SCEcorp

1992 Annual Report

SCEcorp in 1992

The corporation provides customers with electricity and energy-related services. SCEcorp's strategy is to improve value for shareholders by increasing the value of services to customers. A major focus for Southern California Edison in 1992 was helping its large and small business customers control energy-related costs and become more productive. The Mission companies made strategic new investments in energy and other projects, continuing their expansion in domestic and foreign markets.

Corporate Profile

SCEcorp

SCEcorp is the parent corporation of Southern California Edison Company and the Mission companies. With headquarters in Rosemead, California, SCEcorp has assets of more than $19 billion.

Southern California Edison

Edison is the nation's second-largest electric utility, based on the number of customers. The 106-year-old investor-owned utility serves 4.1 million customers in Central and Southern California. Its 50,000-square-mile service territory has a population of nearly 11 million.

The Mission Companies

The Mission companies include Mission Energy Company, the nation's largest nonutility power producer, Mission First Financial and Mission Land Company. They operate throughout the United States; Mission Energy also is active in foreign markets.

On the cover:

Entering the Austr-lian power market—In late 1992, Mission Energy Company completed the purchase of a 51% interest in Loy Yang B, a large coal-fired plant near Melbourne. The first of its two 500-MW units is scheduled for operation in late 1993. Mission Energy will operate the plant and sell power under a 30-year contract to the State of Victoria. See discussion of nonutility business activities on Page 18.

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News Digest

SCEcorp

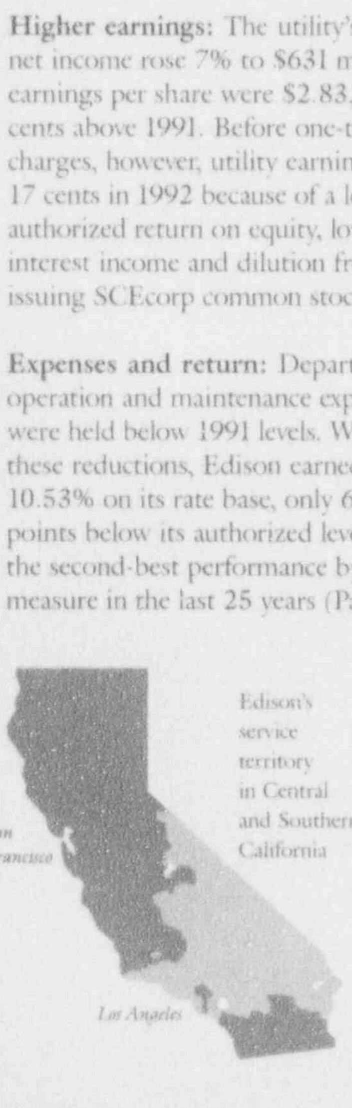
Higher earnings: SCEcorp's 1992 net income rose 5% to $739 million; earnings per share were $3.32, up 11 cents from 1991. Reported earnings for 1992 and 1991 included several one-time charges. Before these charges, 1992 earnings were $776 million, or $3.49 per share, down 15 cents from the prior year (Page 25).

Higher dividend: SCEcorp declared its 17th increase in the common stock dividend in 16 years; the annual dividend rate is $2.80, up from $2.72 in 1991.

Southern California Edison

Higher earnings: The utility's 1992 net income rose 7% to $631 million; earnings per share were $2.83, 15 cents above 1991. Before one-time charges, however, utility earnings fell 17 cents in 1992 because of a lower authorized return on equity, lower interest income and dilution from issuing SCEcorp common stock.

Expenses and return: Departmental operation and maintenance expenses were held below 1991 levels. With these reductions, Edison earned 10.53% on its rate base, only 6 basis points below its authorized level and the second-best performance by this measure in the last 25 years (Page 13).



Edison's service territory in Central and Southern California


A new housing development in San Bernardino County.

Record production: The San Onofre Nuclear Generating Station (SONGS) generated 19.6 billion kilowatt-hours (kwh) in 1992, a site record and more than 12% above the previous record in 1991. The utility's Mohave and Four Corners generating stations also set production records and operated on average at 77% and 85% of their capacities, respectively.

Nuclear plant awards: SONGS received the nuclear industry's highest performance rating from the Institute of Nuclear Power Operations for its overall operation. Also, the Nuclear Regulatory Commission gave SONGS its highest rating ever for operations and safety in its latest Systematic Assessment of Licensee Performance report.

Nuclear plant retirement: Unit 1 at SONGS was permanently retired November 30 after 25 years of service. Continued operation of the 436-megawatt (MW) facility would have required a capital investment of up to $125 million. Under an agreement with state regulators, Edison will recover its remaining $350 million investment over four years, with an 8.98% return on capital (Pages 32, 36).

New generating resources: The California Public Utilities Commission (CPUC) ruled that the majority of Edison's new energy needs through the year 2000 will be met by cost-effective conservation programs. The company does not need new power plants because of its excess capacity. However, the state's resource planning process ordered Edison to solicit 624 MW of new generating resources through a competitive bidding process. Edison's planned 274-MW upgrade of its San Bernardino plant will compete against outside bidders' proposals to supply part of this additional power (Page 33).

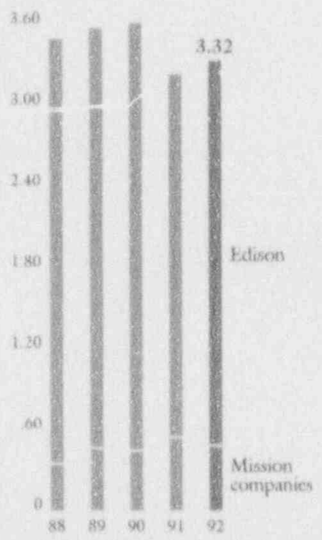
Renewable energy and technology: Edison has more solar, wind and biomass generating resources than any other utility in the world. Among the company's technology initiatives in renewable energy for the 1990s are: construction of a 10-MW solar project, using advanced molten salt technology; new photovoltaic technologies in Southern California, including a solar carport; and advanced equipment to convert municipal waste into clean gas to fuel power plants.

Tucson settlement: In September, the company settled a lawsuit for $40 million with Tucson Electric Power Company over alleged interference in Tucson's proposed 1988 merger with San Diego Gas & Electric Company (Pages 25, 26).

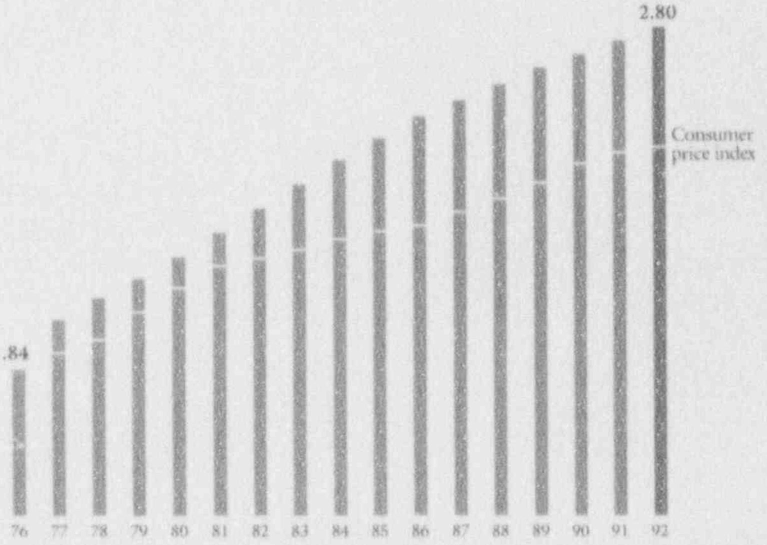
Financial Highlights

Dollars in millions, except per-share amounts	1992	1991	Increase (decrease)	5-year compound annual growth rate	10-year compound annual growth rate
SCEcorp					
Revenue	**$7,984**	$7,556	5.7%	6.6%	6.2%
Net income	**$739**	$703	5.1	(0.7)	3.4
Net income before one-time charges	**$776**	$797	(2.6)	1.1	3.7
Earnings per share	**$3.32**	$3.21	3.4	(1.0)	2.1
Dividends (current rate)	**$2.80**	$2.72	2.9	3.2	4.4
Dividend payout ratio	**83.1%**	83.5%	—	—	—
Assets	**$19,140**	$18,343	4.3	4.6	5.5
Rate of return on common equity	**12.5%**	12.5%	—	—	—
Book value	**$26.59**	$25.83	2.9	3.6	4.0
Southern California Edison					
Revenue	**$7,722**	$7,298	5.8%	6.6%	5.8%
Earnings	**$631**	$587	7.4	(2.7)	1.4
Earnings per SCEcorp common share	**$2.83**	$2.68	5.6	(3.1)	0.1
Rate of return on common equity	**13.2%**	12.6%	—	—	—
Peak demand in megawatts	**18,413**	16,709	10.2	3.8	2.9
Kilowatt-hour sales (in millions)	**74,186**	71,146	4.3	2.2	2.1
Customers (in millions)	**4.11**	4.08	0.7	2.0	2.5
Full-time employees	**16,736**	17,110	(2.2)	(0.1)	0.3
The Mission Companies					
Net income	**$109**	$116	(6.4)%	15.7%	—
Earnings per SCEcorp common share	**$.49**	$.53	(7.5)	15.5	—
Equity capital	**$1,169**	$1,020	14.6	23.2	—
Assets	**$3,344**	$2,344	42.7	26.9	—
Rate of return on common equity	**9.8%**	12.2%	—	—	—

