousands) % of 1990 Total	1990	1989	1988
Residential	**34.3**	**$2,392,985**	$2,155,328	$1,881,290	**31.2**	**22,335,309**	21,355,283	20,900,569
Agricultural	**1.7**	**115,962**	105,982	96,073	**1.7**	**1,214,310**	1,082,919	1,049,376
Commercial	**36.3**	**2,536,672**	2,356,274	2,095,514	**35.5**	**25,466,649**	24,214,070	23,039,977
Industrial	**16.3**	**1,137,099**	1,170,246	1,155,651	**21.0**	**15,038,496**	15,221,756	15,415,694
Public authorities	**8.3**	**583,216**	558,811	513,089	**8.4**	**5,995,649**	5,761,603	5,544,301
Railroads and railways	—	**1,331**	—	—	—	**11,533**	—	—
Interdepartmental	—	**108**	118	109	—	**1,098**	1,232	1,258
Resale	**1.5**	**106,599**	84,979	114,510	**2.2**	**1,550,716**	1,498,885	1,934,586
Sales of electric energy	**98.4**	**6,873,972**	6,431,738	5,856,236	**100.0**	**71,613,760**	69,135,748	67,885,761
Other electric revenue	**1.6**	**112,312**	92,648	75,446	—	—	—	—
Total	**100.0**	**$6,986,284**	$6,524,386	$5,931,682	**100.0**	**71,613,760**	69,135,748	67,885,761

Electric Revenue by Rate Components

Rate Components	Electric Revenue (In thousands) 1990	1989	1988	% of Total 1990	1989	1988
Base rates—CPUC jurisdiction	**$3,724,356**	$3,625,331	$3,397,923	**53.3**	55.6	57.3
Energy cost adjustment billing factor	**2,926,613**	2,743,451	2,126,224	**41.9**	42.0	35.8
Major additions adjustment billing factor	**78,292**	94,737	153,840	**1.1**	1.4	2.6
Other billing factors	**16,358**	(133,641)	45,084	**0.2**	(2.0)	0.8
Resale rates (excluding fringe)	**102,370**	88,565	112,920	**1.5**	1.4	1.9
Unbilled revenue	**25,983**	13,295	20,245	**0.4**	0.2	0.3
Sales of electric energy	**6,873,972**	6,431,738	5,856,236	**98.4**	98.6	98.7
Other electric revenue	**112,312**	92,648	75,446	**1.6**	1.4	1.3
Total	**$6,986,284**	$6,524,386	$5,931,682	**100.0**	100.0	100.0

Board of Directors



CENTER: John E. Bryson. FRONT CIRCLE (FROM LEFT): Joan C. Hanley, Walter B. Gerken, Warren Christopher, William R. Gould, Howard P. Allen, Michael R. Peevey. BACK CIRCLE (FROM LEFT): Edward Zapanta, Henry T. Segerstrom, Norman Barker Jr., Carl F. Huntsinger, E. L. Shannon Jr., Camilla C. Frost, James M. Rosser, Roy A. Anderson, Charles D. Miller, J. J. Pinola, Robert H. Smith.

[1] **John E. Bryson**
Chairman of the Board
and Chief Executive Officer

[2] **Howard P. Allen**
Chairman of the Executive Committee
and Consultant

Roy A. Anderson
Chairman Emeritus, Lockheed Corporation
Burbank, California

Norman Barker Jr.
Chairman of the Board
Pacific American Income Shares, Inc.
Los Angeles, California

Warren Christopher
Chairman, O'Melveny & Myers
Los Angeles, California

Camilla C. Frost
Trustee, Chandler Trusts and
Director, Secretary-Treasurer
Chandlis Securities Company
Los Angeles, California

Walter B. Gerken
Chairman of the Executive Committee
Pacific Mutual Life Insurance Company
Newport Beach, California

William R. Gould
Chairman Emeritus
Southern California Edison Company

Joan C. Hanley
General Partner, Miramonte Vineyards
and Public Affairs Consultant
Monaghan Company—Long Point
Temecula, California

Carl F. Huntsinger
General Partner
DAE Limited Partnership, Ltd.
Ojai, California

Charles D. Miller
Chairman of the Board and
Chief Executive Officer
Avery Dennison Corporation
Pasadena, California

[3] **Michael R. Peevey**
President

J. J. Pinola
Chairman of the Executive Committee
First Interstate Bancorp
Los Angeles, California

James M. Rosser
President
California State University, Los Angeles
Los Angeles, California

Henry T. Segerstrom
Managing Partner
C. J. Segerstrom & Sons
Costa Mesa, California

E. L. Shannon Jr.
President and Chief Executive Officer
Santa Fe International Corporation
Alhambra, California

Robert H. Smith
President and Chief Executive Officer
Security Pacific Corporation and
Chairman of the Board
Security Pacific National Bank
Los Angeles, California

Edward Zapanta
Physician and Neurosurgeon
Monterey Park and
East Los Angeles, California

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1. Mr. Bryson was elected Chairman of the Board and Chief Executive Officer of SCEcorp and Southern California Edison Co. effective October 1, 1990.

2. Mr. Allen retired as Chairman of the Board, President and Chief Executive Officer of SCEcorp and Southern California Edison Co., and continued as a board member and was elected Chairman of the Executive Committee of both companies effective October 1, 1990.

3. Mr. Peevey was elected President of SCEcorp and Southern California Edison Co. and a board member of both companies effective October 1, 1990.

