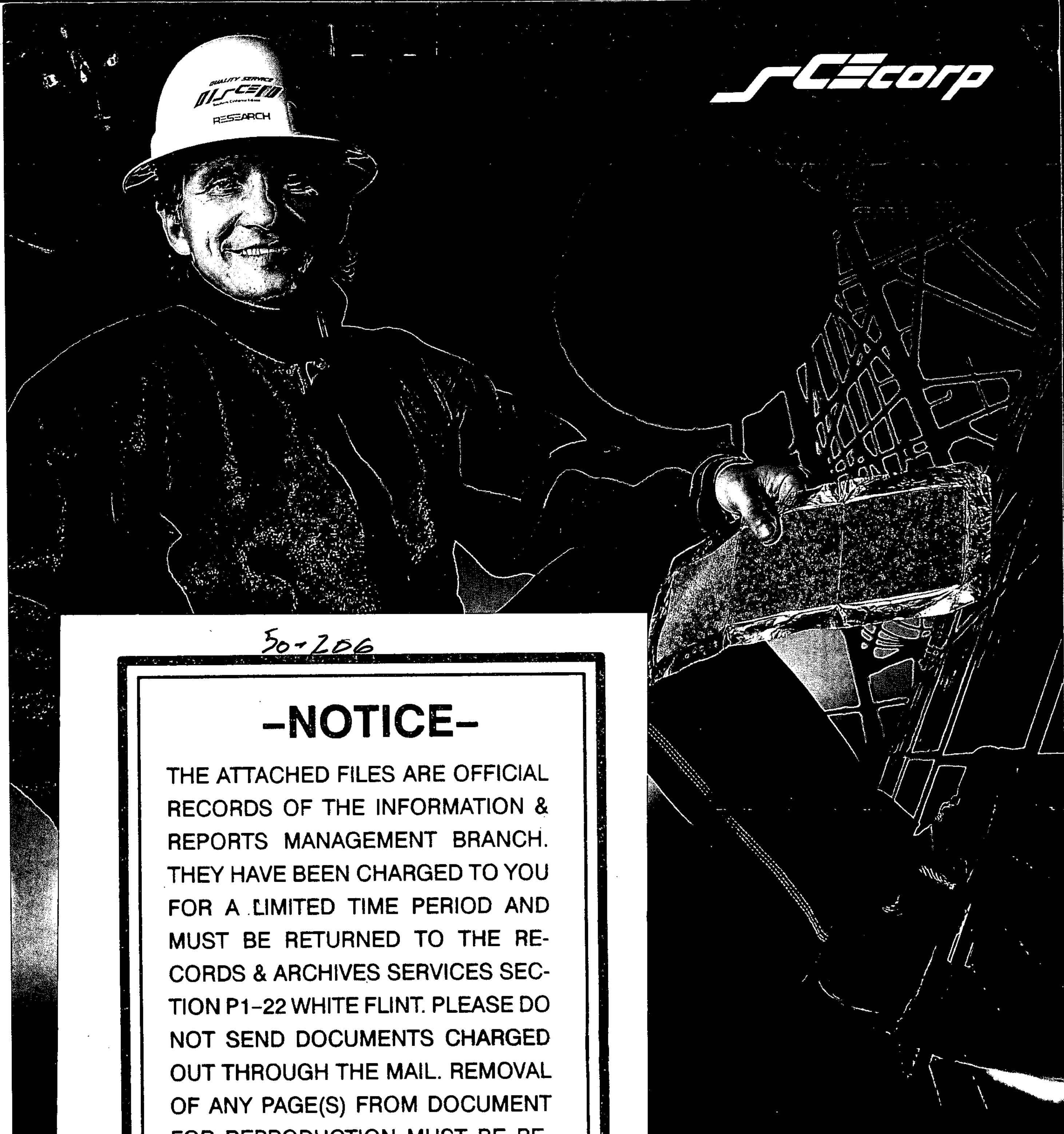
SCEcorp



1991 Annual Report

Lighting the way for tomorrow

Contents

On the cover: Edison researcher Nick Patapoff holds new photovoltaic solar cells while resting a foot on older ones at Edison's Ord Mountain telecommunication facility near Barstow, California. The new technology converts sunlight directly to electricity and was initiated during a six-year $10 million partnership with Texas Instruments. It could supply clean energy at competitive prices by the late 1990s and eventually cut electricity costs of customers using the cells. This solar project is one of Edison's many future-focused research activities to develop technologies that will provide customers new forms of clean, efficient electric power.

Corporate Profile

SCEcorp is the parent corporation of Southern California Edison Company, the nation's second-largest electric utility, and The Mission Group, whose three principal nonutility subsidiaries provide energy-related services. With headquarters in Rosemead, California, SCEcorp has assets of nearly $17 billion.

SCEcorp's largest subsidiary is Edison, a 105-year-old regulated utility that provides electric service to 4.1 million customers in Central and Southern California. Edison's rapidly growing and economically diverse service territory covers 50,000 square miles and has a population of nearly 11 million.

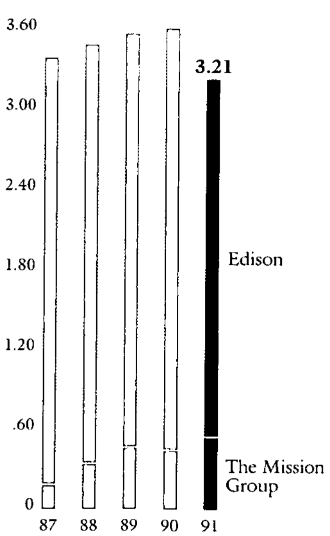
The Mission Group's subsidiaries include Mission Energy Company, Mission First Financial and Mission Land Company. They operate throughout the United States and in foreign markets.

Financial Highlights

Dollars in thousands, except per-share amounts	1991	1990	Increase (decrease)	5-year compound annual growth rate	10-year compound annual growth rate
SCEcorp					
Revenue	**$7,502,498**	$7,198,531	4.2%	7.0%	6.2%
Net income	**$702,605**	$786,360	(10.7)	4.8	4.9
Earnings per share	**$3.21**	$3.60	(10.8)	4.7	3.0
Dividends (current rate)	**$2.72**	$2.64	3.0	3.6	5.3
Dividend payout ratio	**83.5%**	72.2%	—	—	—
Assets	**$16,828,206**	$16,312,246	3.2	4.1	5.5
Rate of return on common equity	**12.5%**	14.5%	—	—	—
Southern California Edison					
Revenue	**$7,297,759**	$6,986,460	4.5%	6.6%	5.7%
Earnings available for common stock	**$587,315**	$692,627	(15.2)	2.1	3.1
Earnings per SCEcorp common share	**$2.68**	$3.17	(15.5)	2.0	1.1
Rate of return on common equity	**12.6%**	15.0%	—	—	—
The Mission Group					
Net income	**$116,082**	$94,019	23.5%	29.4%	—
Earnings per SCEcorp common share	**$.53**	$.43	23.3	29.4	—
Equity capital	**$1,020,364**	$904,282	12.8	30.7	—
Assets	**$2,119,500**	$1,762,199	20.3	32.8	—
Rate of return on common equity	**12.2%**	11.8%	—	—	—

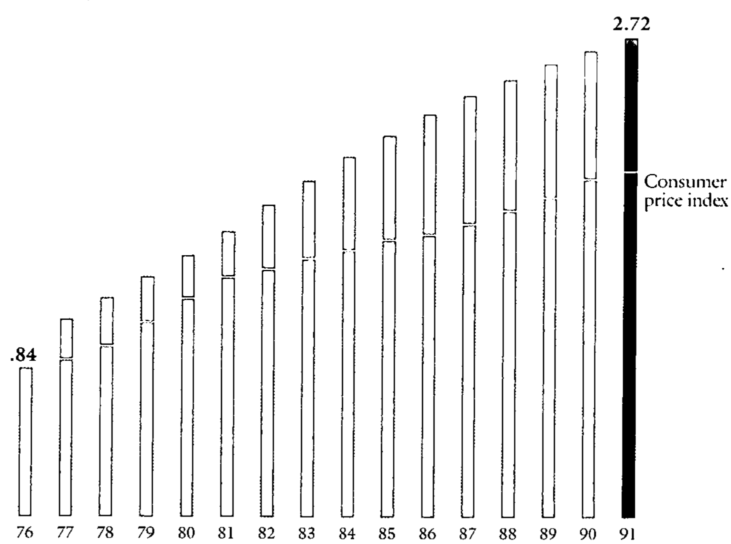
SCEcorp: Earnings Per Share

In dollars



SCEcorp: Annual Dividend Rate Per Share

In dollars



The Year at a Glance

SCEcorp

■ SCEcorp's earnings per share of common stock in 1991 were down 39 cents to $3.21. The decrease resulted from nonrecurring charges recorded by Edison, which were partially offset by increased earnings at The Mission Group. Earnings would have risen 4 cents per share to a record $3.64 without these charges *(Pages 4 and 33)*.

■ SCEcorp declared its 16th increase in the common stock dividend in 15 years; the annual dividend is $2.72 per share.

■ SCEcorp's common stock in 1991 had a total return of more than 31% from price appreciation and dividends. It outpaced the Standard & Poor's (S&P) 500 stock index, the Dow Jones industrial average and the Dow Jones utility average, as it has also done over the past 10- and 15-year periods.

Southern California Edison Company

■ Southern California Edison took major steps to resolve outstanding issues and strengthen its position for the future by:

1. Settling a dispute with the consumer advocacy arm of the California Public Utilities Commission (CPUC) regarding contracts between Edison and nonutility power producers. Edison customers will receive rate reductions valued at $250 million *(Pages 4 and 43)*.

2. Reaching an agreement that, if approved, will lead to the closure of San Onofre Nuclear Generating Station Unit 1 after nearly a quarter century of operation and will allow Edison to recover essentially all its investment in the plant *(Pages 4 and 45)*.

3. Developing a new strategic management plan to respond to increasing competition, expanded customer choices and a changing regulatory climate *(Page 4)*.

■ The CPUC denied the proposed merger between Edison and San Diego Gas & Electric Company. Edison did not appeal the decision *(Pages 4 and 22)*.

■ Edison and Texas Instruments jointly achieved a solar energy breakthrough by developing an advanced solar cell, which ultimately could cut solar energy costs up to 80% *(Page 11)*.

■ Edison reached agreement with regulators on a policy to cut nitrogen-oxides emissions. Separately, it became one of the nation's first utilities to adopt an energy resource plan that will cut carbon-dioxide (CO_2) emissions. Edison's goal is to reduce its output of CO_2, a "greenhouse gas," 10% by the year 2000, and another 10% by 2010 *(Page 8)*.

The Mission Group

■ The Mission Group's three nonutility subsidiaries had earnings of $116 million, up 23%. Mission Energy and Mission First Financial again achieved record results *(Pages 6, 24 and 29)*.

■ Mission Energy, the nation's largest nonutility power producer, placed six power projects into commercial operation in 1991, totaling 494 megawatts (MW) of capacity. Mission Energy now has substantial ownership in 27 generating projects in the United States with 2,843 MW of capacity. Mission-operated power plants achieved an on-peak capacity factor of 95% during 1991 *(Pages 6 and 24)*.

■ Mission First Financial invested $61.5 million in several projects, including a waste-to-energy plant *(Pages 7 and 29)*.

LEADERSHIP
in saving
energy

Energy-efficient refrigeration: Major Account Executive Everol Miller helped Ralphs Grocery Company's Compton Central Facility cut its electricity consumption by 4 million kilowatt-hours annually and reduce its electricity bills by $250,000 a year through an Edison energy management program. Ralphs received a rebate of $300,000 after investing $1.4 million in improvements that included replacement of old ammonia compressors with new, energy-efficient ones. The improvements will pay for themselves in four years.

Dear Fellow Shareholders:

In 1991, SCEcorp's earnings declined 11% to $3.21 a share. The decline resulted from one-time charges against earnings of our Southern California Edison subsidiary to resolve several significant business and regulatory issues. Without those charges, SCEcorp's 1991 earnings would have been 4 cents per share higher than in 1990. Our Mission Group of nonutility subsidiaries had another strong year, earning 53 cents per share, a 23% increase over 1990.

Edison Resolves Key Matters

While we are disappointed to report reduced earnings in our utility subsidiary, we took essential steps at Edison in the past year, in some cases at substantial cost, to prepare for a successful future. The most important of these steps were:

■ A settlement of disputes with the Division of Ratepayer Advocates (DRA), the consumer advocacy branch of the California Public Utilities Commission (CPUC), over contracts negotiated in the early- and mid-1980s between Edison and nonutility power producers in which Mission Energy, our nonutility power production subsidiary, had an ownership interest. In October, we agreed to settle the disputes for a disallowance valued at about $250 million. The settlement, which must be approved by the CPUC, avoids years of highly contentious regulatory proceedings. We chose to put this matter behind us to focus our attention on the future.

■ A decision to terminate operation of San Onofre Nuclear Generating Station Unit 1, a 436-megawatt (MW) unit, after nearly a quarter century of operation. Under a settlement agreement with the DRA (which the CPUC must approve), Edison will be allowed to recover substantially all its remaining investment in the plant over four years.

■ Development of a new strategic management plan and related corporate reorganization. As part of this effort, we took a $25 million charge against 1991 earnings for a corporate restructuring program.

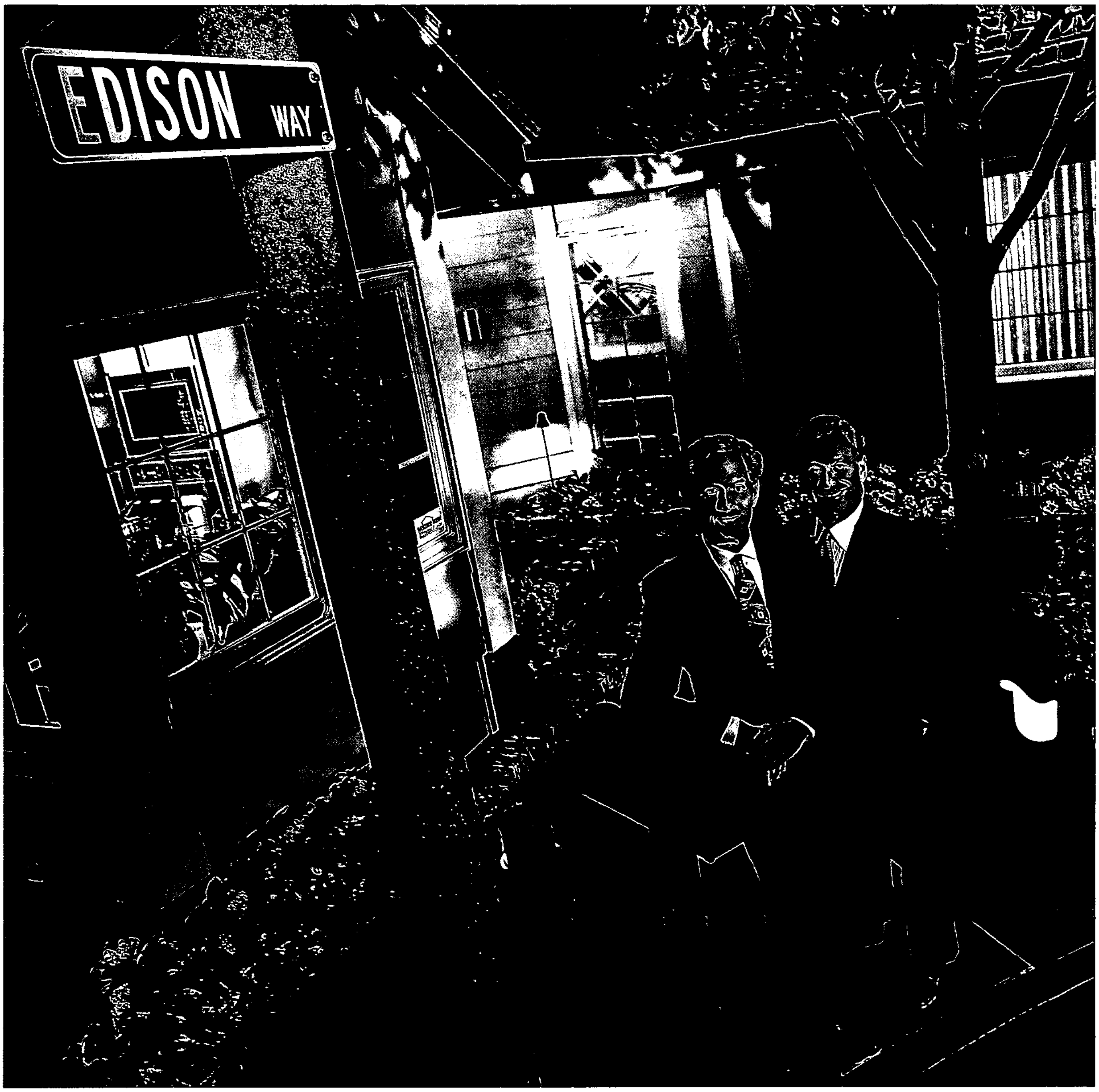
The year also marked the unsuccessful conclusion of a prolonged effort to win regulatory approval of our proposed merger with San Diego Gas & Electric Company. In the end, we could not overcome very substantial opposition in San Diego to the merger, and it was not approved by the CPUC. We were disappointed with the outcome. However, given the extensive San Diego area opposition, it would have been difficult to implement the merger successfully without being distracted from other valuable initiatives.

Edison's New Strategic Focus

In 1991, Southern California Edison conducted a comprehensive strategic assessment of its competitive position, the greater number of options available to customers and the changing regulatory climate that will affect us in the 1990s. In order to create as much growth in shareholder value as possible, we are setting measurable performance targets for ourselves in five critical business dimensions and have reorganized our management structure to focus on them:

■ *Competition:* We face significant competition in the generation sector of our business, and California's regulatory system now requires bidding by others for the right to build new generation capacity on our system. Legislative and regulatory bodies also are focusing on more access for others to utility transmission systems. We must be prepared to meet this potential competition, and are taking the steps to keep our power plants price-competitive.

■ *Customers:* Our business customers have more choice about how they obtain their electricity—self-generation is one option—and likely will have greater choice in the future. We will remain our customers' supplier of choice only if we provide competitively priced electricity, expanded energy efficiency programs and innovative solutions to their energy needs. Customers have differing energy needs, so we are offering more service and price options to meet specific customer requirements.



John E. Bryson (left), chairman and chief executive officer, and Michael R. Peevey, president, at the House of the Future in Edison's Customer Technology Application Center.

■ *Regulators:* Edison cannot succeed without sound, equitable regulation. We believe a relationship with our regulators based on open communication and mutual understanding of our respective objectives is the best means to achieve regulatory decisions that benefit shareholders, customers and the general public.