SCEcorp:
Earnings Per Share
In dollars



SCEcorp:
Annual Dividend Rate Per Share
In dollars



Dear Fellow Shareholders

For SCEcorp, 1992 was a year of modest earnings growth. Net income rose 5.1% to $739 million, while per-share earnings were up 3.4% to $3.32. Before one-time charges, however, net income was $776 million, down 2.6%. Southern California Edison, our utility subsidiary, had strong operating results and improved its foundation for future competitive performance. Mission Energy and Mission First Financial had record results.

Southern California Edison

"We heightened efforts to sharpen our customers' competitive position, fundamentally reorganizing key departments... and reducing our total labor force by the equivalent of 6.7%."

At Edison, we earned within 6 basis points of our state-authorized rate of return—the second-best achievement by that standard in the last 25 years. This resulted from excellent operating and cost-control performance, for which our employees deserve special recognition. Power production employees achieved record production and efficiency while reducing costs $40 million. Employees at San Onofre Nuclear Generating Station exceeded their previous production record by 12%, reduced San Onofre's average kilowatt-hour cost by 14%, and received their highest operational and safety ratings ever from the Nuclear Regulatory Commission.

Overall, Edison's departmental operating and maintenance expenses were $58 million below the initial 1992 budget and $4 million below 1991 levels. We heightened efforts to sharpen our customers' competitive position, fundamentally reorganizing key departments to enhance efficiency and reducing our total labor force by the equivalent of 1,300 full-time employees—or 6.7%—thus permanently reducing costs for customers.

In 1992, Edison was authorized a lower return on capital invested in the business than it had been in 1991, or in any year since 1977. These strong operating achievements were necessary to earn that lower authorized return.

To understand current and future Edison earnings, it is useful to focus on the principal elements that govern utility earnings. While—as in any business—many variables affect results in any single year, over time, our utility earnings are dominated by three factors:

- our California Public Utilities Commission-authorized return on equity;
- how we manage the business in order to earn that return; and
- our "rate base," or undepreciated shareholder capital invested in facilities that serve our customers.

Each year, the CPUC sets an authorized return on the capital invested to serve our customers. The commission generally sets the return in line with long-term interest rates, which are now at a 20-year low. For 1993, the CPUC has reduced our return to 11.80%, which in itself will reduce Edison's 1993 earnings by 19 cents per share.

While we do not control long-term interest rates or the level of our authorized return, we can manage the company well so that we keep operational and capital expenses within limits established by the CPUC. Our authorized return is not a guaranteed return, and on average, over time, few electric utilities do earn their authorized returns. By managing our business well, we can maximize the opportunity to earn our full return, as we did in 1992.

The utility's future opportunities for investing capital to serve customers will be influenced by customers' need for our services, Edison's ability to compete in the new generation market and the economic health of our service territory. Long-term growth of our utility depends in part on growth in the service territory. In 1992, we had a net increase of under 27,000 customers—about 75% fewer than we had three years ago. We forecast growth in invested capital of 1% to 2% per year for the rest of the decade from investments in electric facilities for our customers.

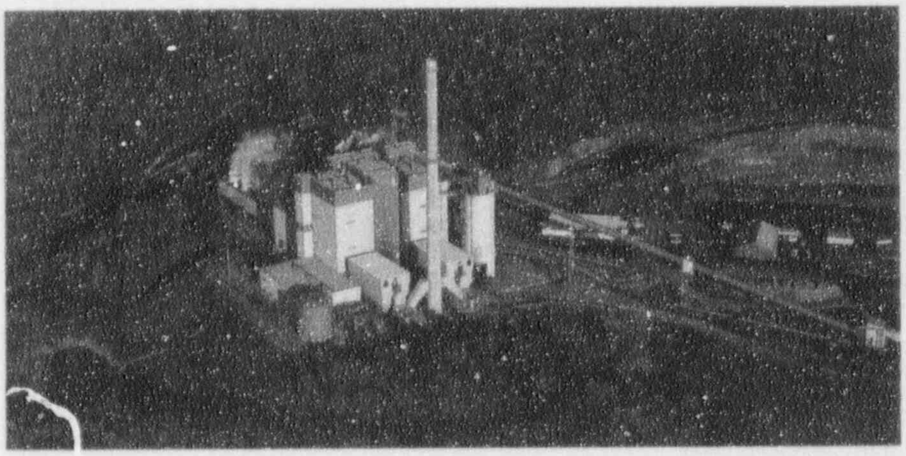
Return lowered: The CPUC reduced Edison's authorized rate of return on common equity in 1993 to 11.80%, down from 12.65% in 1992, because of lower interest rates. The CPUC also denied the utility's request to increase its equity ratio from 46% to 48% to offset increased financial risk related to long-term purchased-power contracts. In response, three credit-rating agencies lowered Edison's senior debt rating from double-A to single A-plus (Pages 30, 32).

Public power settlement: Edison resolved, in late 1992, long-standing rate and operational disputes with five public power utilities in its service territory, which together serve a population of 700,000. They are the cities of Anaheim, Azusa, Banning, Colton and Riverside. The settlement paved the way for building positive relationships with these utilities, and possibly increased electricity sales to them in future years.

Higher demand and sales: Edison customers set a record demand for electricity of 18,413 MW in August, 4% higher than the previous record in June 1990. Total electric sales grew 4%, but a weak economy contributed to a net increase of only 26,940 customers – about one-fourth the average annual gain in recent years.

Financial aid pledge: Edison made a five-year, $35 million commitment to support community renewal and job training programs in the greater Los Angeles area (Page 17).

Equal opportunity: Edison exceeded its 1995 comprehensive equal-opportunity goals to increase the number of qualified minorities and women in management positions.


Mission Energy's new American Bituminous plant in West Virginia.

Briefs: Edison began a major advertising campaign promoting energy efficiency as a means of enhancing economic development and keeping businesses in Southern California… Edison sent much-needed personnel and equipment to the Hawaiian island of Kauai to help the local utility restore electric service after the devastation of Hurricane Iniki…Viewed by a worldwide audience of more than 400 million, Edison's award-winning float was propelled in the 1993 Pasadena Tournament of Roses Parade by electric batteries and had solar-powered animation.

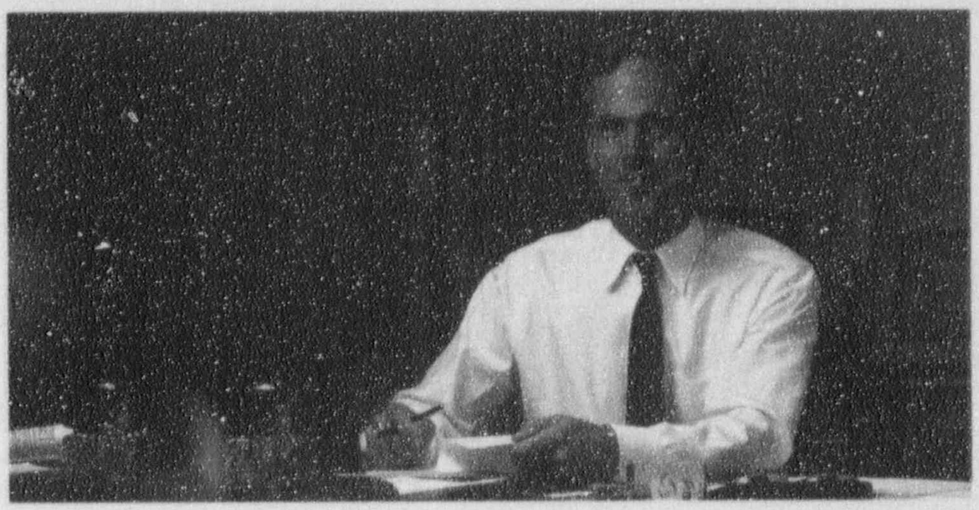
The Mission Companies

Earnings: Mission Energy Company earned a record $89 million, up 8%. Mission First Financial earned a record $29 million, up 20%, and its return on equity improved slightly to 17.3%. As a result of reserves taken to cover reduced value in real estate projects, Mission Land Company lost $9.8 million, down from earnings of $9.2 million in 1991 (Pages 18, 22, 25).