Executive Officers

SCEcorp

John E. Bryson
Chairman of the Board
and Chief Executive Officer

Michael R. Peevey
President

David N. Barry III
Vice President and
General Counsel

Richard K. Bushey
Vice President and Controller

Michael L. Noel
Vice President, Treasurer and
Chief Financial Officer

Diana L. Peterson-More
Secretary of the Corporation

Southern California Edison Company

John E. Bryson
Chairman of the Board
and Chief Executive Officer

Michael R. Peevey
President

Charles B. McCarthy Jr.
Senior Vice President

L.T. Papay
Senior Vice President

Harold B. Ray
Senior Vice President

David N. Barry III
Vice President and General Counsel

Kenneth P. Baskin
Vice President
(Fuel and Material Management)

Glenn J. Bjorklund
Vice President
(Power Supply)

Robert H. Bridenbecker
Vice President
(Customer Service)

Richard K. Bushey
Vice President and Controller

Ronald Daniels
Vice President
(Revenue Requirements
and Governmental Affairs)

Robert Dietch
Vice President
(Engineering, Planning and Research)

John R. Fielder
Vice President
(Information Services)

Harry E. Morgan Jr.
Vice President and Site Manager
San Onofre Nuclear Generating Station

Michael L. Noel
Vice President, Treasurer and
Chief Financial Officer

Lewis M. Phelps
Vice President
(Corporate Communications)

Jacque J. Sokolov
Vice President and Medical Director

Diana L. Peterson-More
Secretary of the Corporation

The Mission Group

John E. Bryson
Chairman of the Board and
Chief Executive Officer
The Mission Group

Michael R. Peevey
President
The Mission Group

Thomas R. McDaniel
President
Mission First Financial

James S. Pignatelli
President
Mission Energy Company

Robert E. Umbaugh
President
Mission Land Company

Stock listing and trading information

SCEcorp common stock Listed on the New York, Pacific, London and Tokyo stock exchanges under the ticker symbol SCE. Shareholders can find the previous day's closing price in daily newspapers under the symbols SCEcp, or SCEcorp.

Edison preferred stocks Listed on the American and Pacific stock exchanges under the ticker symbol SCE. Previous day's closing prices, when traded, are listed in the American Stock Exchange listing table under the symbol SoCalEd. The 7.325%, 7.80%, 8.70%A and 12.31% series are not listed.

Where to buy and sell stock The common and listed preferred stocks may be purchased through any brokerage firm. Firms handling unlisted series can be located through your broker.

Transfer agent and registrar

Southern California Edison Company maintains shareholder records and acts as transfer agent and registrar for all SCEcorp and Edison stocks. Shareholders may call Shareholder Services at (800) 347-8625 between 8:00 a.m. and 4:30 p.m. (Pacific time) every business day, regarding:

- stock transfer and name-change requirements;
- address changes, including dividend addresses;
- taxpayer identification number (Social Security number) submission or changes;
- replacement of dividend checks;
- duplicate 1099 forms and W-9 tax certification forms;
- notices of lost or destroyed stock certificates;
- SCEcorp's Dividend Reinvestment Plan, including enrollment, withdrawal, terminations, transfers and statements.

The address of Shareholder Services is:
P.O. Box 400, Rosemead, California 91770
FAX: (818) 302-4815

Dividend reinvestment and deposit services Please call or write Shareholder Services for a prospectus on how SCEcorp's common stock shareholders can purchase additional shares by reinvesting their quarterly dividends. Among other features, the plan also allows optional cash payments of up to $10,000 per calendar month.

If you wish to have your dividend check mailed directly to your bank for deposit, send instructions, including your shareholder account number, your bank account number or a blank deposit slip, and the complete address of the bank to Shareholders Services.

How to transfer stock Whenever there is a name change on a stock certificate, regulations require a transfer of stock. This can happen when you sell the stock, make a gift of stock, or add or delete owners of the stock certificate. The transfer can be made by completing the stock assignment on the back of the stock certificate and signing it exactly as the name appears on the front. The signature of the individual transferring the stock must be guaranteed by a commercial bank (not a savings and loan association) or a brokerage firm that is a member of a national securities exchange. A notary's acknowledgment is not acceptable. The certificate should then be sent to Shareholder Services by registered or certified mail.

Annual meetings of shareholders

The annual meetings of shareholders of SCEcorp and Edison will be held on Thursday, April 18, 1991, at 10:00 a.m. at the Industry Hills and Sheraton Resort, One Industry Hills Parkway, City of Industry, California.

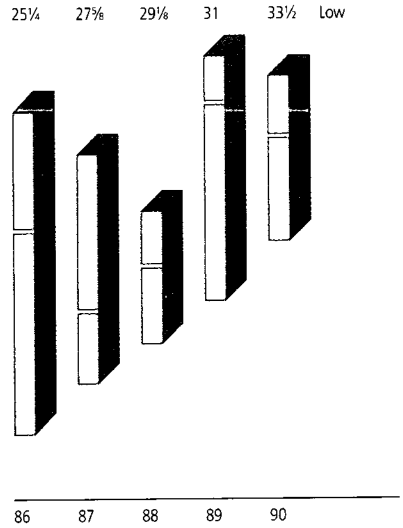
Shareholder profile

As of December 31, 1990, there were 144,929 SCEcorp common stock shareholders of record and 14,696 Edison preferred stock shareholders. Millions of other shares are held in "street name" by securities brokers and nominees.

Stock Price Range
(SCEcorp)

In dollars

86	87	88	89	90	
38¾	37	34½	41	40¼	High
33⅞	30½	32⅜	39⅜	37⅞	Close
25¼	27⅝	29⅛	31	33½	Low



Corporate Offices

SCEcorp
2244 Walnut Grove Avenue
Rosemead, California 91770
(818) 302-2222

Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, California 91770
(818) 302-1212

The Mission Group
38 Executive Park
Irvine, California 92714
(714) 756-3900