■ *Community and Environment:* As a regulated utility, we have special public service obligations to meet the economic and environmental challenges facing our customers and communities. We are determined to better manage the environmental consequences of our business, and to lead in helping Southern California prosper as a desirable place to live and work.

■ *Our Team:* To compete effectively in the 1990s, Edison is building on its strengths to create a high-performance organization focused on winning in a competitive environment. We have studied the "best practices" of firms nationally recognized for outstanding management and are committed to meet or exceed such "benchmarks" in all key operating areas.

Vision and Values

In the past year, we have committed ourselves at Edison to a new statement of our corporate vision and values, which appears below. Our role as a business and regional leader in Southern California builds on our utility role as a vital infrastructure provider to every business and citizen in one of the world's largest and strongest economic markets.

Our Vision

We will be a great company that provides business and regional leadership.

Business Leadership
We will set the national standard of performance among utilities. We will provide our customers cost-competitive, reliable electricity; energy-saving services; and creative solutions to their energy needs.

Regional Leadership
We will anticipate and address the challenges of economic competitiveness and environmental quality facing our customers and communities. As a public utility, we are committed to helping Southern California prosper as an excellent place to live and do business.

Our Values

Challenge
We will challenge ourselves to continuously improve our performance and constantly renew our understanding of our changing business.

Candor
We will conduct ourselves with honesty, openness and integrity in all our relationships.

Commitment
We will achieve:

- Value for our customers;
- Leadership for our community and environment;
- Excellence as a team;
- Shared purpose with regulators; and
- Value for our shareholders.

Nonutility Businesses Growing Rapidly

Our Mission Group companies continue to grow rapidly. Their $116 million net income in 1991, up 23% from 1990, was greater than the earnings of more than half of the nation's 500 largest publicly held companies. Mission Land's earnings were down because of difficult real estate market conditions, but Mission Energy and Mission First Financial had a very good year.

Mission Energy: Number One Nationally and Growing

Mission Energy enhanced its position in 1991 as the pre-eminent company in the large and rapidly growing nonutility power generation industry. Leading industry observers forecast that nonutility power producers will build 100,000 MW of new power plants nationwide in the next decade, and 750,000 MW worldwide.

Mission Energy's net income rose 19% in 1991 to $83 million. Based on the market valuation of the stock of several publicly traded competitors, Mission Energy today is worth about $1.2 billion. This represents a significant increase in value for SCEcorp shareholders above the $581 million book value of Mission Energy.

Mission Energy brought six new natural gas-fired power plants into service in 1991, with a total generating capacity of 494 MW. In total, Mission Energy has substantial interests—in most cases 50% ownership—in 27 operating projects in the United States with a total generating capacity of 2,843 MW. It also has substantial interests in six additional domestic projects totaling 1,106 MW of capacity that are either in construction or advanced permitting stages.

In addition to Mission Energy's domestic growth potential, the company foresees significant opportunities overseas. Several hold particular promise:

■ *In Mexico:* Mission and its Mexican partners are negotiating the acquisition of interests in a 1,400-MW coal-fired power plant currently under construction by the national electric utility. Power from the plant will be sold to industrial users and the national utility.

■ *In the United Kingdom:* Mission and its partners are completing arrangements for the development of a 210-MW gas-fired combined-cycle generation facility that will sell its power into the deregulated power network.

■ *In Australia:* Mission is one of two remaining contenders for the purchase of an interest in a 1,000-MW coal-fired plant under construction in Victoria by the state-owned utility.

■ *In Indonesia:* Mission and its partners have been awarded the exclusive right to negotiate for the ownership and operation of a 1,200-MW coal-fired power plant.

In the nonutility power business, long-term success demands management strategies that protect against fuel price increases. All Mission Energy projects are hedged against fuel price rises, either through contractual terms or by direct acquisition of fuel resources. Success also demands reliable plant operation. Mission's operating unit, which runs eight projects, ended 1991 with an average on-peak capacity factor of 95%.

Mission First Financial

Mission First Financial continues to build its presence in two attractive market areas—energy-related projects and affordable housing. Mission First's net income in 1991 rose 15% to $25 million. Its investments in 1991 included a waste-to-energy project in New York and six affordable housing projects. In all, Mission First Financial's diversified portfolio of investments now totals nearly $700 million, and its earnings have grown at an average of 21% a year since its formation four years ago.

Mission Land

Mission Land's net income in 1991 was down 54% to $9 million. In 1991 it sold 11 buildings and several land parcels and executed 16 new leases. During the year, we conducted an in-depth review of Mission Land and concluded that investment opportunities in the real estate business are not as potentially rewarding for our shareholders as our other nonutility efforts, so we do not plan additional equity investments in Mission Land.

Management Changes

We welcome Vikram S. Budhraja, Lawrence D. Hamlin and J. Michael Mendez as newly promoted vice presidents of Edison, and Alan J. Fohrer as vice president, treasurer and chief financial officer of SCEcorp and Edison. They each contribute to an able, dedicated and relatively young management team. Also, two former Edison officers, Michael L. Noel and Robert Dietch, have joined Mission Energy as senior vice presidents. Two officers of Edison, Larry T. Papay, senior vice president, and Kenneth P. Baskin, vice president, resigned during 1991 to pursue other interests. Glenn J. Bjorklund, vice president, who served the company ably for 35 years, has retired, and we will miss him.

This past year's performance strengthened the foundation for our future success and reflects the efforts of all our employees. We also want to thank our board of directors for their sound guidance and counsel, and you, our shareholders. We will continue to work hard to reward your confidence in us by providing you a healthy, growing company and a solid return on your investment.

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

Michael R. Peevey
President, Office of the Chairman

February 25, 1992

Review of Southern California Edison

Highlights	1991	1990	% Change
Revenue	**$7.3 billion**	$7.0 billion	4.5
Earnings	**$587 million**	$693 million	(15.2)
% of SCEcorp's earnings	**83**	88	—
Kwh sales (millions)	**71,146**	71,614	(0.7)
Peak demand (MW)	**16,709**	17,647	(5.3)
New customers	**46,881**	90,729	(48.3)
Customers (millions)	**4.1**	4.0	1.2
Employees	**17,110**	16,604	3.0

Taking the Environmental Initiative

During the year, Edison worked closely with many public and private organizations in formulating balanced solutions to tough environmental problems.

In May, Edison received national recognition for adopting an energy resource strategy designed to meet customers' energy needs while reducing carbon-dioxide (CO_2) emissions from its power plants. Edison will cut its share of this "greenhouse" gas 10% by the year 2000, and another 10% by 2010. According to the National Academy of Sciences, it is sound scientific, utility and business policy to respond to the potential threat of global warming.

Specifically, Edison will cut CO_2 emissions by:

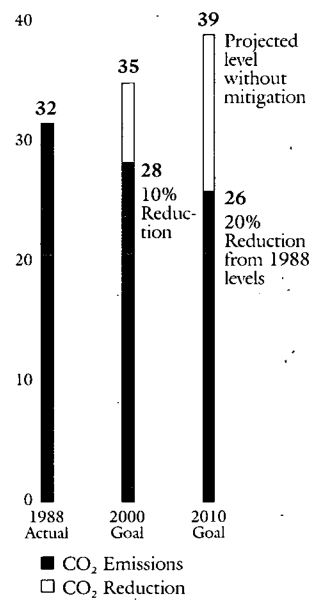
- Stepping up conservation and energy efficiency programs.
- Modernizing older oil and gas generating units with more fuel-efficient systems.
- Phasing out oil as a generation fuel and relying on natural gas as its primary fuel.
- Adding renewable generating resources to its system in the next decade.

Edison also reached agreements with two regional air quality management districts in 1991 to greatly reduce power plant nitrogen-oxides (NO_X) emissions:

- In June, Ventura County adopted regulations requiring an 88% cut in NO_X at Edison's two local plants. To meet these standards—the most stringent in the country—Edison will invest up to $260 million by 1996 on the latest pollution-control equipment.
- And in July, Edison agreed with the South Coast Air Quality Management District (AQMD) on new, tighter limits on NO_X emissions from its Los Angeles Basin power plants. Under the new rule, Edison plans to cut emissions 86% by installing new pollution-control equipment by 1997. Edison engineers have been developing and testing new pollution-control technologies that could substantially reduce Edison's costs below the previously projected $700 million for this equipment. Emissions from Edison's gas-fired boilers already are among the lowest in the United States.

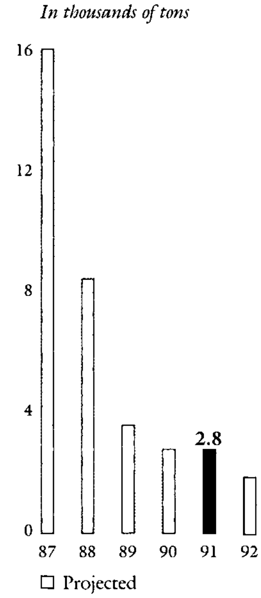
Edison:
CO_2 Emissions Plan

In millions of tons



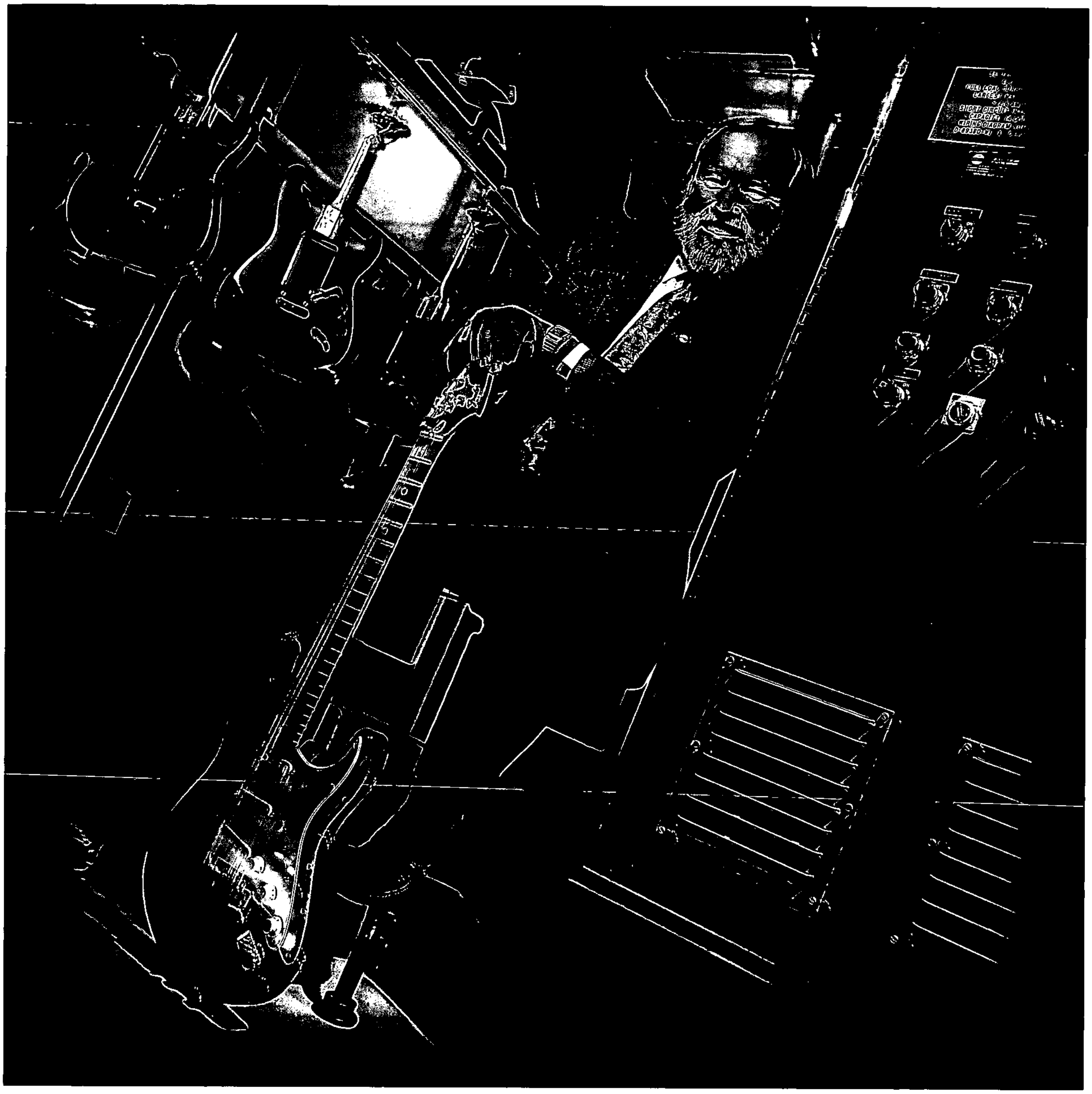
Edison:
Hazardous Waste

In thousands of tons



LEADERSHIP
in promoting clean air

Advanced technology: Research scientist Dave Rundstrom tests equipment installed in 1991 to cut emissions at Edison's 570-megawatt Mandalay steam generating plant in Ventura County. This preheater selective catalytic reduction equipment was the first installed in the United States and will help Edison cut its nitrogen-oxides (NO_X) emissions 88% in the Ventura Basin by 1996. Edison will also reduce its overall NO_X emissions a similar amount in the Los Angeles Basin by 1997.

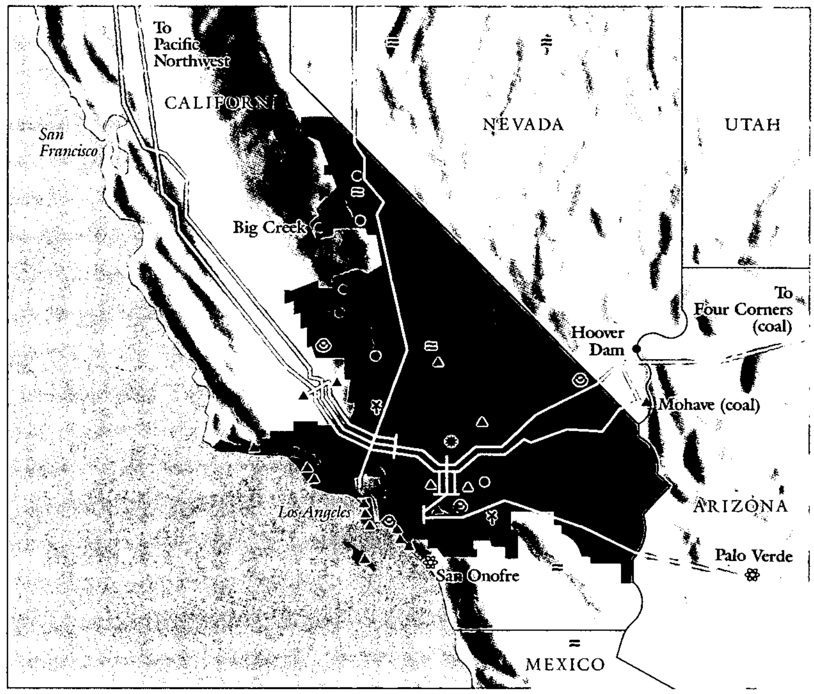


LEADERSHIP
in advancing electric technologies

Low-polluting coatings: Nano Fleming, energy services representative at Edison's Customer Technology Application Center (CTAC), displays a Fender electric guitar whose finish has been cured with ultraviolet light. It is one of several clean-air solutions CTAC engineers are exploring to help Fender Musical Instruments Corp. meet tough new regional air quality standards at its plant in Corona, California. The plant employs 250 people and produces 65,000 guitars annually.

In another program, Edison and the Bonneville Power Administration (BPA) worked together to enhance Southern California air quality and improve salmon migration in the Columbia River. BPA released more water during summer months to help salmon reach the ocean, and generated up to 200 megawatts (MW) of excess hydroelectric power that was transmitted to Edison, allowing it to reduce power-plant emissions in Southern California. Edison "returned" the power in winter, when air pollution levels were lower. Overall, this exchange reduced Los Angeles area NO_x emissions during 1991 by about 70 tons, the equivalent of removing 10,000 cars from the highways. This was the first such agreement in which the primary focus was on environmental protection of both regions, rather than the exchange of power for economic reasons.

Between 1987 and the end of 1992, Edison will have cut its disposal of hazardous wastes 88% — from 16,000 tons to about 2,000 tons — by recycling and other means. This will save the company more than $2 million annually. Other measures have permanently reduced the company's water consumption by 400 million gallons a year. Furthermore, Edison became the nation's first electric utility to join the U.S. Environmental Protection Agency's Green Lights Program that encourages energy efficiency by American businesses. Wherever possible, Edison will install more energy-efficient lighting systems at its facilities and construction projects.



Service territory
Extra-high-voltage transmission lines
Hydroelectric
Fossil
Nuclear
Geothermal
Wind
Solar
Biomass

Focusing on Tomorrow's Technologies

Today, utilities are taking advantage of advanced technologies to develop better ways to generate electricity and use it wisely. In 1991, through its extensive research programs, Edison pursued opportunities that will give customers more value for their energy dollars in the years ahead.

New Solar Power Programs

Three solar research programs have significant future potential.

■ In April, Edison and Texas Instruments Inc. announced a breakthrough in solar cell technology that produces a clean source of renewable energy and could eventually cut the current cost of solar energy up to 80%.

During a six-year $10-million research project, a joint team from the two companies found a way to use inexpensive, low-purity silicon in photovoltaic cells that convert sunlight directly into electricity. This "spheral solar" technology uses material that is flexible enough to conform to the contours of roofs.

Strips of this new solar material could be used on rooftops in sunny Southern California. For example, a 10-foot-square panel on a south-facing roof could produce about one-third of the 6,000 kilowatt-hours (kwh) per year used by the average Southern California home.

After conducting field tests, the project team will decide in 1992 whether production costs are low enough to justify manufacturing the cells on a large-scale, commercial basis.

■ In August, Edison and two other utilities announced plans to build an advanced solar power plant in the Mojave Desert near Barstow, using new and promising technology.

The $39-million research project, called Solar Two, will store the sun's heat in molten salt to produce steam to drive a turbine generator. The 10-MW generating facility would produce enough power for about 5,000 customers.

Molten salt is a promising technology because it efficiently stores the sun's energy. Solar Two could be the model for larger plants capable of generating enough electricity for 100,000 to 200,000 homes by the end of the decade.

The project's costs will be shared equally by the U.S. Department of Energy and an Edison-led consortium of utilities, state agencies and research organizations. The plant will be built on the site of Solar One, an earlier experimental solar power plant, which closed in 1988 after successfully completing a six-year test program. Construction of Solar Two will be completed in 1994.

■ To prepare for the day when electric vehicles are common on Southern California roadways, Edison and the AQMD announced plans in November to build a prototype solar-powered vehicle recharging station. The solar carport will be operational in 1992 at the new AQMD headquarters in Diamond Bar, California.