Total projects: Mission Energy, the nation's largest nonutility power producer, placed three projects totaling 605 MW of capacity into commercial operation in 1992. As of February 1993, it owned 1,507 MW of generating capacity in 30 operating projects in domestic and foreign markets. Mission-operated power plants achieved a record 1992 on-peak capacity factor of 98.9%.

Foreign projects: Mission Energy successfully completed negotiations to buy a 51% interest in a 1,000-MW power plant in Australia. The plant is valued at approximately $1.9 billion. The company also signed power sales and asset transfer agreements to develop and purchase 49% of a 1,400-MW generating station in Mexico. Mission Energy has invested approximately $300 million in the $1.8 billion plant. It also has purchased interests in operating projects in Spain and England and is negotiating development of projects in Indonesia and other foreign markets (Pages 20, 21).

New investments: Mission First Financial funded $70 million in new projects and affordable housing investments and committed an additional $100 million in affordable housing projects scheduled for completion in 1993 and 1994 (Page 22).



John E. Bryson

Another factor is construction of new generating plants. In the last decade, Edison has been required to purchase most new generation from independent power producers. However, in 1992, the CPUC gave Edison a limited opportunity to compete. When new generation capacity is needed, we believe the best value and lowest cost for our utility customers lies in repowering—modernizing existing Edison power plants and making them more efficient.

Lastly, by identifying new ways to serve our customers and provide value to them, we can create new business opportunities. Edison is working to promote a new electric transportation industry, as well as energy-efficiency technologies and services to help businesses be more competitive, stay in Southern California and provide jobs.

Competitive Performance

"...in the changing environment, Edison will have to be leaner, faster, more market-responsive and more customer-focused. We...are implementing a comprehensive strategic plan that has put us on that path."

For continued success in the changing environment, Edison will have to be leaner, faster, more market-responsive and more customer-focused. We understand what is necessary and are implementing a comprehensive strategic plan that has put us on that path.

Our first priority is serving customers well. Helping our customers be competitive keeps them on the Edison system and enhances the vitality of our region and thus our company. We can help them increase productivity, improve the quality of their products, meet California's high environmental standards and cut costs. Edison is doing these things with clean, energy-efficient technologies, including electric technologies, and an array of energy-efficiency services. We are partnering with customers in new ways, working harder to understand their business concerns and bringing all the forces we have to bear on solving their problems. We also have expanded rate options to give them more choices and save them money.

In addition, we are improving utilization of our existing assets. Edison is strategically located in the western grid. We have excess generating capacity, and many of our neighboring utilities need new sources of electric supply. Therefore, we are exploring ways of increasing use of our transmission and generation assets to serve these utilities' needs in the emerging wholesale power market.

California Regulation

Serving our customers and shareholders well depends on consistent, sound decisions by the CPUC and other regulatory bodies. These public officials have important and difficult responsibilities. We are committed to working cooperatively with them to shape a positive economic and environmental climate for our customers and region.

Over many years, the CPUC has given Edison an opportunity to reward shareholders and serve customers well. We were disappointed in the 1993 cost-of-capital decision, which failed to recognize the risk to us of mandated long-term power-purchase contracts and led to the lowering of Edison's credit rating. However, the CPUC last year reached some important constructive decisions. It approved a shutdown plan for San Onofre Unit 1 that allows Edison to recover fully its investment in that pioneering nuclear plant.

Funding of retiree health care costs has been a national problem, and the CPUC has moved to deal with it. The commission recognized these future expenses as part of the current cost of doing business and took a major step in enabling Edison to recover them in current customer rates. In addition, we worked successfully with the CPUC to obtain modification of California's resource planning process—which determines how much new generation we need and how it should be provided—so future decisions will cost customers less and allow Edison competitive opportunities.

Looking forward, we believe we should have an opportunity not only to participate in the generation market, but also to provide our customers with an expanded range of energy services. In working to achieve the increased regulatory flexibility to do that, we can also increase earnings opportunities for shareholders.

Later in this annual report are three sections focusing on important ways we are adding value for customers and shareholders. The first section, beginning on Page 9, details our efforts to assist business customers.

The Mission Companies

"In 1992, SCEcorp had more earnings from nonutility businesses than any other electric utility holding company."

Through the Mission companies, SCEcorp seeks to enhance shareholder value by developing outstanding businesses in fields close to our core energy business. Mission Energy and Mission First Financial have achieved substantial success since they were created in the mid-1980s. Mission Land has been less successful and, as announced last year, we will be winding it down over the next five years. In 1992, SCEcorp had more earnings from nonutility businesses than any other electric utility holding company.

Mission Energy

Increasing domestic opportunities for independent power producers and growing international utility privatization continue to expand the market for Mission Energy. In 1992, in awarding the first investment-grade credit rating to an independent power producer, Standard & Poor's concluded that Mission Energy is "a leading developer, owner and operator of independent power projects... with strong project cash flows, sound project-finance structures and seasoned company management."

As of February 1993, Mission Energy was the largest U.S. independent power producer, with 1,360 MW of capacity at 28 operating projects in the United States. Its broad experience at home, its operating record and its ability to meet demanding U.S. environmental regulations enhance Mission Energy's competitive position overseas. In 1992, it acquired operating projects in Spain and the United Kingdom. Projects put into construction in 1992, including international projects, will double Mission Energy's megawatts of capacity by 1996.

Investing abroad involves accepting some risks that are new to SCEcorp. Mission Energy seeks to mitigate these risks by taking sound precautions, described on Page 21. In short, Mission Energy is developing a diversified international portfolio by undertaking projects in countries that offer the most attractive risk-return trade-offs and the best long-term market potential.

Mission First Financial

Mission First Financial likewise is building on its expertise in energy and finance and earning an excellent return. More than two-thirds of its investments are energy-related and complement the activities of Mission Energy. Most of the remainder of its investments are in affordable housing, which offers attractive returns at reasonably controlled risk. Mission First Financial is becoming a leader in this field. Its investments in energy projects and affordable housing provide a stable, long-term base of earnings to support future growth.

The 1992 Energy Policy Act provides new opportunities for the Mission companies, while protecting important rights and priorities for utilities and their customers. Because our Mission companies play an important role in SCEcorp's future growth prospects, we have provided an expanded discussion this year of their operations and strategies, which begins on Page 18 under the heading, "Leading a New Industry."

Management Changes

In 1992, the board elected three new officers: Bryant C. Danner, senior vice president and general counsel of Edison and SCEcorp; Margaret H. Jordan, Edison vice president of health care; and Kenneth S. Stewart, corporate secretary of Edison and SCEcorp. Ken is also an assistant general counsel in our law department. Margaret and Bry came from outside the company. In January 1993, Alan J. Fohrer was promoted to senior vice president, treasurer and chief financial officer of SCEcorp and Edison.

David Barry, vice president and general counsel for Edison and SCEcorp, retired July 1, after 40 years of dedicated service. Diana Peterson-More, secretary of Edison and SCEcorp, resigned to accept another position. Vice president and site manager of San Onofre Nuclear Generating Station Harry E. Morgan Jr. will retire March 1, 1993, after 23 years of service.

In April, Daniel M. Tellep, chairman and CEO of Lockheed Corporation, was elected a director of SCEcorp and Edison, replacing William R. Gould, who retired from the SCEcorp and Edison boards after 45 years of service. Bill was chairman of Edison from 1980–1984.

On January 19, 1993, Warren Christopher resigned from the SCEcorp and Edison boards to become U.S. Secretary of State. SCEcorp's loss is the nation's gain.