The Potential of New and Emerging Technologies

About one-third of Southern California's air pollution comes from fixed sources ranging from oil refineries and furniture manufacturers to dry cleaners and gasoline stations. (Edison power plants contribute less than 1% of the total.) In 1991, Edison used technology and expertise to offer creative solutions to customers' environmental problems throughout its service territory. New and emerging electric technologies now offer many of Edison's 400,000 commercial and industrial customers cost-effective ways to meet stricter local air-quality requirements. These clean, energy-efficient technologies also can help customers reduce costs and improve product quality to remain competitive.

Since January 1990, Edison has demonstrated advanced technologies at its Customer Technology Application Center in Irwindale, California. Visitors to this 23,000-square-foot facility can participate in many "hands-on" demonstrations. Some examples:

■ Industrial customers can test the latest clean-air coating technologies, including ultraviolet curing as well as 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 highly efficient electric appliances and home automation systems at the electric "House of the Future."

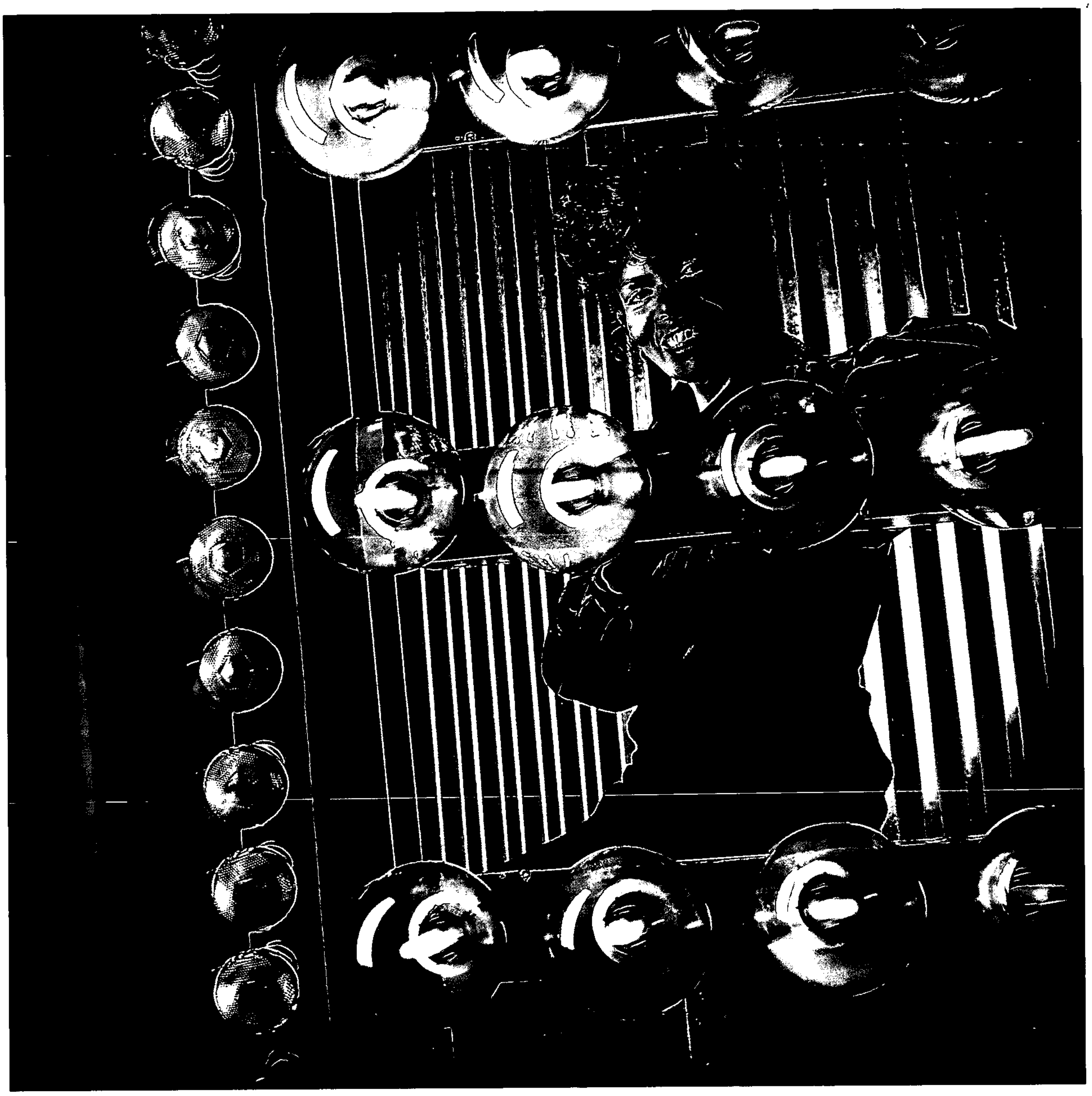
More than 25,500 people visited the center in 1991 and early 1992. Among them were U.S. Department of Energy Secretary James Watkins and U.S. Environmental Protection Agency Administrator William Reilly, as well as industrial, governmental and environmental groups from all over the world. The facility received an Environment and Conservation Award from President Bush, as well as a Clean Air Award from the AQMD.

Electric Transportation: The Road Ahead

Edison supports development and use of electric transportation—on highway and rail—to help reduce air pollution and traffic congestion. Motor vehicles contribute roughly two-thirds of the air pollution in the Los Angeles Basin. For that reason, the California Air Resources Board has mandated that 2% of all new vehicles sold in the state be pollution-free by 1998—and 10% by 2003. Only electric vehicles currently meet this standard. They are 97% cleaner than internal-combustion vehicles, counting emissions from Edison's power plants to recharge their batteries.

LEADERSHIP
in developing electric transportation

Electric shuttle bus: Edison area manager John Britton shows off an electric shuttle bus that runs along Cabrillo Boulevard in Santa Barbara, California. Powered by conventional lead-acid batteries, the bus can go 40 miles per hour and travel more than 60 miles on a charge. Two-thirds of Southern California's smog comes from mobile sources, such as cars, trucks and buses. Electric vehicles recharged by Edison power plants are 97% cleaner than gasoline-powered vehicles.



LEADERSHIP
in conserving energy

Efficient lights: Dina Lane, supervisor of customer assistance programs, examines energy-efficient fluorescent bulbs at the Janmar Lighting Factory. They last nine times longer than conventional incandescent bulbs and use only one-quarter the energy. Edison has distributed more than 1 million free bulbs to low-income customers since 1985.

In July, the U.S. Advanced Battery Consortium was formed by the U.S. Department of Energy, the big three auto makers, the Electric Power Research Institute, Edison and others. This consortium will invest up to $100 million annually for the next 12 years to develop advanced battery technology needed to improve the range and performance of electric vehicles.

Edison demonstrated the viability of electric vehicles on January 1, 1992, before a worldwide television audience of more than 325 million when it sponsored the first float in the history of the Pasadena Tournament of Roses Parade to be completely powered by electricity. The 35,000-pound float was propelled by the same kinds of batteries and drive motors that power Edison's electric vans. The float won the Tournament Special Trophy for "exceptional merit in multiple classifications."

The company will have enough electric generating capacity during off-peak evening periods in the next 10 years to meet customers' needs and recharge 1 million electric vehicles. Nighttime recharging would use power plants more efficiently and help reduce the average cost of electricity for all customers.

The 1991 South Coast Air Quality Management Plan for the Los Angeles Basin anticipates 90% rail electrification and 30% bus electrification by 2010. The Los Angeles County Transportation Commission's 30-year plan devotes 80% of its $150 billion in secured funding to electric mass transit, such as rail and bus. Edison is participating in a number of public/private partnerships to encourage development of an advanced electric transportation industry in Southern California.

Other Promising Technologies

Edison is exploring creative ways to use other technologies in the future, such as:

■ *Desalination:* In October, Edison and a real estate developer dedicated a $3 million desalination plant on Catalina Island, off the coast of Los Angeles. Using reverse-osmosis technology, the plant can produce 130,000 gallons of potable water a day—enough to meet one-third of the island's needs. Because of severe drought conditions, Edison also has been exploring the feasibility of other desalination plants in California and Mexico.

■ *Waste-to-energy:* Scheduled to begin operation in 1995, the Advanced Integrated Recycling project will convert some 200 tons of refuse daily to a clean-burning gas used to generate electricity. This demonstration project in Southern California will be the first to produce electricity from refuse through a gasification process virtually free of polluting air emissions.

■ *Fuel cells:* Edison is conducting research on fuel cells that use a pollution-free process to make electricity directly from chemical reactions of oxygen and hydrogen inside a closed container. Edison is participating in fuel cell demonstration projects, including a 2-MW research plant to be built at Santa Clara in Northern California.

■ *Smart meters:* Edison is testing an advanced two-way communications and electronic metering network, known as NetComm, to link the utility with its customers. These "smart" meters can offer customers more cost-saving choices and information about energy use. Eventually, this network may allow Edison to remotely read meters and connect and disconnect service, as well as improve efficiency of its distribution system and offer customers time-of-use pricing.

■ *Composite transmission towers:* Edison and San Diego Gas & Electric are jointly testing construction of transmission towers made with lightweight, fiber-reinforced resin materials. Unlike their steel counterparts, these composite, high-strength and modular towers should eliminate insulators, minimize electric and magnetic field levels and increase transmission corridor capacity. The towers could be ready for commercial use by 1995.

Making Energy Efficiency a Top Priority

In 1991, the company's customers saved about 4 billion kwh from its energy efficiency programs. These programs cut customers' electric bills as well as air pollution. And, for the first time, Edison earned a profit for shareholders through such programs. However, Edison was disappointed by the energy-efficiency profit mechanism adopted by the CPUC in the company's most recent general rate case. The company anticipates a more positive outcome in a CPUC reassessment of incentives for these efficiency programs in 1992.

By the year 2000, new and expanded programs will cut annual electric consumption an additional 10 billion kwh, or enough to supply the energy needs of more than 1.5 million homes. Over the next eight years, these programs also will reduce CO_2 emissions by 38 million tons and NO_x emissions by 34,000 tons.

In 1991, Edison spent more than $100 million on its 55 energy efficiency programs that reached more than 300,000 customers. Edison offers incentives to commercial and residential builders to construct offices, factories and homes that exceed 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.

Relying on Diverse Energy Resources

Edison supplies electricity to its 4.1 million customers by using nine energy resources: natural gas, oil, hydro, coal, nuclear, biomass, solar, wind and geothermal. No other utility has a more diverse resource mix, which provides considerable protection against supply disruptions and volatile world energy markets.

Edison obtains more solar resources (383 MW) and more wind energy resources (918 MW) than any other utility in the world. Altogether, Edison purchased about one-third of its total energy requirements in 1991 from renewable and alternate resources owned by nonutility producers.

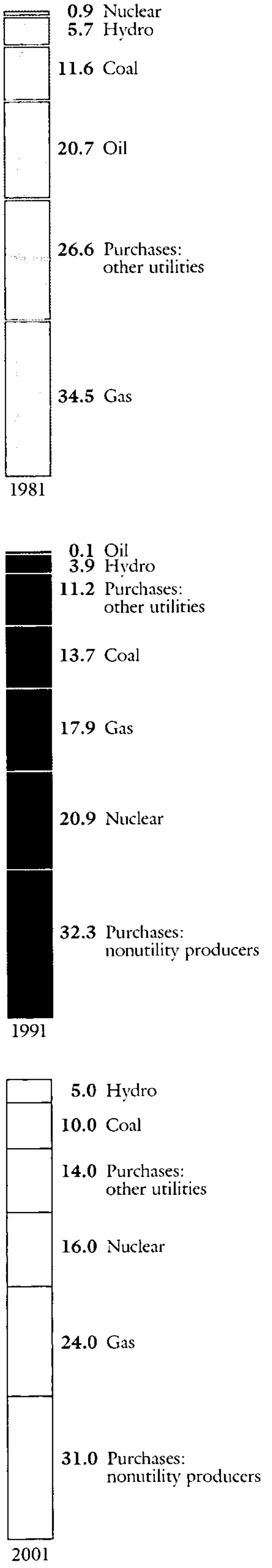
Reliable Nuclear Power Plants

Nuclear power plants in Southern California and Arizona supplied 21% of Edison's electricity, up 1% from the previous year. These plants help protect the environment because they produce no air emissions.

The three units at the San Onofre Nuclear Generating Station near San Clemente, California, generated nearly 17% of Edison's electricity. They operated on average at 74% of capacity, exceeding the 1991 national average of 69% for nuclear plants.

Edison: Generation Mix

In percent



LEADERSHIP

in helping cut energy use

Design for Excellence Award: Energy Services representative Larrie Engel tours the South Coast Air Quality Management District's new Diamond Bar headquarters. The building, which won a 1991 Design for Excellence award, features light shelves, daylighting controls, high-efficiency space conditioning and a state-of-the-art energy management system. Edison and the California Energy Commission jointly sponsor the awards to encourage design that surpasses state standards for energy-efficient construction.

LEADERSHIP
in being a
good neighbor

Massive mural: Edison painter Roy Chavez helps complete the 54,000-square-foot outdoor mural "Whaling Wall XXXI" at the 87-year-old site of Edison's Redondo Beach power plant. The mural, by environmental artist Wyland, symbolizes the company's strong commitment to environmental protection and good corporate citizenship. Public tours of the plant and its advanced marine laboratory have helped build closer ties with the community.

In January 1992, Edison reached agreement with the CPUC's consumer advocacy division to shut down San Onofre Unit 1 after the current fuel cycle *(Page 45)*. Edison has more than enough generation capacity to meet customer needs without the output of Unit 1.

Edison owns 80% of Unit 1, whose capacity is 436 MW, and 75% of Units 2 and 3, with a combined capacity of 2,150 MW. The company manages and operates the plant.

The three units of the Palo Verde Nuclear Generating Station near Phoenix, Arizona, operated on average at 75% of capacity. Edison owns a 15.8% interest in the units, which have a combined capacity of 3,663 MW. Arizona Public Service manages and operates the plant.

Record Production at Mohave

The two units at the 1,580-MW Mohave Generating Station in Nevada produced a record 10.5 billion kwh in 1991. The plant operated at 76% of its maximum capacity, the highest in its 20-year history. Edison owns 56% of the plant and is plant operator.

New Gas Supply Unit

Natural gas is the primary fuel used in Edison's 55 gas- and oil-powered generating units. Major changes in California regulation now require Edison to assume many responsibilities formerly handled by Southern California Gas Company. These include buying natural gas directly from producers and marketers, contracting for pipeline transportation and arranging for storage. Edison's new gas supply unit is the nation's 12th-largest gas buyer.

Edison has sought reliable, competitively priced supplies of gas from diverse regions, including Texas, New Mexico, Wyoming and western Canada. In 1991, Edison concluded major agreements with two pipeline companies to transport natural gas to Southern California. One was with a subsidiary of Pacific Gas & Electric for 200 million cubic feet a day from Alberta, Canada, beginning in late 1993. The other was with El Paso Natural Gas Company for another 200 million cubic feet a day from the Southwest beginning in early 1992. In all, these agreements will meet about 80% of Edison's planned gas needs.

Launching Customer Service Initiatives

Helping customers realize the highest value for their energy investment requires an effective organization adaptable to challenging times. In 1991, Edison streamlined its operations through a major reorganization of its customer service department, the first step in a plan to strengthen customer relationships. The department's 5,600 employees will focus on customers through three distinct business lines: energy efficiency, customer services and electric distribution. When fully implemented in 1992, the plan also will eliminate a layer of management by consolidating four geographic divisions and 31 district service areas into seven regional operations. Edison will continue to provide its high level of customer service by answering calls 24 hours a day and operating more than 180 local business offices and authorized payment locations in communities throughout its service territory.

Edison gained 46,881 customers in 1991, compared with 90,729 the previous year. Even with slow economic growth during the year, the company's service territory includes eight of the 25 fastest-growing cities in the United States. To serve its diverse customer base, Edison offered a number of customer programs and services, such as:

- Providing toll-free telephone service in Spanish, Chinese, Cambodian, Korean and Vietnamese on billing procedures, conservation, safety and other basic information.

- Providing energy conservation services to 76,200 low-income customers and others with special needs, including bilingual assistance and free installation of energy-efficient appliances.

■ Making presentations to numerous senior citizen groups on energy use, emergency preparedness and safety. Employees also refer needy elderly people to various community organizations for medical care, meals and transportation under Edison's Good Neighbor Program.

■ Answering 7.7 million customer calls on its 24-hour telephone service that includes special lines for speech- and hearing-impaired customers.

■ Encouraging more efficient energy use through 98,500 energy audits for residential customers. Edison received its 1 millionth toll-free telephone call about conservation since 1983.

■ Paying part of the winter electric bills of nearly 11,000 low-income, elderly and disabled customers. In its ninth year, Edison's Winter Energy Assistance Fund disbursed $971,000 from customer donations matched by shareholders.

■ Providing commercial and industrial customers with telephone service representatives specially trained to deal with more complex rates and service needs.

Aiding Businesses

California businesses face growing competition—and aggressive efforts by neighboring states to lure them away. Edison's comprehensive 1991 study of Southern California's business climate found that the industries most likely to leave the area include electronics, publishing, food processing, transportation equipment, rubber and plastics, industrial machinery and fabricated metals.

Edison has launched an ambitious effort to retain manufacturers. The company's energy specialists explain rate options and recommend process modifications and emerging technologies to increase energy efficiency, boost productivity, improve product quality, cut costs and improve air quality. Edison also helps customers take advantage of financial, educational and employment assistance programs at state and local agencies.

Providing Community Service

For as long as Edison has provided communities with electricity, it also has sought to support them as a good corporate citizen.

Close Community Ties

Each year, Edison and its employees support more than 2,500 civic, charitable and cultural organizations. The company values the good will and strong ties to more than 800 communities in its service territory.

Support for education remained a high priority in 1991 and took many forms, such as:

■ Introducing a multifaceted program called STEP UP (Student, Teacher, Employee, Parent Upgrade Project) that combines the efforts of teachers, Edison employees and parents to help at-risk students in kindergarten through high school. This team approach emphasizes the importance of staying in school and away from drugs, gangs and other destructive influences, so these students can complete their education and be productive members of society.

■ Providing eight four-year college scholarships of $20,000 (including two for under-represented students), 26 awards of $4,000 for university study, and 112 grants of $500 for community colleges and trade schools. In all, these annual awards to high school seniors and community college graduates throughout Edison's service territory totaled $320,000.

■ Sponsoring the company's Student Mentoring Program, using 200 employees and retirees. These volunteers help disadvantaged youngsters, who are recipients of Edison educational grants, adapt to the demands of community college.