Michael R. Peevey

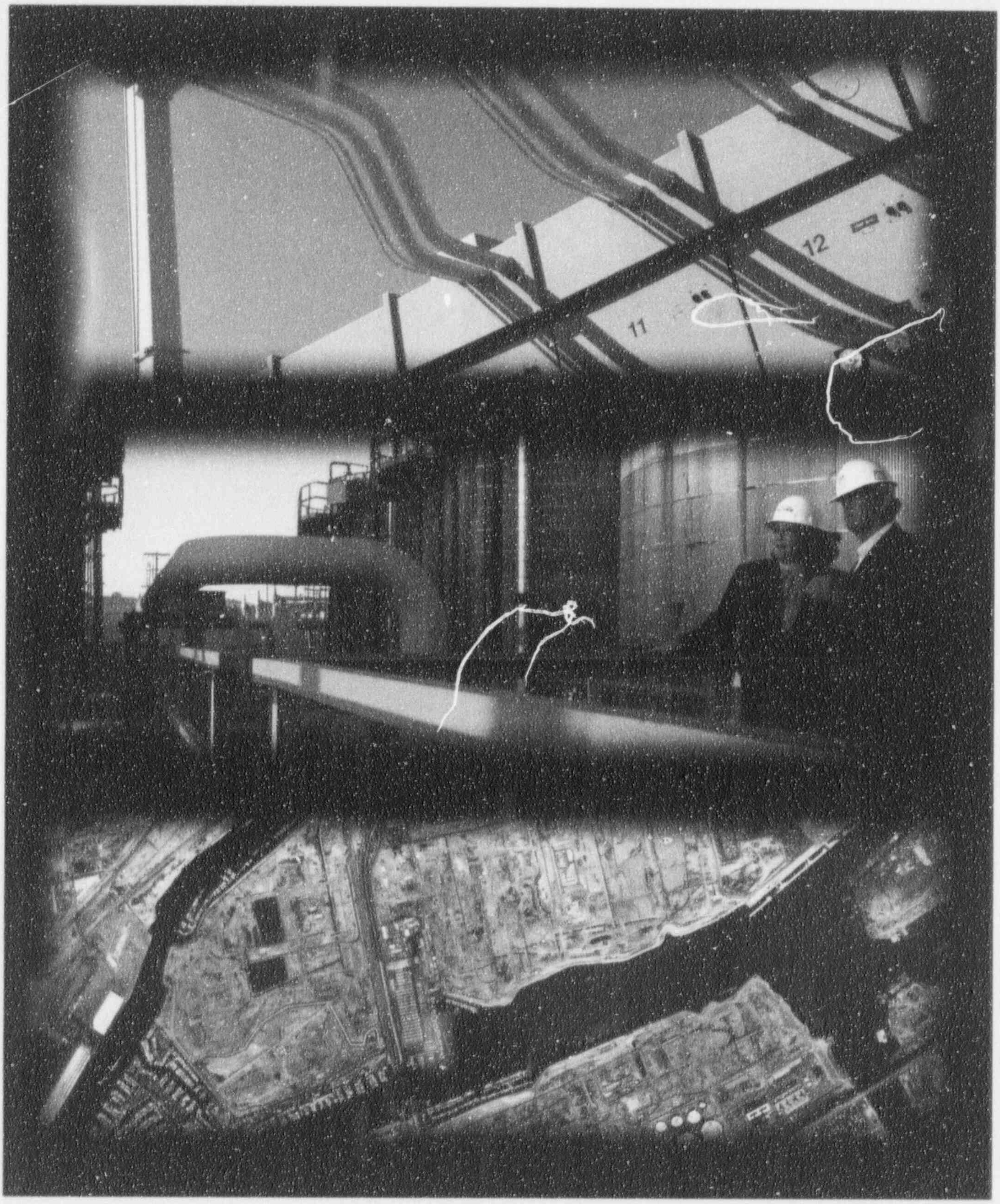
We also say farewell to our president and director Michael R. Peevey, who announced his retirement effective March 1, 1993. Throughout his nine years with the company, he made many important contributions. He took a leading role in efforts toward effective regulatory and government relations. His strong support for important company initiatives included the development of Mission Energy and Edison's regional leadership efforts. We wish him well.

The enthusiasm, creativity and effort of our employees are helping us achieve difficult goals. We thank them wholeheartedly. We also thank our board of directors for their guidance, and you, our shareholders, for your confidence in us and the company.

John E. Bryson

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

February 22, 1993



EFFICIENT OIL-RECOVERY OPERATIONS

Edison service representatives helped Union Pacific Resources improve the efficiency of its electric water pumps for oil recovery in Long Beach. This saved the major customer about $1.5 million annually from reduced energy consumption. In addition, Edison gave it a $734,000 rebate for energy-efficient modifications.

Partners in Doing Business

Added value: Edison is reducing the cost of service and increasing value to its 400,000 business customers by offering innovative solutions. Rates for large industry are down 40% in real terms since 1987.

The success of businesses in Edison's service territory is essential to the success of Edison itself. As many businesses struggle in a lagging economy, Edison is using its resources to help them be more competitive and meet stringent environmental requirements. These efforts, in turn, help strengthen the regional economy.

For the first time in recent decades, California is experiencing a severe recession. The population of the country's most populous state continues to grow, but California has lost some 800,000 jobs since 1990. Never before has the state focused more on improving its economic health. Edison is working diligently to help businesses in its service territory grow and provide employment. Consequently, the company has redoubled its efforts in 1992 to give business customers increased value for their energy dollar. Edison is:

- Helping business customers sharply reduce costs through rate options and other services;
- Understanding what businesses need from their electric utility and meeting those needs cost-effectively;
- Strongly promoting energy efficiency to save businesses money and improve the environment;
- Leading partnerships in retaining and attracting businesses; and
- Using leading-edge technology to help businesses be more competitive and meet stringent air-quality requirements.

Aggressive Moves To Lower Rates

Although the energy needs of businesses vary widely, all customers want lower rates. Since 1987, with support from the California Public Utilities Commission (CPUC), Edison has lowered rates of its largest business customers. During these six years, average rates for the 3,000 largest customers actually fell by 9%, while overall customer rates rose by 24%.

In 1992, average rates for all customers increased only 1.9%, or two-thirds the rate of inflation; and in 1993, overall customer rates will fall 2.9%. These rate reductions resulted from Edison's cost-control efforts and agreement with the CPUC that costs should be balanced equitably among all customers. Adjusting for inflation, average rates for the 3,000 largest business customers today are down 40% since 1987—and are roughly back to the levels they were 10 years ago.

Edison has helped business customers in another important way: designing flexible rate options that save money and increase their productivity. These include interruptible rates, special-contract rates, incremental sales rates and time-of-use options. Interruptible rates alone saved businesses $140 million in 1992. Edison also offered, for the first time, an economic-development discount rate to businesses moving to various areas of Southern California. This incentive can help create jobs and revitalize the local economy.

Understanding Business Needs

In past years, electric utilities, including Edison, saw themselves principally as suppliers of reliable, reasonably priced electric energy. While this responsibility will always be important, electric utilities must also find new ways for electricity to add value to their customers' operations.

In 1992, the company began intensively analyzing customer needs on an industry-by-industry basis, developing profiles of customer groups, researching their needs and taking new initiatives to meet them. Edison identified 30 commercial and industrial market segments and researched and developed appropriate strategies to increase service to eight of them. Initiatives targeted at 12 more key segments will be implemented in 1993 and the rest in 1994. Similar work is being conducted for the residential market.

This analysis has been invaluable. For example, Edison's research of hospitals revealed unique problems associated with their uses of electricity. Sanitation requirements, in particular, prevent air from being recycled through ventilation systems, complicating air-conditioning design. Hospitals also need a highly reliable power supply to operate emergency, surgical and life-sustaining facilities and equipment.

To help cut health-care costs, hospitals must control energy costs. Accordingly, Edison has developed a model energy-efficiency program for hospitals. Among other things, it accommodates their long construction-planning lead time by extending energy-efficiency rebates beyond the typical 12-month cycle. The company also has assigned account representatives with specialized knowledge of both energy efficiency and hospital operations to consult with these customers. As hospitals take advantage of this model program, they will cut their energy costs and use their capital more effectively.

Energy-Efficiency Savings

Since 1973, Edison has been helping all business customers cut energy use through a mix of programs. They include energy audits to identify opportunities for conservation; incentives and rebates to spur business investment in energy-efficient technology; and other efforts to help builders incorporate energy-efficiency design features into new structures. In 1992, new Edison energy-efficiency programs helped customers cut energy consumption by 800 million kilowatt-hours (kwh). The benefits of many of these programs will last up to 20 years. This 800 million kwh, plus the cumulative annual energy savings from Edison's energy-efficiency programs since 1973, total 5.5 billion kwh, saving customers more than $500 million in 1992.

Partnerships to Retain Businesses

Keeping businesses in Southern California is essential to generating jobs and stimulating regional economic recovery. Edison has an aggressive program to retain business customers and help them grow. In 1992, it helped more than 80 businesses remain or expand in the area. These businesses represent annual sales of 940 million kwh, Edison revenues of $67 million and 20,000 jobs.