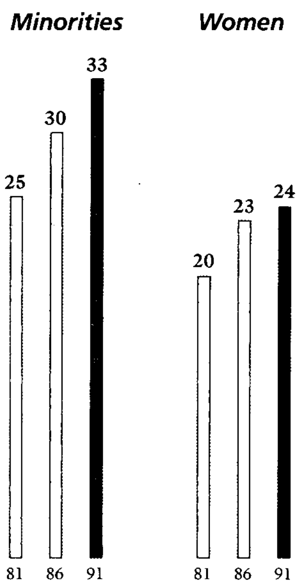
In Edison's 26th United Way Campaign, employees showed their generosity by pledging a record $2.8 million—and the company another $1.2 million—to help people in need. United Way supports more than 900 charitable organizations in Edison's service territory. Employees also volunteered thousands of hours of their time to various community organizations, including ones for children, the elderly and the homeless.

LEADERSHIP
in supporting education

The STEP UP Program: Educational Services consultant James Beasley coordinates a puppet show at Inglewood's Highland School in metropolitan Los Angeles. Cultural activities are part of Edison's STEP UP program designed to help disadvantaged youngsters stay in school and pursue their career goals. Edison provided financial assistance to STEP UP in 1991 and will continue working with teachers and parents in promoting equal opportunities for disadvantaged students.

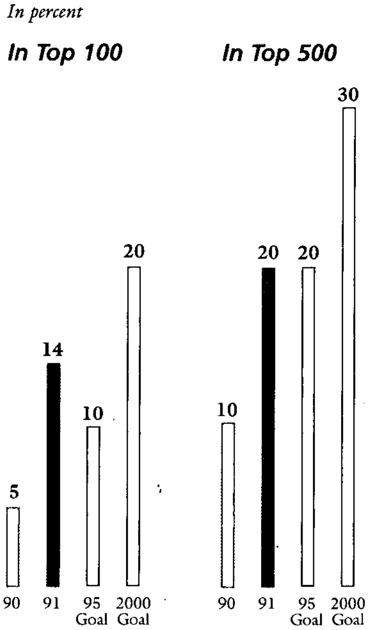
Edison: Minorities and Women in the Work Force

In percent



Edison: Minorities and Women in Top Management Positions

In percent



Focus on Equal Opportunity

Corporate leadership in promoting equal opportunity is a top priority at Edison. Advancement of women and minorities will come through promotions based on individual merit. Edison seeks to eliminate all artificial barriers to employment, individual advancement and business relationships.

Edison has met or exceeded the interim goals set in its 1989 Comprehensive Equal Opportunity Pledge. Women and minorities now hold 20% of the top 500 management positions in the company and 14% of the top 100.

Edison's 1991 purchases from minority- and women-owned businesses grew to 19% of its approximately $1 billion in procurement contracts. Investment firms owned by minorities and women manage $190 million, or 11%, of Edison's pension fund—the highest percentage of any large corporate fund.

Regulatory Review

Rate Approvals

The California Public Utilities Commission (CPUC) authorized a number of rate changes in 1991, which collectively increased annual revenue by $464 million, or 6.8%. The biggest component of this change was a $459 million increase, effective January 1, 1991, which was related to higher fuel and purchased-power costs.

General Rate Case

In December 1991, the CPUC issued its decision on Edison's 1992 General Rate Case application. General rate cases usually occur every three years and set the company's revenue levels for the costs of doing business, except for fuel and purchased power. In its decision, the CPUC approved an increase in revenues of $72 million, or 1.0%, beginning January 20, 1992 *(Page 40)*.

Cost of Capital

Also in December 1991, the CPUC reduced the authorized return on common equity to 12.65% for all major California energy utilities under its jurisdiction. This was a reduction from Edison's last authorized return of 12.85%. It was the smallest reduction of the major utilities. The reduction results in an annual revenue decrease of $23 million.

Purchased-Power Reasonableness Issues

On November 1, 1991, Edison and the CPUC's Division of Ratepayer Advocates (DRA) announced agreement in principle to a settlement of issues related to Edison's power purchases from 13 nonutility projects partly owned by Mission Energy Company, an SCEcorp subsidiary. The settlement would save customers about $250 million in present value terms *(Page 43)*.

Merger with San Diego Gas & Electric Company

In 1989, shareholders of Southern California Edison and San Diego Gas & Electric Company approved a merger of the two utilities that would have saved customers an estimated $1.7 billion in the decade of the 1990s. In May 1991, the CPUC unanimously denied the two companies' request for approval of the merger. Edison did not appeal the CPUC decision and withdrew its merger application to the Federal Energy Regulatory Commission.

Biennial Resource Plan Update (BRPU)

The current BRPU proceeding before the CPUC will determine how California utilities meet customer demand for electricity the rest of the decade. Edison originally devised a resource plan that relied totally on conservation to meet customers' needs, required no power plant construction and required $60 million of capital investment. To respond to state policy goals for improving efficiency and the environment and using renewable resources, Edison proposed a second resource plan. This plan would develop annual cost-effective conservation of 10 billion kilowatt-hours by the year 2000; increase generating efficiency at the company's San Bernardino and Huntington Beach plants; reduce air emissions; and add 50 MW of wind power to Edison's system. This plan would result in a net increase of 709 MW of capacity over the next eight years at a capital cost of just over $1 billion.

The DRA recommended that Edison be required to solicit bids for 1,000 MW of capacity, including 100 MW of wind power and 626 MW of geothermal power, before 1999. This would cost ratepayers nearly $3 billion. The CPUC is expected to issue a decision in the first quarter of 1992.

Mohave Generating Station

In 1985, a steam pipe ruptured at Mohave Generating Station near Laughlin, Nevada. Following a regulatory investigation, the DRA issued a report claiming Edison operated the plant imprudently. Edison disputes these findings *(Page 45).*

Palo Verde Nuclear Generating Station

In 1991, the DRA recommended disallowances related to a refueling and modification outage at Palo Verde. Edison believes no disallowance is warranted *(Page 44).*

Legislative Review

PUHCA Reform

At the end of 1991, legislation was before both houses of the U.S. Congress to reform the Public Utility Holding Company Act (PUHCA) as part of the President's National Energy Strategy. The amendments would encourage development of new generation resources by liberalizing unduly restrictive project ownership provisions. The company believes these unnecessary barriers to a more competitive wholesale generation market should be removed.

Transmission Access

In keeping with the growing deregulation of other industries over the last 20 years, efforts are now under way to enhance competition in the electric utility industry. Access to utility transmission lines is a major issue with important implications for Edison. Some parties seek unlimited access for other companies regardless of the effects. Edison believes mandatory access would harm customers and shareholders and opposes such changes in transmission regulation.

Edison provides transmission service to other utilities, including those purchasing nonutility-generated power, whenever such service is feasible and does not adversely affect costs and service to customers. Edison supports the establishment of a national transmission policy that:

- Requires needed facilities to be planned, permitted and constructed efficiently and in an environmentally responsible manner;
- Maintains the reliability of the nation's electric system;
- Protects native load customers — those for whom existing transmission facilities have been constructed, and to whom utility service obligations are owed; and
- Prices transmission services to promote the economic expansion of the transmission network.

Review of The Mission Group

Highlights	1991	1990	% Change
Revenue	**$205 million**	$212 million	(3.5)
Net income	**$116 million**	$ 94 million	23.5
Earnings per SCEcorp share	**53 cents**	43 cents	23.3
% of SCEcorp earnings	17	12	—
Equity	**$1.02 billion**	$904 million	12.8
Return on common equity	12.2%	11.8%	—
Assets	**$2.1 billion**	$1.8 billion	20.3

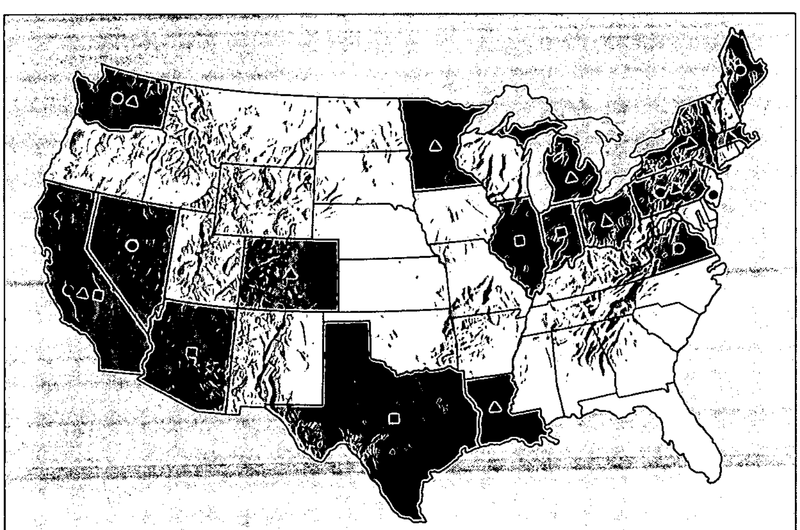
The Mission Group of three nonutility subsidiaries earned $116 million in 1991, up 23.5% from the previous year. Its contribution to SCEcorp's earnings rose to 17%, compared with 12% in 1990.

The Mission Group was established in 1987 as the parent company of SCEcorp's nonutility business. Its goal has been to broaden SCEcorp's earnings base by developing and investing in businesses with substantial growth potential—and where the corporation has special expertise.

In 1991 Mission Energy Company and Mission First Financial reported higher earnings. Mission Land Company's earnings were down because of a depressed real estate market. However, the elimination of losses associated with another subsidiary—Mission Power Engineering—has strengthened overall earnings at The Mission Group.

At the end of 1991, The Mission Group had assets of $2.1 billion, with equity amounting to $1.0 billion.

The Mission Group: Nonutility Projects



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

Mission Energy Company

Mission Energy is the nation's top independent power company in ownership of nonutility generation projects, according to an industry survey. This assessment recognizes Mission Energy's strong growth since it was formed in 1986—growth the company expects to continue. The U.S. market in nonutility power generation in the next 10 years is estimated by leading industry sources to be 100,000 megawatts (MW). Emergence of international private power opportunities surged in 1991 with some 60 countries now considering privatization of their electric power needs. This international market for privatized construction is forecast to represent 750,000 MW of new power plants over the next decade. Mission Energy is well-positioned to participate in those developing markets.

Mission Energy once again posted a strong financial performance in 1991, with net income of $83 million, up 18.7% from 1990. Assets grew to $1.2 billion.

Domestic Business

During 1991, Mission Energy brought the following six projects totaling 494 MW into commercial operation.

- *March Point Units 1 and 2:* a $73 million, 80-MW cogeneration plant built in Anacortes, Washington, with partner Texaco Cogeneration Company. The plant began operating in late 1991. It sells electricity to Puget Sound Power and Light and steam to Texaco Producing Inc. for oil refining.

Highlights	1991	1990	% Change
Revenue	**$154 million**	$139 million	11.3
Net income	**$ 83 million**	$ 70 million	18.7
Earnings per share	**38 cents**	32 cents	18.8
Equity investment	**$581 million**	$495 million	17.4
Assets	**$1.17 billion**	$931 million	25.8

■ *Nevada Sun Peak:* an $83 million, 210-MW plant built near Las Vegas, Nevada, with partner Oxbow Sun Peak Power Inc. This independent power project, which began operating in June 1991, sells electricity during peak demand periods to Nevada Power Company.

■ *Saguaro:* a $110 million, 90-MW cogeneration plant in Henderson, Nevada, built with partners Magna Energy Systems Inc. and a subsidiary of Pioneer Chlor-Alkali Company Inc. The plant began operating in late 1991. It sells electricity to Nevada Power Company and steam to Pioneer Chlor-Alkali for chemical production.

■ *Salinas River:* a $40 million, 38-MW cogeneration plant built in San Ardo, California, with partner Texaco Cogeneration Company. The plant began operating in late 1991. It sells electricity to Pacific Gas & Electric (PG&E) and steam to Texaco Producing Inc. and Mobil Oil for oil recovery.

■ *Sargent Canyon:* a $39 million, 38-MW cogeneration plant built in San Ardo, California, with partner Texaco Cogeneration Company. The plant began operating in late 1991. It sells electricity to PG&E and steam to Texaco Producing Inc. and Mobil Oil for oil recovery.

■ *Coalinga:* a $34 million, 38-MW cogeneration plant built in Coalinga, California, with partner Texaco Cogeneration Company. The plant began operating in late 1991. It sells electricity to PG&E and steam to Santa Fe Energy Resources Inc. and M. H. Whittier Corporation for oil recovery.

Mission Energy has interests in 27 operating projects in seven states generating 2,843 MW. An additional six projects in five states, totaling 1,106 MW, are in construction or advanced permitting stages.

International Business

Mission Energy developed a strategy for its expansion in the global marketplace and has begun implementing it by pursuing the following projects:

■ *Mexico:* Mission Energy and its Mexican partners are negotiating the acquisition of interests in a 1,400-MW coal-fired power plant under construction by the national electric utility. Mission Energy is investing approximately $300 million in this project. Power will be sold to industrial users and the national utility.

■ *United Kingdom:* Mission Energy is developing a 210-MW cogeneration project located near Derby, England, with power to be sold to a local utility and steam to an acetate production facility. Operation is anticipated in 1995.

■ *Germany:* Mission Energy is considering several municipal heating cogeneration projects in the range of 50 MW to 100 MW. These projects would sell electricity and steam to individual cities.

■ *Australia:* Mission Energy was selected as one of two remaining bidders to purchase a 40% interest in a 1,000-MW power station under construction. The power plant consists of two 500-MW coal-fired units, with the first scheduled to begin operation in late 1993.

■ *Indonesia:* Mission Energy is part of a consortium that was awarded the exclusive right to negotiate for a 1,200-MW coal-fired plant. Negotiations are continuing with anticipated operation by 1996.

Leadership in Independent Power

During 1991, Mission Energy helped pioneer development of independent power production (IPP) with two facilities. (IPPs are generation facilities whose contracts with utilities must be reviewed and approved by federal regulators.) The 210-MW Sun Peak Project delivered needed power to rapidly growing Las Vegas, Nevada. This project was completed in less than 18 months, from inception to operation. This is particularly noteworthy because of the creative approach in the ownership structure and approval of that approach by the staff of the U.S. Securities and Exchange Commission. The industry has recognized Mission Energy's success in licensing this project as an important milestone in the developing market for IPPs. Another Mission Energy IPP project, the 310-MW Commonwealth Atlantic facility in Virginia, is expected to be in operation during 1992.

Fuel Diversity and Price Stability

Mission Energy seeks to maintain economic stability for its projects under diverse business conditions. This includes taking steps to ensure adequate fuel supply for its projects and to hedge fuel price risk.

In Mission Energy's projects, the cost of electricity production is hedged against fuel price rises. This is accomplished by direct contractual linkage of revenues to fuel costs, contracts with fuel suppliers that match fuel prices to revenues provided by the power purchase contracts, and direct acquisition of fuel resources.

In 1991, Mission Energy made several fuel acquisitions for its cogeneration and independent power projects. These include interests in coal-bed methane gas properties in Alabama for a Mission Energy cogeneration project being developed near Orlando, Florida. In addition, gas properties in British Columbia, Canada, were obtained to provide economic and reliable fuel for a Mission Energy project in Anacortes, Washington. These fuel acquisitions are made only where needed for direct support of Mission Energy's projects, and are not an entry by the company into the oil, coal or gas business.

Operating Reliability

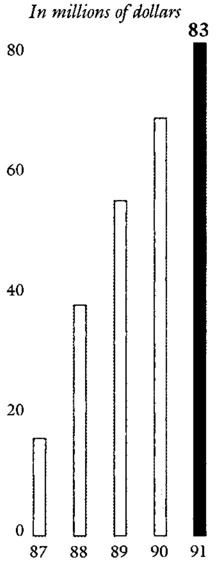
Mission Energy's projects have an outstanding operating record. The company pays meticulous attention to project design, provision for backup systems and maintenance planning. Mission Operating and Maintenance Inc., which operates eight projects, completed another excellent year with an average on-peak capacity factor of 95%. Operation and maintenance services are a part of Mission Energy's strategy of being a full-service company.

Environmental Integrity

Respect for the environment has been a vital concern to the company since its inception. Its power production facilities use advanced pollution-control technologies. In addition to protecting air quality, project facilities are designed and sited to protect sensitive plant and animal species. Mission Energy has contributed $500,000 to establish 500 acres of dedicated habitat for use by the kit fox and other endangered animals, including the giant kangaroo rat, the blunt-nosed leopard lizard and the antelope squirrel.

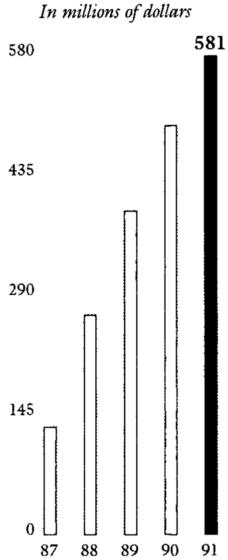
Mission Energy: Net Income

In millions of dollars



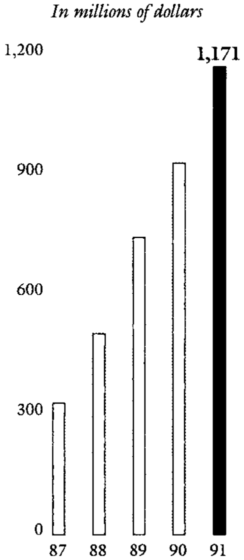
Mission Energy: Equity Investment

In millions of dollars



Mission Energy: Assets

In millions of dollars



LEADERSHIP
in developing nonutility power

Nevada generating plant: Mission Energy project manager Florence Devermann surveys the company's $83 million 210-megawatt gas-fired Sun Peak generating project that began operating in June near Las Vegas, Nevada. Sun Peak, one of the nation's first independent power projects, sells its output to Nevada Power Company during peak-load periods. SCEcorp's Mission Energy owns interests in 27 operating projects with a total generating capacity of 2,843 megawatts, enough to serve 1.4 million people.

LEADERSHIP
in developing alternative energy

Waste to energy: Mission First Financial senior vice president Lawrence Yu inspects the Huntington Resource Recovery Project, a 750-ton-per-day waste-to-energy plant on Long Island, New York. Mission First Financial invested $26.5 million in a partnership with Ogden Projects for ownership and operation of the plant, which began operating in October. It sells energy to Long Island Lighting Company under a long-term contract.

Review of The Mission Group

Mission First Financial

Highlights	1991	1990	% Change
Revenue (including interest income)	**$ 30 million**	$ 29 million	1.8
Net income	**$ 25 million**	$ 21 million	15.1
Earnings per share	**11 cents**	10 cents	10.0
Equity investment	**$157 million**	$132 million	18.6
Assets	**$690 million**	$517 million	33.5

Since its inception in 1987, Mission First Financial has established itself as a leader in project and lease financing. It has consistently produced outstanding financial returns. The company's primary investment focus has been in the energy area, where its passive, financially oriented investments complement Mission Energy's active development and ownership investment activities.

In 1991, Mission First Financial achieved record earnings of $24.5 million—up 15.1%. Earnings over its four full years of operation have grown at a rate of 21% annually. The company's return on common equity in 1991 was 17.2% and has averaged 16.8% for the past four years.