For example, higher business costs forced Industrial Dynamics to consider leaving Torrance, California, placing 350 jobs at risk. In response, Edison, the city and state worked with the firm, which makes quality-control equipment for soft-drink bottlers. The city and state helped obtain industrial development bonds needed by the customer to expand in Torrance. Edison redesigned metering systems to accommodate the expansion and made energy-efficient lighting and air-conditioning recommendations for cutting electricity costs. This cooperative effort in 1992 kept Industrial Dynamics in Southern California, and the company may soon add 80 new jobs.

Edison employs similar public-private partnerships in attracting new customers. For example, Pennsylvania-based Air Products and Chemicals Inc. selected the Southern California city of Santa Fe Springs over competing locations to expand in 1992 after Edison offered assistance through its new-construction energy-efficiency program, and the municipality helped solve design problems.

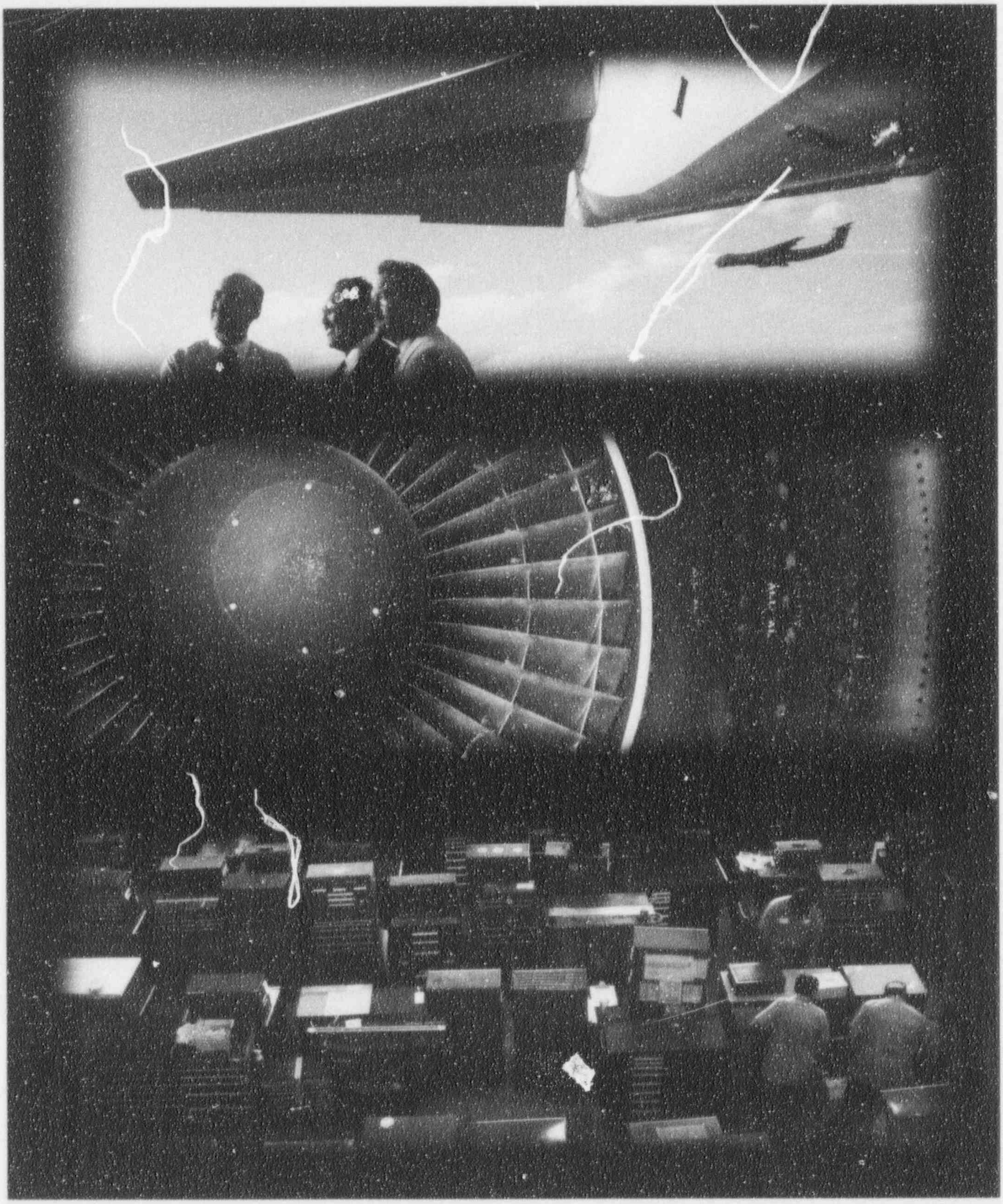
Technology For Jobs and Cleaner Air

One special challenge of doing business in Southern California is meeting stringent air-quality standards. Edison can help its business customers meet these standards and increase productivity through advanced energy-efficient electric technologies. Edison has led other major utilities in introducing these technologies in the marketplace. At its nationally recognized, state-of-the-art Customer Technology Application Center in Irwindale, California, Edison demonstrates numerous electric technologies that save money and improve industrial productivity and air quality. They include thermal-energy storage, infrared heating, ultraviolet curing, clean-air coatings and energy-efficient lighting.

As an example of how such technologies can help customers, Globe Iron Foundry installed two electric-induction furnaces to reduce nitrogen-oxides emissions and meet clean-air standards. The improvement helped the facility and its 130 employees remain in the Los Angeles area.

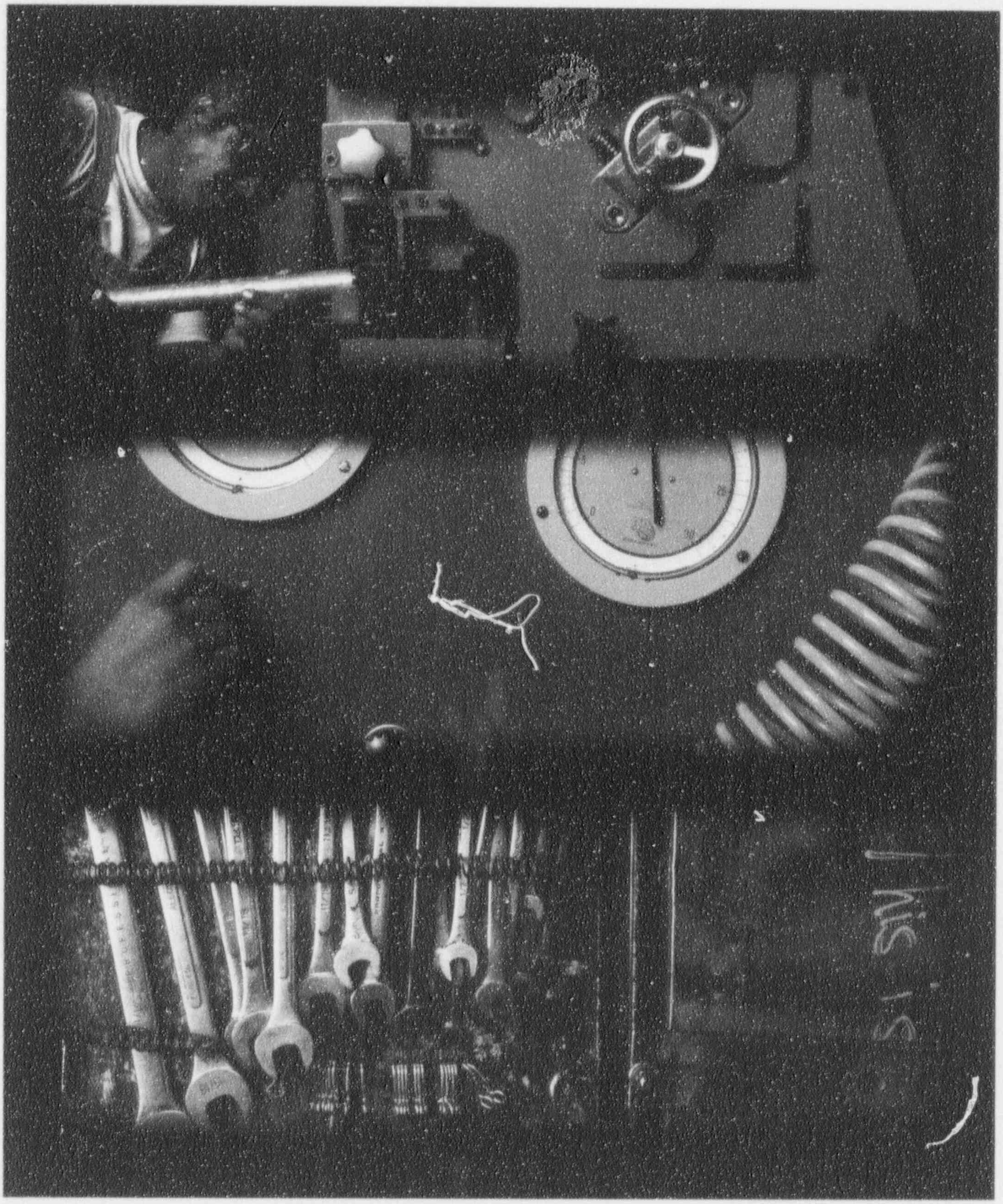
In addition, Edison is demonstrating other promising electric technologies. One device reduces air-polluting, volatile organic compounds without producing oxides of nitrogen, as current methods do. Edison has helped businesses—such as furniture finishers, aerospace companies and bakers—remain in Southern California by reducing their costs of complying with air-quality regulations.