In 1991, Mission First Financial invested $61.5 million in new projects, including $26.5 million in the Huntington Resource Recovery Project, a 750-ton-per-day waste-to-energy facility in New York that is co-owned and operated by Ogden Projects. It also took advantage of attractive yields for aircraft financing by investing in two new Boeing 767 aircraft that are leased on a long-term basis to American Airlines.

In addition, the company also expanded its investment in affordable housing. In 1991, six affordable housing projects were completed and placed in service. The company has invested a total of $64 million in 19 completed projects and has committed $71 million to 21 additional projects to be completed in 1992 and 1993. These projects, primarily in California, will provide more than 3,500 units of affordable housing for lower-income individuals and families.

Mission First Financial's diversified portfolio of assets now totals nearly $700 million. Its investments include interests in nuclear power, cogeneration, waste-to-energy and hydroelectric facilities, as well as projects that address the great need for affordable housing. At year end, nearly 65% of its long-term investments were in energy-related areas. Mission First's high quality portfolio of investments should provide a strong base of support for future earnings growth. The company is financially strong and has sufficient capital resources to support an expanding investment base.

Mission Land Company

Highlights	1991	1990	% Change
Revenue	**$ 27 million**	$ 45 million	(38.9)
Net income	**$ 9 million**	$ 20 million	(53.9)
Earnings per share	**4 cents**	9 cents	(55.6)
Equity investment	**$247 million**	$238 million	3.9
Assets	**$264 million**	$261 million	1.3

Mission Land Company owns, develops and operates industrial parks, primarily in Southern California. In 1991, as a result of the recession in the real estate market, the company has focused on managing its existing portfolio rather than making new investments.

During 1991, the company completed the sale of 11 buildings, totaling 404,730 square feet, and executed 16 leases, totaling 476,268 square feet, at its Garden Grove, Brea and Chino industrial parks. It also sold three parcels at its Oceangate joint venture in Hawthorne.

Mission Land has investments in five industrial parks covering more than 400 acres and 2.5 million square feet of leasable space in operation. It also has 23 joint-venture investments in development of residential, office, retail and industrial properties.

SCEcorp Board of Directors

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Chairman of the Board and Chief Executive Officer, SCEcorp and Edison

Howard P. Allen[3,4]
Chairman of the Executive Committee and Consultant, SCEcorp and Edison

Roy A. Anderson[1,3]
Chairman Emeritus, Lockheed Corporation, Burbank, California

Norman Barker Jr.[2,3,5]
Chairman of the Board, Pacific American Income Shares Inc. Los Angeles, California

Warren Christopher[1,4]
Chairman, O'Melveny & Myers, Los Angeles, California

Charles D. Miller[1,3]
Chairman of the Board and Chief Executive Officer, Avery Dennison Corporation, Pasadena, California

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J. J. Pinola[3,5]
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James M. Rosser[2,5]
President, California State University, Los Angeles, Los Angeles, California

Henry T. Segerstrom[1,2]
Managing Partner, C. J. Segerstrom & Sons, Costa Mesa, California

Board Committees

The boards of directors at SCEcorp and Edison have the same members. During 1991, the directors participated on the following committees to aid the boards in their duties. Composition of each committee is the same for SCEcorp and Edison.

The audit committees met twice. They reviewed with management and outside auditors the status of various accounting matters, pending litigation and internal audit issues. The committees recommended appointment of Arthur Andersen & Co. as the 1992 auditor for both companies. The recommendations were adopted.

The budget committees held four joint meetings and reviewed 87 individual projects of $2.5 million or greater. In all, they approved $979 million in capital expenditures. Directors also approved the company's 1992 dues and donations budget of $5.6 million.

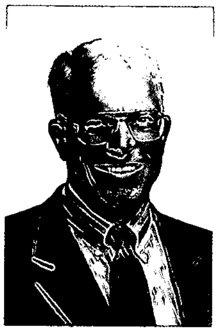
Camilla C. Frost[3,5]
Trustee, Chandler Trusts and Director and Secretary-Treasurer, Chandis Securities Company,
Los Angeles, California

Walter B. Gerken[4,5]
Chairman of the Executive Committee, Pacific Mutual Life Insurance Company, Newport Beach, California

William R. Gould[2,4,6]
Chairman Emeritus, Edison

Joan C. Hanley[1,2]
General Partner, Miramonte Vineyards Temecula, California

Carl F. Huntsinger[1,2]
General Partner, DAE Limited Partnership Ltd., Ojai, California



E.L. Shannon Jr.[2,3]
Chairman of the Board, Santa Fe International Corporation, Alhambra, California

Robert H. Smith[4,5]
Chairman of the Board and Chief Executive Officer, Security Pacific Corporation and Chairman of the Board, Security Pacific National Bank,
Los Angeles, California

Edward Zapanta, M.D.[1,4]
Physician and Neurosurgeon, Monterey Park and East Los Angeles, California

1 Member of the audit committee
2 Member of the budget committee
3 Member of the compensation committee
4 Member of the executive committee
5 Member of the nominating committee
6 Retires in March 1992

The compensation committees held four joint meetings. They reviewed compensation for elected officers of SCEcorp and its subsidiaries to ensure that this compensation is competitive and in the best interest of shareholders.

The Edison executive committee met four times and acted upon the issuance of a variety of new bonds. The SCEcorp executive committee did not meet during the year.

The nominating committees periodically consult with SCEcorp and Edison management. They review shareholder suggestions and recommend board composition and prospective candidates for election to SCEcorp and Edison boards of directors. These committees did not meet during 1991.

Executive Officers

SCEcorp

John E. Bryson	Chairman of the Board and Chief Executive Officer
Michael R. Peevey	President, Office of the Chairman
David N. Barry III	Vice President and General Counsel
Richard K. Bushey	Vice President and Controller
Alan J. Fohrer	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, Office of the Chairman
Charles B. McCarthy Jr.	Senior Vice President
Harold B. Ray	Senior Vice President
David N. Barry III	Vice President and General Counsel
Robert H. Bridenbecker	Vice President, Customer Service
Vikram S. Budhraja	Vice President, System Planning and Operations
Richard K. Bushey	Vice President and Controller
Ronald Daniels	Vice President, Revenue Requirements
John R. Fielder	Vice President, Regulatory Policy and Affairs
Alan J. Fohrer	Vice President, Treasurer and Chief Financial Officer
Lawrence D. Hamlin	Vice President, Power Production
J. Michael Mendez	Vice President, Human Resources
Harry E. Morgan Jr.	Vice President and Site Manager, San Onofre Nuclear Generating Station
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

Thomas R. McDaniel	President, Mission First Financial
James S. Pignatelli	President, Mission Energy Company
Robert E. Umbaugh	President, Mission Land Company

Management's Discussion and Analysis: Results of Operations

Earnings

SCEcorp's earnings per share were $3.21 in 1991, compared with $3.60 in 1990 and $3.56 in 1989. The decline in 1991 was primarily the result of 43 cents per share of one-time charges recorded by Southern California Edison Company, partially offset by increased earnings at The Mission Group. Without Edison's nonrecurring charges, SCEcorp's earnings would have increased 4 cents per share over 1990.

Edison contributed 83% of SCEcorp's earnings, or $2.68 per share, 49 cents less than in 1990. The decline was mainly due to the following charges:

- A 20-cent per share addition to reserves to reflect the cost of an agreement in principle between Edison and the California Public Utilities Commission's (CPUC) Division of Ratepayer Advocates (DRA). The agreement would settle disputes about Edison's power purchases from 13 nonutility projects partially owned by Mission Energy Company, an Edison affiliate.

- A 23-cent per share addition to reserves for pending legal and regulatory matters, a canceled hydroelectric expansion project and a corporate restructuring program to reduce future operating costs.

In addition to the 43 cents per share in one-time charges, utility earnings were reduced by higher costs for workers' compensation claims and health care.

Utility earnings in 1990 increased 7 cents per share over 1989, primarily from reduced income taxes and minor operational improvements.

The Mission Group, SCEcorp's nonutility unit, provided earnings of 53 cents per share in 1991, or 17% of SCEcorp's earnings. Excluding the 8-cent per share loss in 1990 from discontinued operations at Mission Power Engineering Company, earnings increased 2 cents per share in 1991. This increase was primarily due to continued strong performances by Mission Energy and Mission First Financial. Mission Energy's earnings increased 6 cents per share, as it placed six cogeneration plants into service. Mission First Financial's earnings increased 1 cent per share, due to several new energy-related and affordable housing investments, and new sale/leaseback transactions. Mission Land Company's earnings decreased 5 cents per share, due to the continued recession in the real estate market and a decision to market fewer properties.

The Mission Group's 1990 earnings decreased 3 cents per share from 1989, due to a reserve established for litigation and discontinued operations at Mission Power, partially offset by substantially higher earnings at Mission Energy and Mission First Financial.

Operating Revenue

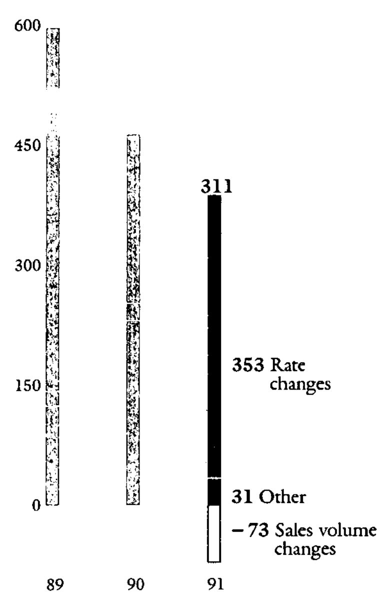
Operating revenue totaled $7.5 billion in 1991, a $304 million increase over 1990. This compares with a $294 million increase in 1990 over 1989.

Electric revenue increased $311 million over 1990, primarily due to higher retail rates and increased wholesale sales. Retail rates increased in 1991, reflecting a CPUC-authorized increase of 6.8%, primarily due to Edison's higher energy costs. Retail rates, which account for over 98% of electric revenue, are regulated by the CPUC. Wholesale rates are regulated by the Federal Energy Regulatory Commission. Electric revenue in 1990 increased $462 million over 1989, primarily due to higher rates and increased retail sales.

Revenue from diversified operations (The Mission Group) decreased $7 million in 1991 and $168 million in 1990. The 1990 decrease was primarily from discontinued operations at Mission Power, partially offset by revenue increases at the other Mission companies.

SCEcorp: Electric Revenue Increases

In millions of dollars



Management's Discussion and Analysis: Results of Operations

Operating Expenses

Edison's fuel expense declined $119 million in 1991 and $169 million in 1990, due to lower fuel costs and reduced Edison power generation. An increase in required purchases from nonutility generators caused the reduction in Edison's generation of power. Edison expects fuel expense to continue to decline as the volume of purchased-power increases.

Purchased-power expense increased $131 million in 1991 and $433 million in 1990, reflecting higher prices and an increased volume of federally required purchases from nonutility generators. These power purchases were made at CPUC-approved rates, which generally exceed those for other sources.

The CPUC periodically reviews the reasonableness of Edison's purchased-power expenses. As reported in Note 2 of "Notes to Consolidated Financial Statements," the DRA recommended disallowances for several purchased-power contracts with nonutility power producers partially owned by Mission Energy. Edison and the DRA have agreed in principle to settle these disputes for approximately $250 million (in present value terms). Edison provided an additional $74 million to reserves in the third quarter of 1991 to fully reflect the cost of the settlement in the financial statements. The settlement calls for rate recovery of approximately 94% of the capacity payments over the remaining lives of the contracts, which will lower annual earnings by about 2 cents per share for the next several years. A CPUC decision on this settlement is expected in late 1992.

CPUC-authorized balancing accounts accumulate differences between estimated and actual kilowatt-hour sales or energy costs for subsequent rate adjustment. Balancing account rates are based on estimated kilowatt-hour sales or energy costs. The provisions for regulatory adjustment clauses (balancing accounts) reflect the net over or undercollections for the period. Overcollections of $383 million in 1991, $206 million in 1990 and $184 million in 1989 were principally due to rate increases in the energy-cost balancing account to recover prior undercollections. In addition, the provisions for regulatory adjustment clauses reflect the $74 million in reserve additions discussed above and a $54 million reserve for pending legal and regulatory matters.

Other operating expenses increased $99 million in 1991, reflecting a $15 million termination fee paid to San Diego Gas & Electric Company (SDG&E), as discussed in the section "Termination of Merger Agreement," and a $25 million reserve established for a corporate restructuring program to reduce operating costs. Other factors increasing operating expenses in 1991 include the write-off of a canceled hydroelectric project, and higher costs for workers' compensation claims and health care. Other operating expenses decreased $89 million in 1990, which reflects discontinued operations at Mission Power, partially offset by additional expenses incurred by Edison in providing service to new customers.

Other Income and Deductions

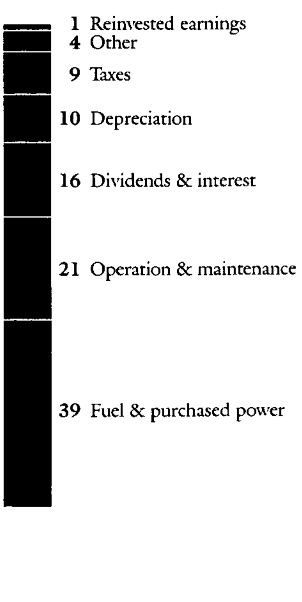
The CPUC authorized a 10-year rate phase-in plan for Palo Verde Nuclear Generating Station Units 1, 2 and 3. Rate phase-in plans minimize the impact of construction costs by implementing rate increases gradually. Palo Verde's phase-in plan deferred $200 million of revenue for each unit over a four-year period. Collection of the deferred revenue, including interest, will occur evenly over the final six years of the plan. The four-year deferral periods for Units 1 and 2 ended in 1990; the deferral period for Unit 3 ended January 20, 1992. The decline in the provision for rate phase-in plan in 1991 and 1990 reflects the reversal of deferrals for Units 1 and 2 and the collection of the deferred revenue in rates. Taxes on non-operating income decreased in both years, mainly due to the reversal of the phase-in plan deferrals.

SCEcorp: Sources of Revenue

In percent

SCEcorp: Distribution of Revenue

In percent



Consolidated Statements of Income

SCEcorp and Subsidiaries

In thousands, except per-share amounts Year ended December 31,	1991	1990	1989
Electric revenue	**$7,297,648**	$6,986,284	$6,524,386
Diversified operations	**204,850**	212,247	380,000
Total operating revenue	**7,502,498**	7,198,531	6,904,386
Fuel	**708,813**	827,393	996,026
Purchased power	**2,202,648**	2,071,910	1,638,495
Provisions for regulatory adjustment clauses—net	**383,478**	205,638	184,206
Other operating expenses	**1,183,243**	1,084,149	1,172,651
Maintenance	**381,951**	375,338	377,888
Depreciation and decommissioning	**763,637**	715,680	689,614
Income taxes	**447,506**	489,798	497,793
Property and other taxes	**200,079**	177,521	179,939
Total operating expenses	**6,271,355**	5,947,427	5,736,612
Operating income	**1,231,143**	1,251,104	1,167,774
Provision for rate phase-in plan	**(81,825)**	2,283	119,478
Allowance for equity funds used during construction	**15,570**	13,226	12,598
Interest income	**111,556**	147,896	168,331
Taxes on nonoperating income	**11,653**	(16,453)	(78,555)
Other—net	**12,200**	2,644	7,148
Total other income—net	**69,154**	149,596	229,000
Income before interest and other expenses	**1,300,297**	1,400,700	1,396,774
Interest on long-term debt	**476,949**	454,500	467,096
Other interest expense	**102,750**	136,661	130,210
Allowance for borrowed funds used during construction	**(12,373)**	(9,636)	(9,482)
Capitalized interest	**(11,872)**	(11,311)	(13,797)
Preferred stock dividend requirements of subsidiary	**42,238**	44,126	44,506
Total interest and other expenses—net	**597,692**	614,340	618,533
Net income	**$ 702,605**	$ 786,360	$ 778,241
Weighted-average shares of common stock outstanding	**218,660**	218,474	218,463
Earnings per share	**$3.21**	$3.60	$3.56

Consolidated Statements of Retained Earnings

In thousands, except per-share amounts Year ended December 31,	1991	1990	1989
Balance at beginning of year	**$3,038,378**	$2,824,421	$2,601,086
Net income	**702,605**	786,360	778,241
Dividends declared on common stock	**(590,887)**	(572,403)	(554,906)
Balance at end of year	**$3,150,096**	$3,038,378	$2,824,421
Dividends declared per common share	**$2.70**	$2.62	$2.54

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheets

In thousands December 31,	1991	1990
ASSETS		
Utility plant, at original cost	$17,772,073	$17,044,604
Less—accumulated provision for depreciation and decommissioning	6,339,148	5,696,083
	11,432,925	11,348,521
Construction work in progress	794,303	741,040
Nuclear fuel, at amortized cost	247,227	294,908
	12,474,455	12,384,469
Less—property-related accumulated deferred income taxes	1,290,485	1,164,602
Total utility plant	11,183,970	11,219,867
Nonutility property—less accumulated provision for depreciation of $37,160 and $36,021 at respective dates	128,955	108,627
Nuclear decommissioning trusts	515,867	384,667
Investments in partnerships and unconsolidated subsidiaries	1,296,078	1,021,502
Investments in leveraged leases	382,256	316,120
Other investments	46,273	62,240
Total other property and investments	2,369,429	1,893,156
Cash and equivalents	477,087	479,106
Receivables, including unbilled revenue, less allowances of $14,962 and $18,238 for uncollectible accounts at respective dates	858,436	860,613
Fuel stock	164,593	181,048
Materials and supplies, at average cost	110,734	104,166
Regulatory balancing accounts—net	157,833	225,485
Accumulated deferred income taxes—net	89,532	—
Prepayments and other current assets	170,278	145,666
Total current assets	2,028,493	1,996,084
Unamortized debt issuance and reacquisition expense	300,088	290,172
Rate phase-in plan	613,191	655,950
Other deferred charges	333,035	257,017
Total deferred charges	1,246,314	1,203,139
Total assets	$16,828,206	$16,312,246

The accompanying notes are an integral part of these financial statements.