Edison has a major mission to help businesses in its service territory be competitive. The company is meeting this objective by holding its own costs down, reducing average rates to business customers, enhancing services to businesses and promoting electric technologies that allow businesses to reduce their costs.



SERVING AN AEROSPACE CUSTOMER

Edison helped Lockheed Corporation design a new energy-efficient commercial aircraft center in San Bernardino that cut annual lighting costs by $50,000. In consultation with Edison, the large aerospace customer also installed pollution-control equipment that cut emissions 99% in painting planes and treating contaminated water.



GAUGING PLANT PERFORMANCE

Etiwanda Generating Station in Rancho Cucamonga was among several Edison facilities that significantly improved maintenance and training procedures in 1992 by incorporating the "best practices" of other utilities' oil and gas plants. This process resulted in the purchase of more efficient equipment for employees to complete maintenance work themselves rather than using outside contractors.

Focusing on Costs and Productivity

Cost containment: Operating and maintenance expenses were $4 million less than in 1991. In addition, by managing its own purchases and delivery of natural gas to power plants, the company saved more than $28 million in fuel costs. Employee teams led the way in eliminating unproductive practices.

For the last five years, Edison has focused intensively on cost-containment efforts, and has kept increases in its operating and maintenance expenses below the rate of inflation. In 1992, Edison's cost-control efforts reaped greater benefits than at any time in the company's recent history. Departmental operating and maintenance expenses were $58 million below originally proposed 1992 budget levels, and $4 million below actual 1991 expenses. Costs were cut despite the addition of 26,940 new customers, unusually high legal expenses, record storm and earthquake damage and inflation.

Streamlining Organizational Structure

Edison has made significant changes in its management structure, cutting unnecessary layers of supervision and aligning the organizational structure with the company's strategic goals. Specifically:

- The customer service department reorganized into customer-focused business units, eliminating an entire layer of field organization management and more than 200 management positions.
- The company established a new regulatory affairs department, consolidating four separate functions, providing closer coordination of such efforts and ensuring increased quality and speed of communication with the regulatory staffs that affect the company's operations.
- A new system planning and operations department was established by merging system planning, fuel supply, system operation and power contracts, so that all aspects of resource acquisition and planning were unified. Within that department, a special team now handles integration of third-party power producers into the electric system.
- A part of the new system planning and operations department, Edison's "gas company within the utility" became fully functional in 1992 and bought all natural gas for power plants. Edison ranks among the nation's 10 largest gas purchasers, acquiring 185 billion cubic feet of it in 1992 at a cost of $550 million.
- Because workers compensation costs have been growing more than 20% a year, Edison formed a new department in September to deal with the issue. Combining four previously separate functions, this department will help control future increases in a vexing area of rapidly rising costs for all California companies.
- Reflecting the lack of new power-plant construction, the company has eliminated its engineering and construction department.
- A new power production department was created from the former power supply department, transferring responsibilities for telecommunications, fuel supply and system operations to other organizations. This allows power production management to focus intensively on its core mission.

Lower Costs and Higher Productivity

An important contribution to Edison's cost-cutting success has been the strength of management and employee teams rethinking how work is performed. As Edison and many other businesses recognize, employee productivity can be enhanced through management strategies that give employees both the means and the freedom to put all their knowledge of the job to good use. Such strategies enabled Edison to reduce its total work force by 6.7% during the year, eliminating the equivalent of 1,300 full-time jobs.

Employees of the power production department exemplify what can be achieved. They slashed their operating and maintenance expenses by $40 million in 1992 while boosting production efficiency and total energy production. Their success came through rigorous re-examination of every work practice in the department, using both internal analysis and teams that visited and studied "the best of the best" power plants.

They learned, for example, how employees at an exemplary Texas power plant perform turbine overhauls more cost-effectively. And maintenance practices came under close scrutiny. Power production people created a more sophisticated means of scheduling maintenance that is now based on close inspection of the actual condition of equipment rather than on the calendar. Although some machinery is maintained more frequently under such practices, overall maintenance can be reduced without affecting equipment performance. That frees Edison employees to do more work that had been performed by outside contractors—further reducing costs.

Emphasizing employee teamwork: Around the company, management is increasingly using employee teams to improve productivity and eliminate wasteful practices. The company has embraced three values of special importance in times of change: challenge, candor and commitment.

These values become especially important during "3-C Sessions," begun in 1992— multi-day meetings of specially selected employee teams to search out and destroy wasteful bureaucracy, unproductive work requirements and inefficient practices. Each area of improvement identified in 3-C Sessions has an employee "champion" responsible for carrying it back to the workplace and ensuring that it is fully implemented.

Among these improvements were: slicing one to two weeks from the time for processing customer service orders by eliminating unnecessary approvals; and modifying procurement processes to lower costs by concentrating on "off-the-shelf" items, rather than those custom-made for the company.

Refinancing debt: Interest on debt is 8% of the utility's costs, so debt refinancing in times of declining interest rates is effective in reducing costs. Edison refinanced $1.1 billion of bonds and $200 million of preferred stock in 1992, cutting interest expenses $20 million annually. Today, Edison's average cost of debt is 8.48%, its lowest since 1980.

Controlling purchased-power costs: One area of special concern is the cost of purchasing power from third-party suppliers at prices established through the regulatory process nearly a decade ago. In past years, Edison was required to sign contracts for more third-party power supply than it now needs, at prices set by regulation higher than current market conditions justify. These high prices were prescribed for 10 years. Consequently, Edison customers paid $650 million more for power from these third-party energy suppliers in 1992 than the cost of power available from other sources. To control such costs in the future for Edison customers, the high payments must not be extended when the 10-year period expires. Edison expects intense political pressure from some third-party energy suppliers, which it will vigorously oppose, because their aims are contrary to customers' interests.