In thousands December 31,	1991	1990
CAPITALIZATION AND LIABILITIES		
Common shareholders' equity	**$ 5,680,883**	$ 5,502,650
Preferred stock of subsidiary:		
Not subject to mandatory redemption	**358,755**	358,755
Subject to mandatory redemption	**198,755**	210,492
Long-term debt of subsidiaries	**5,745,298**	5,291,366
Total capitalization	**11,983,691**	11,363,263
Other long-term liabilities	**346,520**	160,506
Current portion of subsidiaries' long-term debt and redeemable preferred stock	**262,639**	233,356
Short-term debt	**772,728**	1,313,189
Accounts payable	**617,779**	537,282
Accrued taxes	**390,971**	425,030
Accrued interest	**130,066**	122,079
Dividends payable	**152,711**	147,511
Accumulated deferred income taxes—net	**—**	37,750
Deferred unbilled revenue and other	**600,147**	503,035
Total current liabilities	**2,927,041**	3,319,232
Accumulated deferred investment tax credits	**485,080**	515,692
Accumulated deferred income taxes—net	**790,990**	652,637
Customer advances and other deferred credits	**294,884**	300,916
Total deferred credits	**1,570,954**	1,469,245
Commitments and contingencies *(Notes 2, 8, 9 and 10)*		
Total capitalization and liabilities	**$16,828,206**	$16,312,246

The accompanying notes are an integral part of these financial statements.

Management's Discussion and Analysis: Financial Condition

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

Cash Flows from Operating Activities

Net cash provided by operating activities totaled $1.8 billion in 1991, and $1.6 billion in both 1990 and 1989. SCEcorp continues to meet most of its capital requirements by cash provided by operations. Cash flows from operations, less dividends paid, exceeded capital expenditures in all three years.

Cash Flows from Financing Activities

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, 1991, Edison could issue approximately $4.1 billion of additional first and refunding mortgage bonds and $3.6 billion of preferred stock at current interest and dividend rates.

SCEcorp's subsidiaries raise additional cash through short- and long-term debt issuances. Short-term debt is primarily used to finance fuel inventories and balancing account undercollections, as authorized by the CPUC. Long-term debt is primarily used to finance capital expenditures.

SCEcorp's subsidiaries have lines of credit totaling $2.2 billion. About $1.2 billion of this amount supports Edison's short-term debt. Another $500 million is available to Edison for the long-term refinancing of certain variable-rate debt for pollution control facilities. The remaining $500 million supports commercial paper and other borrowings to finance general cash requirements at The Mission Group's subsidiaries.

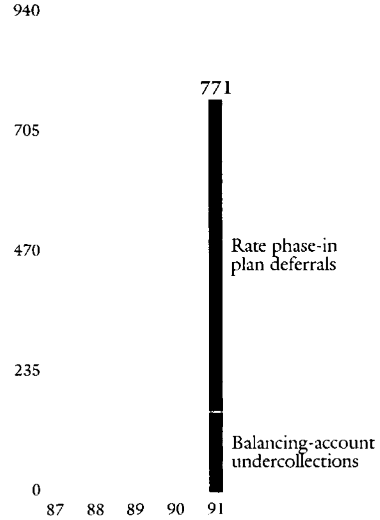
The CPUC regulates Edison's capital structure, which affects the dividends Edison may pay to SCEcorp. At December 31, 1991, Edison could pay approximately $20 million in additional dividends to SCEcorp and still maintain its capital structure within the authorized range. The California Public Utilities 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. SCEcorp's dividends totaled $586 million in 1991. For financing activities, cash outflows exceeded cash inflows in all three years.

Cash Flows from Investing Activities

The primary uses of cash for investing activities are capital expenditures, investments in Mission company activities and contributions to nuclear decommissioning trusts. Currently, Edison contributes approximately $97 million per year to nuclear decommissioning trusts. These contributions will continue until the funds are used to decommission Edison's nuclear plants. Net cash used for investing activities decreased $34 million in 1991 and increased $95 million in 1990.

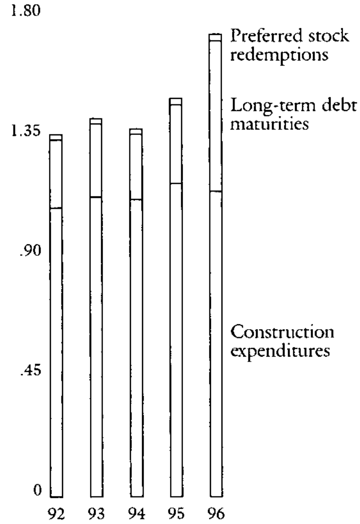
Edison: Regulatory Balancing Accounts and Rate Phase-in Plan

In millions of dollars



SCEcorp: Projected Capital Requirements

In billions of dollars



Consolidated Statements of Cash Flows

SCEcorp and Subsidiaries

In thousands Year ended December 31,	1991	1990	1989
Cash flows from operating activities:			
Net income	**$ 702,605**	$ 786,360	$ 778,241
Adjustments for noncash items:			
Depreciation and decommissioning	**763,637**	715,680	689,614
Amortization	**166,415**	168,608	157,454
Allowance for funds used during construction	**(27,943)**	(22,862)	(22,080)
Rate phase-in plan	**42,759**	(53,877)	(166,132)
Deferred income taxes and investment tax credits	**103,021**	142,091	203,337
Equity in income from partnerships and unconsolidated subsidiaries	**(131,819)**	(127,065)	(127,036)
Income from leveraged leases	**(25,235)**	(21,238)	(12,231)
Other long-term liabilities	**146,014**	5,687	18,009
Nonrecurring reserves	**78,500**	—	—
Other—net	**77,968**	3,794	(41,215)
Changes in working capital components:			
Receivables	**(70,280)**	5,435	(165,705)
Regulatory balancing accounts	**67,652**	95,280	74,261
Fuel stock, materials and supplies	**9,887**	(98,431)	35,287
Prepayments and other current assets	**(72,866)**	(11,153)	6,904
Accrued interest and taxes	**(26,072)**	(74,005)	38,638
Accounts payable and other current liabilities	**19,270**	126,102	134,170
Net cash provided by operating activities	**1,823,513**	1,640,406	1,601,516
Cash flows from financing activities:			
Issuance of long-term debt	**797,843**	650,649	193,306
Repayment of long-term debt	**(364,023)**	(554,291)	(168,368)
Redemption of subsidiary preferred stock	**(11,738)**	(13,303)	(15,363)
Nuclear fuel financing	**22,653**	(106,252)	(129,107)
Proceeds from sales of common stock	**66,505**	—	—
Short-term debt financings—net	**(545,746)**	519,222	135,549
Dividends paid	**(585,513)**	(568,033)	(550,524)
Net cash used for financing activities	**(620,019)**	(72,008)	(534,507)
Cash flows from investing activities:			
Capital expenditures	**(985,953)**	(905,289)	(837,990)
Nuclear decommissioning trusts	**(131,200)**	(114,598)	(112,983)
Investments in leveraged leases—net	**(26,371)**	(129,024)	(6,101)
Investments in partnerships and unconsolidated subsidiaries	**(245,522)**	(264,413)	(272,557)
Distributions from partnerships and unconsolidated subsidiaries	**148,147**	123,973	100,432
Other–net	**35,386**	49,383	(15,501)
Net cash used for investing activities	**(1,205,513)**	(1,239,968)	(1,144,700)
Net increase (decrease) in cash and equivalents	**(2,019)**	328,430	(77,691)
Cash and equivalents, beginning of year	**479,106**	150,676	228,367
Cash and equivalents, end of year	**$ 477,087**	$ 479,106	$ 150,676
Cash payments for interest and taxes:			
Interest	**$ 519,720**	$ 535,531	$ 512,555
Taxes	**380,543**	392,881	356,147
Noncash investing and financing activities:			
Obligation to fund investment in partnerships and unconsolidated subsidiaries	**$ 101,513**	$ 20,844	$ 13,401

The accompanying notes are an integral part of these financial statements.

Management's Discussion and Analysis

Regulatory Matters

In Edison's 1992 General Rate Case, the CPUC authorized a $72 million, or 1.0%, increase in revenue. Edison had requested a $203 million revenue increase to recover projected increases in operation and maintenance expenses and capital-related costs. As a result, Edison will implement a restructuring program to reduce costs. The CPUC also deferred a decision on the capitalization of software development, and research, development and demonstration costs incurred prior to 1992, and has allowed Edison to file additional information supporting its position. These items could total as much as $100 million. The general rate case decision was consolidated with several other rate decisions for a total revenue increase of $138 million, or 1.9%, effective January 20, 1992. The CPUC authorized a 12.65% return on equity for 1992, compared with 12.85% for 1990 and 1989.

In 1986, the CPUC initiated an investigation into a steam pipe rupture at the Mohave Generating Station. Edison incurred costs of approximately $90 million, net of insurance recoveries, to repair damage from the accident and provide replacement power during the six-month outage. In 1991, the DRA alleged Edison contributed to the piping failure by imprudent operation of the plant and recommended all costs attributable to the accident be disallowed in rates. Edison believes a manufacturing defect in a seam weld was the cause of the accident and is contesting the allegations. Hearings are expected in late 1992.

Edison and the DRA have agreed in principle for Edison to discontinue operation of San Onofre Nuclear Generating Station Unit 1 at the end of its current fuel cycle (mid-1993). The agreement, which is subject to CPUC approval, allows Edison to recover its $350 million investment in the unit over a four-year period. Edison will earn its authorized rate of return while the plant remains in operation. Thereafter, the rate of return is fixed at 8.98%. A CPUC decision is expected in 1992.

The CPUC initiated an investigation in 1989 of certain costs incurred while Palo Verde Nuclear Generating Station Units 1 and 3 were out of service for refueling and plant modifications. The DRA issued a report in November 1991 recommending disallowances of $59 million of revenue collected during the outages, $5 million for capital projects deemed to be unnecessary and an unspecified amount for replacement power costs. The cost of replacement power is estimated at $70 million to $80 million. Edison believes these costs were reasonably incurred and should be recovered in rates. Hearings on this matter will be held in 1992.

Environmental Protection

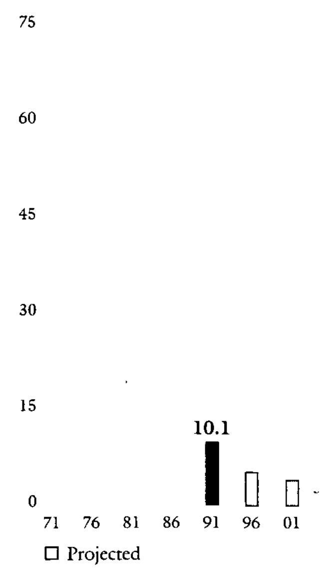
Costs to protect the environment continue to grow due to increasingly stringent laws and regulations.

Edison has identified 41 sites for which it is actively or potentially responsible for remediation under environmental laws. Environmental authorities set the timing of investigation and remediation at these sites. Edison has estimated the minimum liability on 12 of these sites at $40 million and has accrued this amount. The 29 remaining sites are currently not a high priority for environmental authorities, and investigations will proceed as dictated by these authorities. Upon completion of investigations, some or all of these sites may require remedial action. Due to the absence of any extensive investigations, Edison cannot reliably estimate the total cost of investigation and remediation for the 29 remaining sites.

In 1988, the CPUC established an advice letter procedure for rate recovery of environmental cleanup costs, which is expected to permit subsequent recovery of all material investigation and remediation costs, subject to a reasonableness review. As a result, Edison has recorded a $40 million regulatory asset representing the future recovery in rates of its estimated minimum costs to complete investigation and remediation. In July 1991, Edison filed for a reasonableness review of costs incurred at three of these sites. An additional filing is expected in early 1992. Hearings on both applications are expected to be completed by the end of 1992.

Edison: Average Nitrogen-Oxides Emissions in L.A. Basin

In tons per day



Management's Discussion and Analysis

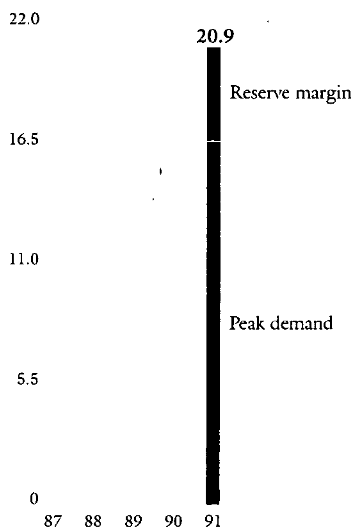
Under the acid rain provisions of the federal Clean Air Act Amendments of 1990, power producers need emissions allowances to emit sulfur dioxide. Power companies receive these allowances from the federal government and may bank or sell excess allowances. Edison expects to have excess allowances under Phase II of the Clean Air Act (2000 and later). The Act also calls for a five-year study of regional haze in the southwestern U.S. The impact of this study on sulfur dioxide emissions regulations for the Mohave Generating Station is unknown.

Edison's projected capital expenditures to protect the environment are $1.2 billion for the years 1992 through 1996. Expenditures during this period are primarily to place overhead distribution lines underground and reduce nitrogen oxides (NO_X) emissions. To comply with South Coast Air Quality Management District NO_X emissions regulations, Edison could expend up to $700 million by 1997. Pollution control equipment to comply with Ventura County NO_X emissions regulations could cost up to $260 million by 1996.

SCEcorp and Edison believe environmental costs will be recovered in rates, but the ultimate impact of environmental laws cannot be predicted. SCEcorp and Edison believe any unrecovered costs will not have a significant impact on financial position.

Edison: Total Generation Capacity

In thousands of megawatts



Termination of Merger Agreement

The CPUC denied Edison's and SDG&E's 1988 merger application in May 1991. Both parties terminated the merger agreement, and Edison paid SDG&E a $15 million termination fee as provided by the agreement.

Energy Markets

Federal law allows entry of nonutility power producers into the electric generation business. Edison and other utilities are required to purchase power from these nonutility companies at state-mandated prices, even if the prices exceed other power sources, including Edison's own facilities. In addition, some nonutility companies sell power produced on-site to large industrial and commercial customers of Edison. The potential for open transmission access could allow these nonutility companies to transmit power to Edison customers over public utility transmission lines. Further loss of sales may occur if the electric utility industry undergoes deregulation.

SCEcorp's Mission Energy subsidiary is well positioned to take advantage of opportunities in the electric energy market. Mission Energy currently has interests in 27 operating projects and plans to continue investing in this growing market.

New Accounting Standards

Compliance with an income tax accounting standard issued in 1992 will require major balance sheet adjustments. These adjustments will be required beginning in 1993 and are not expected to significantly affect results of operations or financial position.

A new accounting standard requires the expected cost of postretirement benefits other than pensions to be charged to expense during the years employees render service. SCEcorp currently recognizes the costs of these benefits as they are paid or funded. Annual employee benefits expense is expected to increase significantly over 1991 levels upon adoption of the new standard in 1993. In a July 1991 decision, the CPUC authorized Edison to recover tax-deductible funding prior to 1993 through a balancing account. Edison funded $62 million in 1991 and expects to fund an additional $50 million in 1992. SCEcorp expects Edison to recover in rates the additional postretirement benefits expense incurred after 1992 or to record a regulatory asset for the amount to be collected through future rates. Accordingly, this accounting standard should have no significant financial effect. A CPUC decision is expected in mid-1992.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of SCEcorp and its subsidiaries. The principal subsidiaries are Southern California Edison Company, 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 subsidiaries in which it owns 50% or less. All significant intercompany transactions have been eliminated, except intercompany profits from energy sales to Edison by nonutility affiliates, which are allowed in utility customer rates.

Certain items in prior periods have been reclassified to conform to the financial statement presentation for December 31, 1991.

Accounting Principles

Edison is regulated by the California Public Utilities Commission (CPUC) and the Federal Energy Regulatory Commission (FERC). The accompanying consolidated financial statements reflect the ratemaking policies of these commissions, as applied to Edison, in conformity with generally accepted accounting principles for rate-regulated enterprises.

Cash Equivalents

Cash equivalents include temporary investments with maturities of three months or less.

Construction Financing Costs

Allowance for funds used during construction (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. Utility-plant construction costs, including AFUDC, are recovered in authorized rates through depreciation when completed projects are placed into commercial operation.

The AFUDC rate, which reflects semiannual compounding, was 10.77%, 11.03% and 11.06%, for 1991, 1990 and 1989, respectively.

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 $890 million, in current-year dollars, and is recovered in rates through annual charges to depreciation expense. Amounts collected for decommissioning are deposited annually in trusts until decommissioning begins. These funds are invested in high-grade securities and are reported at the lower of cost or market value. At December 31, 1991, the market value of the trusts was $545.8 million. Approximately 85% of the trust fund contributions qualified as tax deductions.

Nuclear Fuel

The cost of nuclear fuel, including disposal, is amortized on the basis of generation and charged to fuel expense. Under ratemaking procedures adopted by the CPUC, nuclear fuel financing costs are capitalized until the fuel is placed into production.

Palo Verde Rate Phase-In Plan

For ratemaking purposes, Palo Verde Nuclear Generating Station Units 1, 2 and 3 have been in commercial operation since February 1986, September 1986 and January 1988, respectively. Under a CPUC-authorized 10-year rate phase-in plan, $200 million of revenue was deferred during the first four years of operation for each unit. The deferrals and interest on the deferred balance are being recovered evenly in the final six years of each unit's rate phase-in plan.

Regulatory Balancing Accounts

Differences between authorized and recorded kilowatt-hour sales or energy costs are accumulated in balancing accounts until they are refunded to, or recovered from, utility customers through CPUC-authorized rate adjustments. A kilowatt-hour sales balancing account minimizes the effect on earnings of retail sales fluctuations. An energy-cost balancing account adjusts earnings for variations between recorded fuel and purchased-power costs, and revenue designated to recover such costs.

The CPUC has established performance incentives based on target generation levels for Edison's nuclear generating stations. Fuel savings or costs attributable to levels above or below these targets are divided equally between Edison and customers through adjustments to the energy-cost balancing account.

Interest on regulatory balancing accounts is accrued at the three-month prime commercial paper rate. Income tax effects on the changes in the regulatory balancing accounts are deferred.

Research, Development and Demonstration (RD&D)

RD&D costs for 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. RD&D costs not related to a specific project are expensed in the year incurred. RD&D costs charged to expense are recorded in a balancing account; Edison must refund to ratepayers any authorized but unspent RD&D funds at the end of the rate-case cycle.

Edison's RD&D costs were:

	Year ended December 31,		
In thousands	**1991**	1990	1989
RD&D charged to expense	**$49,227**	$40,985	$42,555
RD&D costs deferred/ capitalized	**23,625**	11,991	12,601
Total	**$72,852**	$52,976	$55,156

Revenue

Electric revenue includes service rendered but unbilled at the end of each period.

Unamortized Debt Issuance and Reacquisition Expense

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

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 AFUDC. The costs of replaced or retired property and related removal costs, less salvage, are charged to the accumulated provision for depreciation. Accumulated deferred income taxes related to utility plant are shown as a deduction from utility plant to conform with ratemaking procedures used to determine rate base.

Note 2. Regulatory Matters

Energy Cost Proceedings

The CPUC's Division of Ratepayer Advocates (DRA), which periodically reviews the reasonableness of utility expenses, recommended in 1988 that the CPUC disallow recovery of part of Edison's expenses for power purchased from the Kern River Cogeneration Company, a nonutility power producer. Mission Energy Company, a nonutility subsidiary of SCEcorp, owns a 50% interest in Kern River. In September 1990, after conducting hearings on the DRA recommendation, the CPUC disallowed recovery of $48 million of Edison's power expenses (including interest) paid to Kern River between mid-1985 and late 1987. The CPUC based the disallowance 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 Edison's expenses from late 1987 through year-end 1991, the disallowance would increase to $105 million (including interest). Future Kern River disallowances, if any, would be less significant than those through 1991 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 if the CPUC treats the capacity delivered under the contract on an as-available basis, it should treat the energy Kern River delivered on the same basis. In December 1990, the CPUC granted Edison's request for a rehearing to determine the appropriate level of disallowance for the mid-1985 through late 1987 period. An administrative law judge denied a February 1991 request by the DRA for reconsideration of the rehearing decision. In testimony filed in May 1991, Edison argued that pricing the energy on an as-available basis would reduce the Kern River disallowance to approximately $13 million (including interest) for the period between mid-1985 and late 1987.

In November 1990, the DRA recommended the CPUC disallow recovery of part of Edison's expenses for power purchased from the Sycamore Cogeneration Company and the Watson Cogeneration Company during late 1987 through early 1989. Mission Energy owns 50% of the Sycamore project and 49% of the Watson project. The recommended disallowances for Sycamore and Watson, which total $37 million and $14 million (both excluding interest), respectively, were based on different reasons than the Kern River decision. The recommended disallowance for Sycamore included $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 the energy price could exceed avoided cost. The recommended disallowance for Watson was primarily based on allegations that Edison overpaid Watson for both capacity and energy from late 1987 through early 1989.

The DRA also has been reviewing payments made to Kern River between late 1987 and early 1991 and to 10 other nonutility power producers partially owned by Mission Energy. The DRA has not issued reports on these matters.

On November 1, 1991, Edison and the DRA announced an agreement in principle to settle disputes about Edison's power purchases from these 13 nonutility power producers partially owned by Mission Energy. The settlement resolves all affiliate issues from the inception of the contracts through December 31, 1991. Edison also has agreed not to execute new power-purchase contracts with Mission Energy. The agreement provides for a one-time disallowance of $120 million and a reduction in the amount Edison can recover in the future for power purchased from these affiliates. The settlement will result in disallowances of approximately $250 million (in present value terms), which is fully reflected in the financial statements. In early 1992, Edison and the DRA will file a definitive agreement for CPUC approval and a decision is expected in late 1992.

In 1988, the DRA also recommended the CPUC disallow the recovery of $3 million in power-purchase payments made in 1987 to Pacific Power and Light Company. In 1989, the DRA recommended a further disallowance of $26 million related to the Pacific Power contract from late 1987 through early 1989. On November 20, 1991, the DRA withdrew these recommended disallowances.

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 (which owns a 15.8% interest in Palo Verde) to notify the CPUC when a plant is out of service for nine or more consecutive months. Although Edison believes the requirement was not intended to apply when a facility is shut down for a planned outage of predetermined duration, it advised the CPUC of the outage in December 1989. The CPUC initiated an investigation of certain costs incurred when the units were not in service. It also ordered the subsequent collection of revenue connected with the ownership and operation of the Palo Verde units to be subject to refund pending the outcome of its outage review. Units 3 and 1 resumed operation in January and July 1990, respectively. In July 1990, the code section requiring an investigation was amended to exclude planned outages of predetermined duration in determining whether an investigation is required. In July 1991, the CPUC modified the order to include only the revenue collected during each unit's outage as revenue subject to refund, beginning on the date the investigation was initiated and ending after 100 hours of continuous operation at full power. On November 1, 1991, the DRA issued a report recommending disallowances of $59 million of revenue collected during the outages, $5 million for capital projects deemed to be unnecessary and an unspecified amount of the cost of replacement power during the outages. Although Edison has not completed its determination, it estimates the cost of replacement power at $70 million to $80 million.

SCEcorp and Edison believe these costs were reasonably incurred and should be recovered in rates. The probable effect on net income of the outcome of this matter cannot be determined at this time. However, SCEcorp and Edison believe it will not have a material effect on financial position. Hearings on this matter will be held in 1992.

Mohave Outage Review

In 1986, the CPUC initiated an investigation of the cause of a 1985 rupture in a high-pressure steam pipe at Mohave Generating Station. Edison, which owns a 56% interest in the plant and is its operating agent, subsequently incurred costs of approximately $90 million, net of insurance recoveries, to repair damage from the accident and provide replacement power during the six-month outage.

In mid-1991, the DRA and its consultant alleged Edison contributed to the piping failure by imprudent operation of the plant and recommended that all expenditures resulting from the accident be disallowed.

Edison believes the accident was caused by a manufacturing defect in a seam weld and is contesting the allegations of the DRA and its consultant. Edison plans to file testimony on this matter in early 1992, and hearings are expected in late 1992. The probable effect on net income of the outcome of this matter cannot be determined at this time, but SCEcorp and Edison believe it will not have a material effect on financial position.

San Onofre Unit 1

In July 1991, Edison submitted an application requesting the CPUC to find future operation of San Onofre Nuclear Generating Station Unit 1 cost-effective and to authorize recovery of capital expenditures of approximately $100 million through 1994. These expenditures are required by the Nuclear Regulatory Commission (NRC) to operate Unit 1 beyond its current fuel cycle, which could last until mid-1993. In September 1991, the DRA concluded that continued operation of Unit 1 is not cost-effective and recommended the unit be shut down and its book value amortized over four years with no return allowed. On January 16, 1992, Edison and the DRA announced an agreement in principle to discontinue operation of Unit 1 at the end of its current fuel cycle. The agreement, which is subject to CPUC approval, allows Edison to recover its approximately $350 million investment in the plant over a four-year period. While the plant remains in operation, Edison will receive its authorized rate of return. Thereafter, the rate of return is fixed at 8.98%. A CPUC decision on the agreement is expected in 1992.

General Rate Case

In Edison's 1992 General Rate Case, the CPUC deferred a decision on the capitalization of software development and RD&D costs incurred prior to 1992, and has allowed Edison to file additional information supporting its position. These items could total as much as $100 million. The probable effect on net income of the outcome of this matter cannot be determined at this time.

Resale Rates

Under FERC procedures, resale revenue billed pursuant to pending rate proceedings is subject to refund with interest if subsequently disallowed. SCEcorp and Edison believe any refunds resulting from pending rate proceedings will not have a material effect on results of operations or financial position.

Note 3. Debt

Short-Term Debt

SCEcorp's subsidiaries have lines of credit upon which they can borrow at negotiated or bank index rates. At December 31, 1991, such lines totaled $2.2 billion.

Approximately $1.7 billion of these lines of credit support commercial paper. The remaining $500 million is available for the long-term refinancing of certain variable-rate pollution control indebtedness.

The subsidiaries' short-term debt consisted of:

	December 31,	
In millions	1991	1990
Balancing accounts	$ 419.6	$ 506.7
Fuel	372.2	436.1
General purpose	302.9	506.6
Leveraged leases	—	140.9
Total commercial paper	1,094.7	1,590.3
Other short-term debt	16.0	—
Amount reclassified as long-term	(332.6)	(268.6)
Unamortized discount	(5.4)	(8.5)
Total	$ 772.7	$1,313.2

Notes to Consolidated Financial Statements

Long-Term Debt

SCEcorp's nonutility subsidiaries had $311.0 million and $295.9 million in debt outstanding at December 31, 1991, and 1990, respectively, supported by letters and lines of credit totaling $285.0 million and $355.7 million at December 31, 1991, and 1990, respectively.

Almost all Edison properties other than fuel inventories are subject to the liens of a trust indenture. Fuel inventories are financed with short-term debt under CPUC ratemaking procedures.

Edison has issued first and refunding mortgage bonds and other forms of debt 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. Bondholders have limited discretion to redeem certain pollution control bonds. Edison has arrangements with security dealers to remarket or purchase the bonds in such cases.

In January and February 1992, Edison issued $200 million of 5.55% first and refunding mortgage bonds due February 1995 and redeemed $458 million of first and refunding mortgage bonds, Series JJ, KK, Y and Z.

An Edison subsidiary has issued $39.6 million in foreign-currency-denominated notes due February 1992. An interest rate and currency exchange agreement lowered the effective interest cost of these notes and hedged any foreign currency translation gains or losses. Several SCEcorp subsidiaries have interest-rate swap agreements to reduce the impact of changes in interest rates on their variable-rate debt. Edison has an agreement to effectively change the interest-rate exposure on $196 million in pollution control bonds due 2008 to a fixed 5.585%. Mission Energy and Mission First Financial have interest-rate swap agreements that effectively change the interest-rate exposure on $75 million in variable-rate notes due August 1996 to a fixed 7.98% and $100 million in variable-rate notes to a fixed 8.095%. The nominal amount of debt covered by the latter agreement amortizes to $75 million in February 1994, $50 million in February 1995 and $25 million in February 1998; the agreement expires in February 1999. Mission Land has $31.7 million in letters of credit guaranteeing development and financing of some of its partnership real estate property. These letters of credit expire by 1993. SCEcorp is exposed to credit loss in the event of nonperformance by the counterparties to these agreements, but does not anticipate such nonperformance.

Some commercial paper 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.

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 San Onofre. The interest rate is fixed at 10.57%.

Long-term debt maturities and sinking fund requirements for the five years following December 31, 1991, are: 1992–$250.9 million; 1993–$266.6 million; 1994–$240.4 million; 1995–$288.1 million; 1996–$550.8 million.

Long-term debt consisted of:

	December 31,	
In millions	**1991**	1990
First and refunding mortgage bonds:		
1992–1995 (6⅜% to 9%)	**$ 780.0**	$ 943.0
1996–2000 (7⅜% to 9%)	**1,025.0**	1,025.0
2001–2009 (8¼% to 9.95%)	**513.0**	518.3
2010–2024 (8⅜% to 10%)	**2,025.0**	1,625.0
Pollution control bonds:		
1999–2021		
(6¾% to 10¾% and variable)	**989.9**	962.2
Funds held by trustees	**(3.8)**	(9.9)
Debentures and note:		
1992–2003		
(7⅜% to 10.8% and variable)	**515.1**	301.7
Nuclear fuel indebtedness:		
Foreign-currency-denominated notes	**38.0**	38.6
Commercial paper	**151.0**	127.7
Spent nuclear fuel obligation	**13.9**	17.1
Long-term debt due within one year	**(250.9)**	(221.6)
Unamortized debt discount—net	**(50.9)**	(35.7)
Total	**$5,745.3**	$5,291.4

Note 4. Equity

The CPUC regulates Edison's capital structure, which affects the dividends Edison may pay to SCEcorp. At December 31, 1991, Edison could pay approximately $20 million in additional dividends to SCEcorp and still maintain its capital structure within the authorized range. The California Public Utilities Code also restricts Edison from making loans or advances to any of its non-utility affiliates.

SCEcorp issued 1,478,588, zero and 12,500 shares of common stock in 1991, 1990 and 1989, respectively.

Edison's authorized shares of original preferred, $25 cumulative preferred, $100 cumulative preferred, $25 preference and $100 preference stock are 480 thousand, 24 million, 12 million, 10 million and 2 million shares, respectively. Mandatorily redeemable preferred stocks are subject to sinking fund provisions. The $100 cumulative preferred stock, 12.31% Series, is not subject to redemption until May 1, 1992, except for sinking fund provisions. All other cumulative preferred stocks are redeemable. In February 1992, Edison issued $100 million of $25 cumulative preferred stock, 7.36% Series, and redeemed all outstanding shares of 8.70% and 8.96% preferred stock.

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

Equity consisted of:

In thousands				December 31, 1991	December 31, 1990
Common shareholders' equity:					
Common stock				**$2,530,787**	$2,464,272
Retained earnings				**3,150,096**	3,038,378
Total				**$5,680,883**	$5,502,650
Cumulative preferred stock of subsidiary:					
		December 31, 1991			
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:					
$100 par value:	7.325%	457,381	$102.78	**$ 45,738**	$ 48,738
	7.80	429,495	103.76	**42,950**	44,750
	8.54	547,500	102.75	**54,750**	57,000
	8.70A	393,749	103.73	**39,375**	40,687
	12.31	276,800	105.83	**27,680**	31,055
Preferred stock to be redeemed within one year				**(11,738)**	(11,738)
Total				**$ 198,755**	$ 210,492

Authorized common stock is 400 million shares with no par value. Common stock outstanding was 219,953,020 and 218,474,432 shares at December 31, 1991, and 1990, respectively.

Preferred stock redemption requirements for the five years following December 31, 1991, are: 1992—$11.7 million; 1993—$12.3 million; 1994—$12.3 million; 1995—$13.9 million; 1996—$13.9 million.

Changes in Edison's preferred stocks during the last three years were:

	Year ended December 31,		
Series	**1991**	1990	1989
7.325%	**30,000**	30,000	30,000
7.80%	**18,000**	18,000	18,000
8.54%	**22,500**	22,500	22,500
8.70%A	**13,125**	13,125	13,125
12.31%	**33,750**	49,450	70,000
Total shares redeemed	117,375	133,075	153,625

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, as well as deferred income taxes on certain items of income and expense reported in different periods for tax and financial reporting purposes. 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 were 34% and 40.138%, respectively, for 1991, 1990 and 1989.

Deferred income taxes for tax depreciation before 1981 and certain construction overheads have not been provided because the tax effects of such timing differences are not allowed for retail ratemaking purposes until the taxes become payable. The cumulative net amount of these timing differences was approximately $1.8 billion at December 31, 1991, 1990 and 1989.

The current and deferred components of income tax expense were:

	Year ended December 31,		
In thousands	**1991**	1990	1989
Current:			
Federal	**$218,918**	$244,245	$253,469
State	**113,914**	119,915	119,542
	332,832	364,160	373,011
Deferred—Federal and State:			
Accrued charges	**(81,650)**	(24,075)	(21,929)
Depreciation	**163,337**	188,476	207,703
FERC resale	**22,300**	(3,263)	(8,940)
Investment and energy tax credits—net	**(33,449)**	(20,234)	(2,331)
Leveraged leases	**76,645**	63,114	35,063
Rate phase-in plan	**(17,163)**	21,625	66,682
Regulatory balancing accounts	**(26,909)**	(29,157)	(24,995)
Unbilled revenue	**(4,813)**	(20,968)	(31,803)
Other	**4,723**	(33,427)	(16,113)
	103,021	142,091	203,337
Total income tax expense	**$435,853**	$506,251	$576,348
Classification of income taxes:			
Included in operating income	**$447,506**	$489,798	$497,793
Included in other income	**(11,653)**	16,453	78,555
Total income tax expense	**$435,853**	$506,251	$576,348

A reconciliation of the statutory income tax rate to the effective rate is presented below:

	Year ended December 31,		
	1991	1990	1989
Federal statutory rate	**34.0%**	34.0%	34.0%
Depreciation and related timing differences not deferred	**4.3**	4.3	3.8
Federal deduction for state taxes on income	**(2.9)**	(3.1)	(3.1)
Investment and energy tax credits	**(3.6)**	(2.5)	(2.1)
Merger expenses	**(2.1)**	0.9	0.9
State tax provision	**8.6**	9.3	9.1
Other	**—**	(3.7)	(0.1)
Effective tax rate	**38.3%**	39.2%	42.5%

New Accounting Standard

Under current accounting rules, deferred income tax balances are not adjusted for changes in tax rates or laws. These adjustments will be required beginning in 1993 under a new accounting standard issued in 1992.

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

Additional adjustments will be recorded: for the net reduction in deferred income tax liabilities resulting from income tax rate changes; for 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 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 ratemaking process and as tax rates and laws change. Accordingly, these changes are not expected to significantly affect results of operations or financial position.

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 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.

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 ratemaking. The difference between pension costs calculated for accounting and ratemaking purposes has been recorded as a deferred charge in the consolidated balance sheets.

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

The components of pension expense were:

	Year ended December 31,		
In thousands	**1991**	1990	1989
Net pension expense:			
Service cost for benefits earned	**$ 52,701**	$ 57,430	$ 49,307
Interest cost on projected benefit obligation	**126,377**	116,141	108,341
Actual return on plan assets	**(375,300)**	35,278	(306,493)
Net amortization and deferral	**250,948**	(167,214)	199,260
Pension cost pursuant to accounting standards	**54,726**	41,635	50,415
Regulatory adjustment	**(6,963)**	5,173	(4,210)
Net pension cost recognized	**$ 47,763**	$ 46,808	$ 46,205

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The plan's funded status was:

In thousands	December 31, 1991	1990
Actuarial present value of benefit obligations:		
Vested benefits	**$1,249,702**	$1,124,985
Nonvested benefits	**33,649**	28,590
Accumulated benefit obligation	**1,283,351**	1,153,575
Value of projected future compensation levels	**556,462**	448,750
Projected benefit obligation	**1,839,813**	1,602,325
Plan assets at fair value	**$1,888,731**	$1,542,568
Projected benefit obligation in excess of (less than) plan assets	**$ (48,918)**	$ 59,757
Unrecognized net gain	**175,574**	65,394
Unrecognized prior service cost	**(6,134)**	(6,567)
Unrecognized net obligation being amortized over 17 years	**(73,071)**	(78,594)
Accrued pension liability	**$ 47,451**	$ 39,990
Assumptions for defined benefit pension plan:		
Discount rate	**7.5%**	8.0%
Rate of increase in future compensation	**6.0%**	6.0%
Expected long-term rate of return on assets	**8.5%**	8.5%

Employee Stock Plans

SCEcorp maintains an Employee Stock Ownership Plan (ESOP) and a Stock Savings Plus Plan (SSPP), which are 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 $18.2 million in 1991, $17.2 million in 1990 and $16.9 million in 1989.

Under Edison's long-term incentive compensation plan, 1,475,722 shares of SCEcorp common stock were reserved at December 31, 1991, for issue to key employees in various forms, including the exercise of stock options.

A summary of activity in the stock option plan for 1991 and 1990 is as follows:

Options:	Shares	Share Price*
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
Granted	160,300	37.50–40.19
Canceled	(10,065)	32.37–39.69
Exercised	(1,778)	32.37
Outstanding, December 31, 1991	411,785	32.00–40.19
Exercisable, December 31, 1991	172,752	32.00–40.19

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

At December 31, 1991, and 1990, 1,063,937 and 1,214,172 shares, respectively, were reserved for future grants.

Other Postretirement Benefits

Employees retiring at or after age 55 and with at least 10 years of service are entitled to postretirement health care, dental, life insurance and other benefits. Health care benefits are provided by a combination of programs and are subject to deductibles, copayment provisions and other limitations. The costs of these benefits are recognized as expense as they are paid. In addition, Edison started funding its future liability for these benefits in 1991. Contributions are amortized as they are recovered in rates. Total expense was $33.2 million in 1991, $24.3 million in 1990 and $21.2 million in 1989.