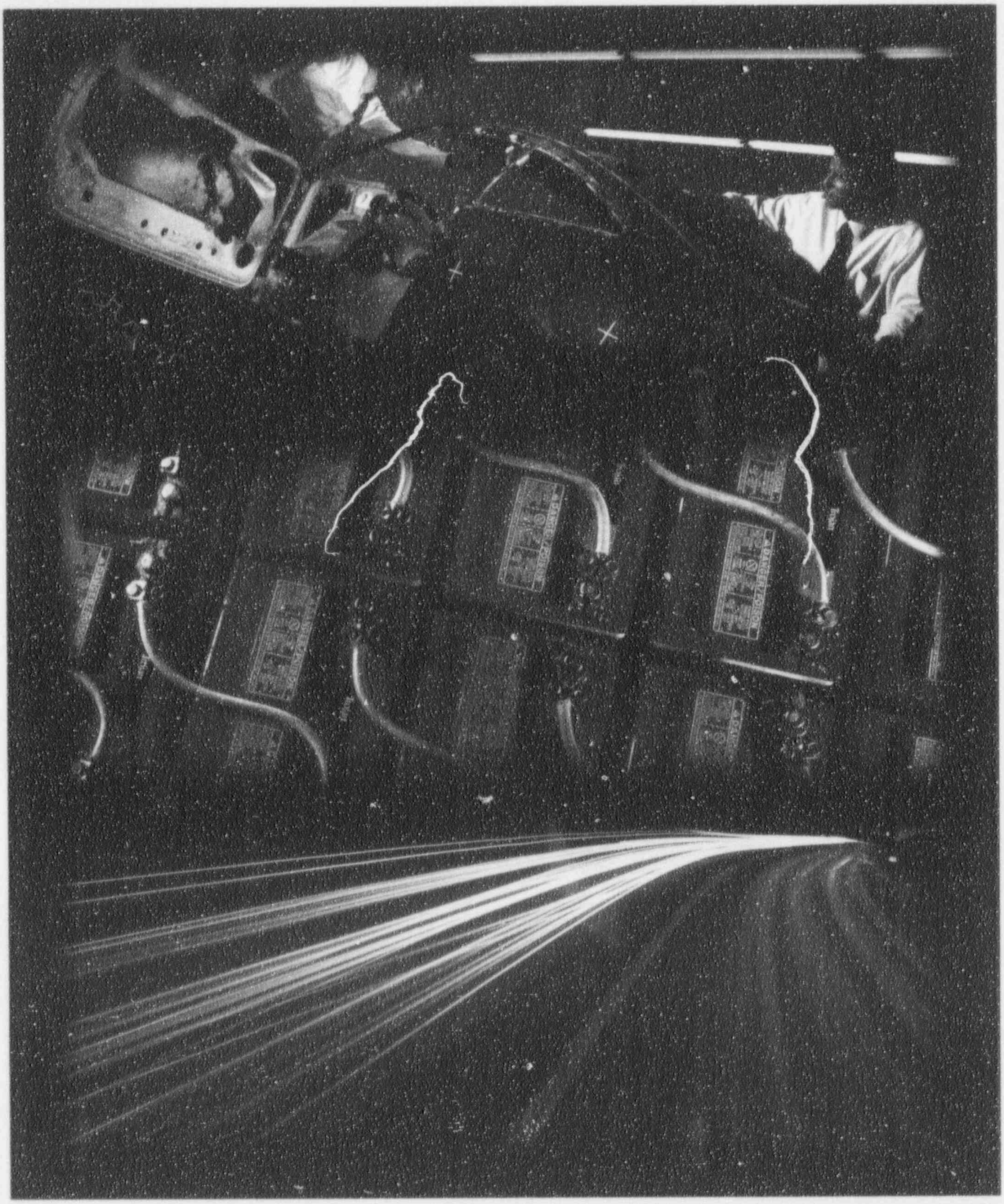
Lower fuel costs: To reduce emissions and improve the environment, Edison has virtually ceased using fuel oil in its power plants and relies instead on clean-burning natural gas. Edison has developed a long-term gas strategy for obtaining reliable supplies at the lowest overall cost by accessing multiple supply regions and pipelines and buying gas at market-sensitive prices. In 1992, natural gas burned at Edison plants was the equivalent of more than 30 million barrels of oil, and gas costs were reduced $28 million through discount contracts. A new gas pipeline inter-connection at the Cool Water Generating Station ultimately will save more than $25 million a year.

More efficient and reliable operations: While reducing costs through more productive operations, the company also is seeking to increase off-peak use of the electric system to spread fixed costs over greater usage and reduce the average cost per kilowatt-hour (kwh). Electric transportation and new electric technologies, both discussed elsewhere, are prime examples.

Reducing costs has not been achieved by sacrificing reliable service. Edison's system reliability continued in 1992 at the same record-low level of customer outages the company has maintained for a decade.

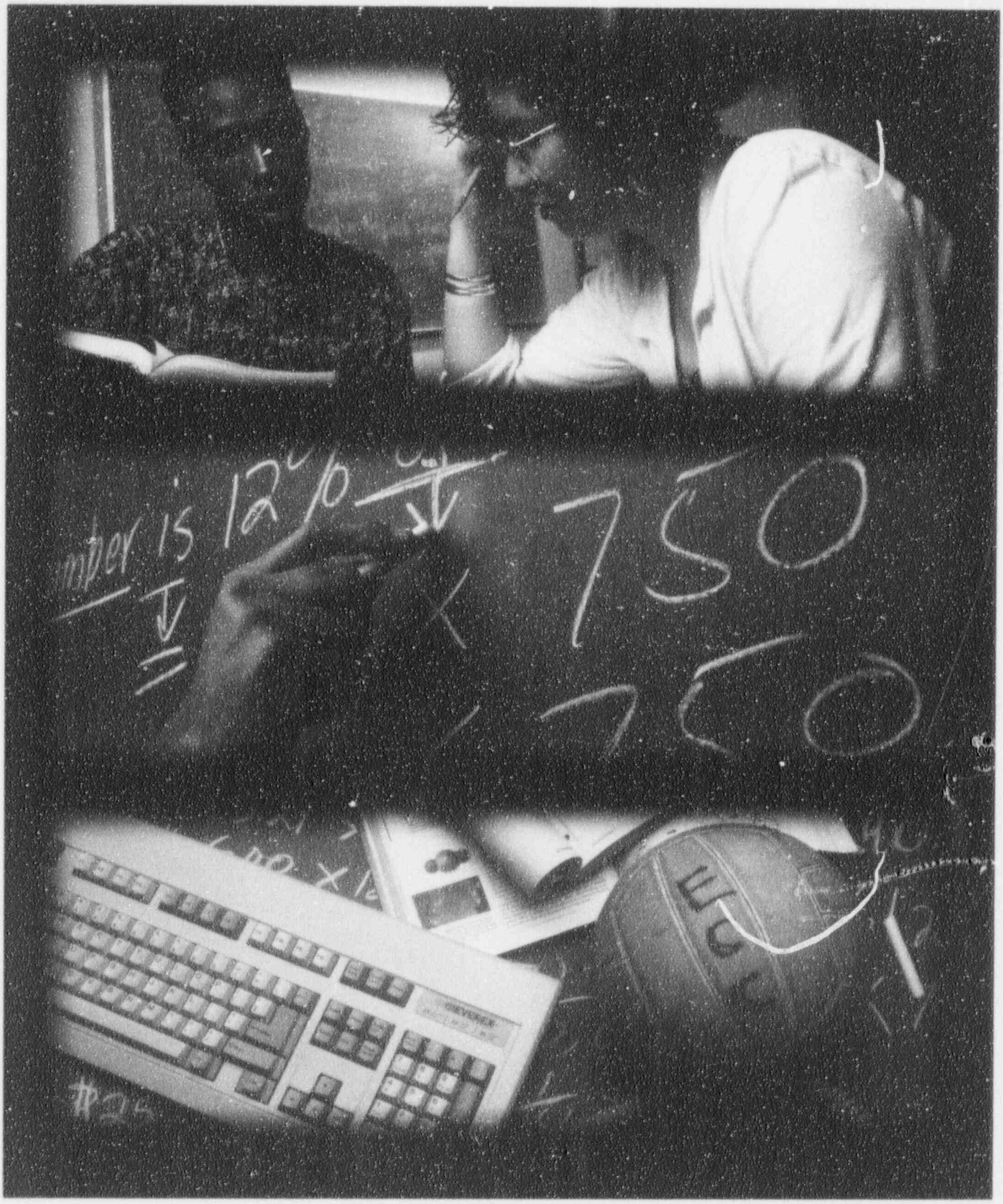
Increasing the productivity of generating units with low operating costs helps save money for customers. In 1992, the company's fossil-fuel plants achieved their most fuel-efficient performance in a decade, saving $16 million in fuel costs compared with 1991. And San Onofre Nuclear Generating Station produced 19.6 billion kwh in 1992, a site record that is 12% above the previous record in 1991. The average production cost at San Onofre improved to 2.2 cents per kwh from 2.6 cents in 1991.

Improved productivity and cost reduction, made possible in 1992 by close management attention and widespread employee participation, accelerated the pace of previous years' efforts. In today's more demanding environment, Edison people fully recognize the need to become leaner and more agile and to lower costs even more. Only through such a disciplined approach can the company succeed in meeting its obligations to customers and shareholders.



SUPPORTING ELECTRIC TRANSPORTATION

A showcase electric vehicle was unveiled in 1992 by Calstart, a consortium to develop electric transportation and boost the California economy. State air quality regulations could put 500,000 clean electric vehicles on the road by 2003. Edison could recharge over 1 million vehicles in off-peak hours without building new power plants. This would spread fixed costs and cut average cost per kilowatt-hour for all Edison customers.



FOCUSING ON EDUCATIONAL NEEDS

In 1992, Edison implemented its "Early Start" Program, a partnership with the California Community College Foundation and El Camino College, for academic and personal enrichment of some 450 "at-risk" teenagers. Early Start enabled 75 8th-graders from the Inglewood and Centinela Valley School Districts to attend summer classes at El Camino College in math, English, computer training and other skills.

Supporting Regional Development

Regional leadership: Edison advances environmental strategies; forges partnerships to spur a clean electric transportation industry and create jobs; invests in education and regional renewal.

With deep roots in Central and Southern California, Edison has joined forces with public and private organizations to tackle major issues vital to the region's environment, economy and social fabric.