New Accounting Standard

A new accounting standard for postretirement benefits other than pensions requires the expected cost of these benefits to be charged to expense during the years employees render service. SCEcorp expects to implement the new standard in 1993 and amortize the transition obligation over a 20-year period. The accumulated obligation at January 1, 1993, measured under the new standard, is estimated at $700 million according to a preliminary review by actuaries. The actuaries estimate the postretirement benefits expense for 1993 will be $100 million. The accumulated obligation and expense in 1993 could differ significantly due to changes in health care costs or interest rates.

The CPUC has initiated an investigation to determine the ratemaking impact of the new standard. In a July 1991 decision, the CPUC authorized Edison to recover tax-deductible funding before 1993 through a balancing account. In late 1991, Edison began this funding with $62 million in contributions to independent trusts. This amount was recorded as a current asset and will be amortized over a 12-month period as it is recovered in rates. Edison expects to recover the additional postretirement benefits expense for 1993 and beyond in rates or to record a regulatory asset for the amount to be collected through future rates. Accordingly, this standard should have no significant financial effect. Hearings on the ratemaking treatment for 1993 and beyond were completed in February 1992. A decision on this matter is expected in 1992.

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. The proportionate share of expenses for each project is included in the consolidated statements of income.

The investment in each project, as included in the consolidated balance sheet as of December 31, 1991, was:

In thousands	Plant in Service	Accumulated Depreciation	Under Construction	Ownership Interest
Eldorado Transmission System	$ 24,342	$ 10,524	$ 1,560	60%[a]
Four Corners Coal Generating Station–Units 4 and 5	449,587	177,538	532	48
Mohave Coal Generating Station	254,552	116,083	8,963	56
Pacific Intertie DC Transmission System	205,541	51,336	3,614	50
Palo Verde Nuclear Generating Station	1,499,668	199,838	35,104	15.8
San Onofre Nuclear Generating Station	4,546,353	1,225,898	66,792	[b]
Yuma Axis Generating Station[c]	12,579	12,417	10	33.3
Total	$6,992,622	$1,793,634	$116,575	

[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

Mission First Financial is the lessor in several leveraged-lease agreements for terms of 24 to 30 years. All operating, maintenance, insurance and decommissioning costs are the responsibility of the lessees. The total cost of these facilities was $1.3 billion at December 31, 1991, and $1.1 billion at December 31, 1990.

The equity investment in these facilities represents 23% of the purchase price. The remainder 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.

Net investment in leveraged lease components were:

In thousands	December 31, 1991	1990
Rentals receivable (net of principal and interest on nonrecourse debt)	**$ 620,009**	$ 561,742
Unearned income	**(267,373)**	(260,842)
Investment in leveraged leases	**352,636**	300,900
Estimated residual value	**29,620**	15,220
Deferred income taxes	**(247,136)**	(171,737)
Net investment in leveraged leases	**$ 135,120**	$ 144,383

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, 1991, estimated remaining rental commitments for noncancelable operating leases were:

Year ended December 31,	*In thousands*
1992	$ 30,873
1993	25,939
1994	21,940
1995	17,440
1996	12,617
Thereafter	23,316
Total future rental commitments	$132,125

Note 9. Commitments

Construction Program and Fuel Supply

As of December 31, 1991, construction expenditures for SCEcorp's subsidiaries are estimated to be $1.1 billion each for 1992, 1993 and 1994. In addition, minimum long-term fuel supply commitments were approximately $2.0 billion at December 31, 1991.

Long-Term Purchased-Power and Transmission Contracts

Edison has contracted to purchase 277.5 megawatts, or 5.54%, of the generating output of Hoover Dam and to purchase firm transmission service on the Four Corners transmission line. Although there is no investment in the generation facility or transmission line, these contracts require 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. Purchased-power costs under the contract were $4.7 million in 1991, $3.4 million in 1990 and $4.5 million in 1989. Transmission costs under the contract were $4.5 million in 1991, $4.9 million in 1990 and $4.4 million in 1989.

The cost of power and firm transmission service under these contracts, including payments made when the facility or transmission line is not operating, is included in operating expenses in the consolidated statements of income. Purchased-power costs are generally recoverable through the energy-cost balancing account. Edison's minimum commitments under the purchased-power contract are approximately $4 million per year from 1992 through 1996. From 1992 through the end of the contract (2017), minimum commitments total $102.7 million. Edison's minimum commitments under the transmission contract are approximately $4 million per year from 1992 through 1996. From 1992 through the end of the contract (2016), minimum commitments total $79.0 million.

Note 10. Contingencies

Nuclear Insurance

The federal statutory limit on public liability claims 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 covered by the industry's retrospective rating plan, using deferred premium charges. This secondary level of financial protection is required by the NRC. The maximum amount of the deferred premium 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 $184 million per nuclear incident on the basis of its ownership interests in San Onofre and Palo Verde, but it would have to pay no more than $29 million per incident in any one year. Such amounts include a 5% surcharge if 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 above the primary $500 million also has been purchased in amounts exceeding NRC requirements. Insurance covering part of the additional expense for replacement power during an accident-related nuclear unit outage also is 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 $38 million per year. Insurance premiums are charged to operating expense.

Litigation

In 1978, five resale customers filed suit against Edison 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 Edison engaged in anticompetitive behavior by charging more for electricity sold to resale customers than to certain classes of retail customers. The complaint also alleged 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 claimed damages of approximately $99.5 million, before trebling, from 1978 through 1985. In October 1990, the court issued a final judgment in Edison's favor. In November 1990, the plaintiffs appealed the decision.

In 1983, another resale customer, the City of Vernon, also filed a complaint against Edison in federal district court alleging violation of antitrust laws. The complaint alleged Edison engaged in anticompetitive behavior by restricting access to Edison transmission facilities and preventing Vernon from purchasing bulk power supplies from other sources. The complaint also alleged Edison unlawfully designed its resale rates in certain respects. Vernon claimed damages of approximately $60 million before trebling. Final judgment for Edison was granted in August 1990. In October 1990, Vernon appealed the court's decisions.

On February 7, 1992, the appeals court affirmed the judgment for Edison on all claims, except for Vernon's claim for certain injunctive relief. The plaintiffs can appeal to the U.S. Supreme Court. SCEcorp and Edison believe these matters will not have a material effect on results of operations or financial position.

In September 1990, Tucson Electric Power Company (TEP) filed a suit in California Superior Court against SCEcorp and Edison, alleging interference with TEP's merger agreement with San Diego Gas & Electric Company. The complaint sought unspecified compensatory damages plus $6.7 billion of punitive damages. In November 1990, SCEcorp and Edison filed a motion to dismiss the suit for absence of merit. In April 1991, the Superior Court overruled the challenge. The matter was argued before the Court of Appeals in December 1991, but no decision has been issued. In December 1991, the Superior Court denied SCEcorp and Edison's summary judgment motion, ruling that the arguments presented factual rather than legal issues. In December 1991, SCEcorp and Edison appealed the decision. SCEcorp and Edison deny all allegations of wrongdoing and are defending the charges. A trial is scheduled for July 1992. SCEcorp and Edison believe the suit is without merit and will not have a material effect on results of operations or financial position.

Environmental Protection

SCEcorp is subject to numerous legislative and regulatory environmental protection requirements involving air and water pollution, waste management, hazardous chemical use, noise abatement, land use, aesthetics and nuclear control. To meet these requirements, SCEcorp has incurred, and will continue to incur, substantial costs to operate existing facilities, construct and operate new facilities, and clean up waste-disposal sites for which it may be responsible.

Edison has identified 41 sites for which it is actively or potentially responsible for remediation under environmental laws. Environmental authorities set the timing of investigation and remediation at these sites. Edison has estimated the minimum liability on 12 of these sites at $40 million and has accrued this amount. The 29 remaining sites are currently not a high priority for environmental authorities, and investigations will proceed as dictated by these authorities. Upon completion of these investigations, some or all of these sites may require remedial action. Due to the absence of any extensive investigations, Edison cannot reliably estimate the total cost of investigation and remediation for the 29 remaining sites.

In 1988, the CPUC established an advice letter procedure for rate recovery of environmental cleanup costs, which is expected to permit subsequent recovery of all material investigation and remediation costs, subject to a reasonableness review. As a result, Edison has recorded a $40 million regulatory asset representing the future recovery in rates of its estimated minimum costs to complete investigation and remediation. In July 1991, Edison filed for a reasonableness review of costs incurred at three of these sites. An additional filing is expected in early 1992. Hearings on both applications are expected to be completed by the end of 1992.

SCEcorp and Edison believe environmental costs will be recovered in rates, but the ultimate impact of environmental laws cannot be predicted. SCEcorp and Edison believe any unrecovered costs will not have a significant impact on financial position.

Note 11. Investments in Partnerships

The Mission Group has equity interests in several partnerships involved in energy generation and real estate investments. Summarized financial information of the partnerships was:

Income statements:	Year ended December 31,		
In millions	**1991**	1990	1989
Revenue	**$588.3**	$985.1	$828.1
Expenses	**510.7**	739.1	605.3
Net income	**$ 77.6**	$246.0	$222.8

Balance sheets:	December 31,	
In millions	**1991**	1990
Current assets	**$ 408.0**	$ 344.3
Other assets	**2,112.0**	2,056.0
Total assets	**$2,520.0**	$2,400.3
Current liabilities	**$ 391.2**	$ 198.7
Other liabilities	**1,414.0**	1,354.8
Equity	**714.8**	846.8
Total liabilities and equity	**$2,520.0**	$2,400.3

Note 12. Business Segments

SCEcorp's business segments include electric utility operations (Edison) and three nonutility segments: electric power generation (Mission Energy), financial investments (Mission First Financial) and real estate development (Mission Land). The diversified operations data shown below includes the nonutility segment operations, which are not individually significant for reporting purposes.

SCEcorp's business segment information for the three years ended December 31, 1991, was:

	Year ended December 31,		
In thousands	**1991**	1990	1989
Revenue:			
Electric	$ 7,297,759	$ 6,986,460	$ 6,524,474
Diversified operations	204,850	212,247	380,000
Corporate items and eliminations	(111)	(176)	(88)
Total revenue	$ 7,502,498	$ 7,198,531	$ 6,904,386
Operating income before taxes:			
Electric	$ 1,546,950	$ 1,630,225	$ 1,526,501
Diversified operations	133,602	111,284	139,680
Total operating income before taxes	1,680,552	1,741,509	1,666,181
Income taxes	(448,126)	(489,991)	(497,994)
Corporate items and eliminations	(1,283)	(414)	(413)
Total operating income	$ 1,231,143	$ 1,251,104	$ 1,167,774
Depreciation and decommissioning:			
Electric	$ 758,932	$ 711,163	$ 686,334
Diversified operations	4,705	4,517	3,280
Total depreciation and decommissioning	$ 763,637	$ 715,680	$ 689,614
Identifiable assets:			
Electric	$14,670,835	$14,572,053	$14,049,592
Diversified operations	2,119,500	1,762,313	1,408,225
Corporate items and eliminations	37,871	(22,120)	(14,766)
Total identifiable assets	$16,828,206	$16,312,246	$15,443,051
Capital expenditures:			
Electric	$ 964,343	$ 884,833	$ 811,849
Diversified operations	21,610	20,456	26,141
Total capital expenditures	$ 985,953	$ 905,289	$ 837,990

Selected Financial Data: 1987–1991

SCEcorp and Subsidiaries

Dollars in thousands, except per-share amounts	1991	1990	1989	1988	1987
SCEcorp and Subsidiaries					
Operating revenue	**$ 7,502,498**	$ 7,198,531	$ 6,904,386	$ 6,252,719	$ 5,601,926
Operating expenses	**6,271,355**	5,947,427	5,736,612	5,156,351	4,637,135
Net income	**702,605**	786,360	778,241	761,831	738,531
Weighted-average shares of common stock outstanding (in thousands)	**218,660**	218,474	218,463	218,332	218,014
Per-share data:					
Earnings	**$3.21**	$3.60	$3.56	$3.49	$3.39
Dividends declared	**2.70**	2.62	2.54	2.45½	2.35½
Book value	**25.83**	25.19	24.21	23.18	22.16
Market value at year end	**46¾**	37⅞	39⅜	32⅜	30½
Dividend payout ratio	**83.5%**	72.2%	70.8%	69.6%	68.7%
Rate of return on common equity	**12.51%**	14.51%	14.99%	15.33%	15.51%
Price/earnings ratio	**14.6**	10.5	11.1	9.3	9.0
Ratio of earnings to fixed charges	**2.56**	2.72	2.79	2.86	2.91
Assets	**$16,828,206**	$16,312,246	$15,443,051	$14,866,276	$14,350,664
Retained earnings	**3,150,096**	3,038,378	2,824,421	2,601,086	2,375,915
Common shareholders' equity	**5,680,883**	5,502,650	5,288,687	5,064,848	4,833,734
Preferred and preference stock of subsidiary:					
Not subject to mandatory redemption	**358,755**	358,755	358,755	358,755	361,238
Subject to mandatory redemption	**198,755**	210,492	223,800	239,037	277,538
Long-term debt of subsidiaries	**5,745,298**	5,291,366	5,282,764	5,421,747	5,150,883
Southern California Edison Company					
Financial data:					
Earnings available for common stock	**$587,315**	$692,627	$678,642	$684,689	$697,188
Earnings per SCEcorp common share	**2.68**	3.17	3.10	3.14	3.20
Internal generation of funds	**70%**	76%	88%	100%	77%
Operating and sales data:					
Peak demand in megawatts (MW)	**16,709**	17,647	15,632	15,987	14,775
Generation capacity at peak (MW)	**20,875**	20,323	20,136	18,893	18,206
Kilowatt-hour sales (in thousands)	**71,146,255**	71,613,760	69,135,748	67,885,761	65,539,481
Customers	**4,078,559**	4,031,678	3,940,949	3,831,656	3,717,262
Employees	**17,110**	16,604	16,627	16,660	17,086
The Mission Group					
Common shareholder's equity	**$1,020,364**	$904,282	$735,263	$505,371	$292,108
Net income	**116,082**	94,019	99,893	77,763	41,343
Earnings per SCEcorp common share	**.53**	.43	.46	.35	.19
Percent of SCEcorp's earnings per share	**16.5%**	11.9%	12.9%	10.0%	5.6%

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 to 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 non-employee 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	John E. Bryson
Vice President	*Chairman of the Board*
and Controller	*and Chief Executive Officer*

February 7, 1992

Report of Independent Public Accountants

To the Shareholders and the Board of Directors, SCEcorp:

We have audited the accompanying consolidated balance sheets of SCEcorp (a California corporation) and its subsidiaries as of December 31, 1991, and 1990, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1991. 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, 1991, and 1990, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

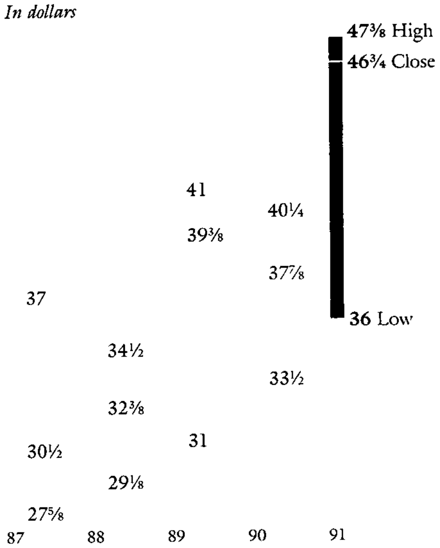
ARTHUR ANDERSEN & CO.

Los Angeles, California
February 7, 1992

Shareholder Information

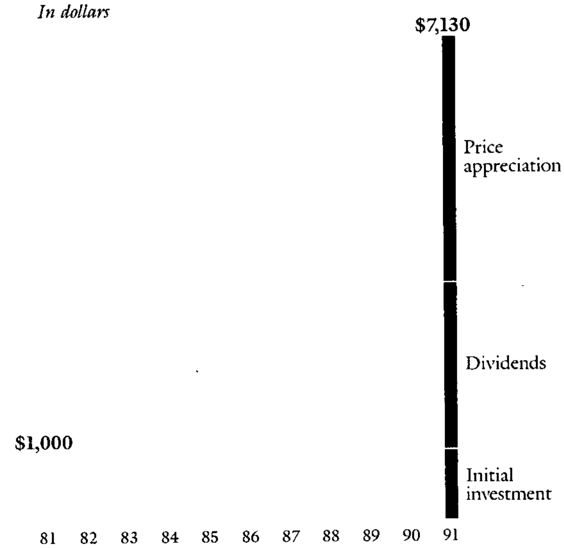
SCEcorp: Five-Year Stock Price History

In dollars



SCEcorp: $1,000 Investment in SCEcorp Stock

In dollars



Quarterly Financial Data

Unaudited

In millions, except per-share amounts	1991 Total	1991 Fourth	1991 Third	1991 Second	1991 First	1990 Total	1990 Fourth	1990 Third	1990 Second	1990 First
Operating revenue	$7,502	$1,886	$2,251	$1,695	$1,670	$7,199	$1,755	$2,258	$1,595	$1,591
Operating income	1,231	246	386	295	304	1,251	297	406	266	282
Net income	703	115	248	168	172	786	182	286	146	172
Per share:										
Earnings	3.21	.52	1.14	.77	.79	3.60	.83	1.31	.67	.79
Dividends declared	2.70	.68	.68	.68	.66	2.62	.66	.66	.66	.64
Common stock prices										
High	$47⅜	$47⅜	$45⅝	$39¾	$40	$40¼	$39⅞	$38¾	$40	$40¼
Low	36	43¼	38⅝	38	36	33½	35⅛	33½	35⅝	35⅝
Close	46¾	46¾	44⅜	38⅞	39¾	37⅞	37⅞	36	37½	37¾

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Annual Meetings of Shareholders

Date: **Thursday, April 16, 1992**
Time: **10:00 a.m.**
Location: **Industry Hills and Sheraton Resort**
One Industry Hills Parkway
City of Industry, California

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;
- duplicate 1099 forms and W-9 tax certification forms;
- notices of and replacement of lost or destroyed stock certificates and dividend checks;
- 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 costs of purchasing SCEcorp common stock through the plan will be paid by SCEcorp. The plan also allows optional cash investments of up to $10,000 per calendar month.

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

How to Transfer Stock

Whenever there is a change of ownership of shares, 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 an eligible guarantor institution. A notary's acknowledgment is not acceptable. The certificate should then be sent to Shareholder Services by registered or certified mail with complete transfer instructions.

Shareholder Profile

As of December 31, 1991, there were 143,059 SCEcorp common stock shareholders of record and 14,070 Edison preferred stock shareholders. Millions of other shares are held in "street name" by securities brokers and others.

SCEcorp

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5/27/92

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