Environmental Initiatives

Edison has taken environmental initiatives that advance its business interests:

- Edison has pledged to reduce carbon-dioxide (CO_2) emissions by 20% in the next two decades to address global-warming concerns. It is doing this through cost-effective energy-efficiency programs, virtually replacing oil with clean-burning natural gas in power plants, using more alternative and renewable resources and repowering existing generating facilities.
- The South Coast Air Quality Management District and the Ventura County Air Pollution Control District approved Edison's plan to install selective catalytic reduction equipment in Los Angeles and Ventura area gas power plants to reduce nitrogen-oxides emissions rates 86% and 88%, respectively.
- Between 1987 and 1992, the company reduced its volume of hazardous waste by 80%, saving $2.5 million annually in disposal costs.

Electric Transportation

Electric transportation will improve air quality, provide jobs for Southern Californians and improve U.S. energy efficiency and energy independence.

- Edison led in the formation of Calstart—a public-private consortium that seeks to increase regional employment by making Southern California a world center for electric transportation design and manufacturing. Calstart could create tens of thousands of jobs.
- Edison is a founding member of the United States Advanced Battery Consortium, which began development of a nickel-metal hydride battery for electric vehicles in 1992. These batteries could double the range of the vehicles.
- Edison is working in partnership with the Metropolitan Transportation Authority to develop a system of clean electric trolley buses to replace diesel buses in the Los Angeles area.

Educational Priorities

Edison is spearheading one of the most comprehensive business-educational partnerships in the country.

Through the STEP UP program started in 1991, it contributed $100,000 to 18 school projects and facilitated business funding of 23 more. STEP UP enhances educational opportunities for minority youth, sponsors after-school clubs, provides parenting classes and is part of a pilot project to restructure education.

Edison focused specially on a comprehensive program to help inner city students achieve educational success. Energy and environmental awareness programs at schools, museums and theme parks reached hundreds of thousands of children.

Edison's new Matching Gifts program empowers employees to support schools. In addition, in 1992, Edison awarded 148 scholarships, community college achievement awards and educational grants—totaling $360,000—to students in its service territory and employees' children.

Regional Renewal

In response to Southern California's civil unrest in April, Edison pledged a five-year, $35 million commitment to regional renewal. Edison service crews were among the first to provide post-riot cleanup efforts. The company donated use of one of its Compton facilities as a job-skills training center and is working to establish training programs for hundreds of unemployed local residents each year. It is a partner with the cities of Long Beach and Inglewood in similar efforts.

By reaching out to the community, Edison invigorates the economic climate in which it operates and creates better economic opportunities for the customers it serves.

Leading A New Industry

Expanding businesses: Nonutility earnings of $109 million were the nation's highest for a diversified electric-utility holding company. Mission Energy earned $89 million, up 8%. Mission First Financial earned $29 million, up 20%. Mission Land lost $9.8 million.

SCEcorp's nonutility companies have concentrated primarily on the rapidly growing independent power industry and on closely related project and lease financing. These are areas with substantial growth potential in which the corporation has special expertise. With reduced authorized utility return in the last several years, Mission Energy and Mission First Financial have become the corporation's engine for earnings growth.

Mission Energy Company

Highlights	1992	1991	% Change
Revenue	**$183.1 million**	$154.2 million	19
Net income	**$ 89.3 million**	$ 82.5 million	8
Earnings per share	**40 cents**	38 cents	5
Equity investment	**$ 710 million**	$ 581 million	22
Assets	**$ 2.04 billion**	$ 1.17 billion	75

Mission Energy is the nation's largest independent power producer – and one of the largest in the world. As of February 1993, it owned 1,507 MW of generating capacity in 30 operating domestic and foreign projects, enough power to serve three-quarters of a million customers. It also owned 1,970 MW in another 11 projects under construction or in advanced stages of permitting (See table and map, Page 20).

Mission Energy develops, owns and operates cogeneration and independent power plants and supplies low-cost wholesale electricity to customers. The company seeks equity partners with complementary skills and resources, either to purchase and manage existing power projects, improve the management and operations, or to develop new power-generating facilities.

Mission Energy has been very successful. Were it a stand-alone company, its profits would rank 157th in the Fortune 500, and it would place 49th on Fortune magazine's latest list of the 100 fastest-growing U.S. companies, based on earnings growth in the last five years.

In June, when Mission Energy issued $200 million of intermediate-term notes, two major rating agencies – Standard & Poor's and Moody's Investors Service – assigned the securities the first investment-grade credit ratings in the history of the independent-power industry.

Growing Domestic Market

In this decade, industry experts estimate a need for about 50,000 MW of new U.S. nonutility power generation, requiring some $75 billion in new capital investment. That market represents significant opportunity for Mission Energy.

In 1992 and early 1993, two projects in which the company owns a 50% interest, went into commercial operation:

Commonwealth Atlantic: In June, Mission Energy began operating the 340-MW natural gas-fired facility in Virginia. The $150 million plant sells power to Virginia Electric and Power Company.

March Point II: This 60-MW gas-fired cogeneration project in Anacortes, Washington, began commercial operation in January 1993. Mission Energy and Texaco are equal owners of the $59 million plant.

In addition, Mission Energy made significant progress in 1992 to develop several other projects, including:

American Bituminous: a $184 million, 80-MW plant that will burn waste coal in West Virginia.

Delaware Clean Energy: a 232-MW cogeneration plant in Delaware. The company will invest up to $65 million and own 49.5% of the plant.

Weyerhaeuser: a $400 million, 435-MW cogeneration plant in Washington.

Brooklyn Navy Yard: a 300-MW natural gas-fired plant in New York. Mission Energy will own 50% of the $400 million facility.

Auburndale: a 150-MW cogeneration plant in Florida. The company will own 50% of the $150 million plant.

Gordonsville: a 240-MW cogeneration plant in Virginia. Mission Energy will own 50% of the $220 million plant.

Crown/Vista: a 360-MW coal-fired plant in New Jersey is being developed in partnership with Fluor Daniel Inc.

ENERGY-EFFICIENT PLANT IN WASHINGTON

Mission Energy owns 50% of the 60-megawatt March Point II cogeneration plant at Texaco's Puget Sound oil refinery in Anacortes, Washington. The natural gas-fired plant, co-owned with Texaco, began producing steam in early 1993 for the refinery and power to sell to Puget Sound Power & Light Co.

A Worldwide Profile

Mission Energy Company

Domestic

Operating projects: (February 1993)

Coal
James River, Virginia

Geothermal
Aidlin I, California
Aidlin II, California
Beowawe, Nevada
Del Ranch, California
Elmore, California
* Geo East Mesa II, California
* Geo East Mesa III, California
Leathers, California
* McCabe, California
Vulcan, California

Natural Gas
Bayonne, New Jersey
* Coalinga, California
Commonwealth Atlantic, Virginia
* Harbor, California
Hazleton, Pennsylvania
Hopewell, Virginia
* Kern River, California
March Point I, Washington
March Point II, Washington
* Mid-Set, California
* Midway-Sunset, California
Nevada Sun Peak, Nevada
* Saguaro, Nevada
* Salinas River, California
* Sargent Canyon, California
* Sycamore, California
Watson, California

Under construction/permitting:

Coal/Coal Gas
* American Bituminous, W. Virginia
* Crown, New Jersey
* Vista, New Jersey
Delaware Clean Energy, Delaware

Natural Gas
* Auburndale, Florida
* Brooklyn Navy Yard, New York
* Gordonsville I, Virginia
* Gordonsville II, Virginia

Under negotiation:
Weyerhaeuser, Washington

Offices:

Corporate Office
18101 Von Karman Avenue
Suite 1700
Irvine, California 92715-1007

Virginia
12500 Fair Lakes Circle, Suite 420
Fairfax, Virginia 22033

Florida
1001 3rd Avenue West
Brandenton, Florida 34205

New York
200 Broadhollow Road, Suite 207
Melville, New York 11747

Texas
16945 Northchase Drive
Suite 1760
Houston, Texas 77060-2133

International

Operating projects: (February 1993)

Hydroelectric
Iberian Hy-Power, Spain

Natural Gas
Lakeland Power, England

Under construction/permitting:

Coal
* Carbon II, Unit 1, Mexico
* Carbon II, Unit 2, Mexico
* Carbon II, Unit 3, Mexico
* Carbon II, Unit 4, Mexico
* Loy Yang B, Unit 1, Australia
* Loy Yang B, Unit 2, Australia

Natural Gas
* Derwent, England

Under negotiation:
Paiton, Indonesia

Offices:

Australia
c/o Blake Dawson Waldron
Level 40, 101 Collins Street
Melbourne, Victoria 3000
Australia

United Kingdom
66 Buckingham Gate
London, SW1E 6AU England

Mexico
190-A Bosques de Ciruelos, #303
Colonia Bosques de las Lomas
11700 Mexico, D.F.

Indonesia
25th Floor, Wisma Nusantara
Jln. M.H. Thamrin, #59
Jakarta Pusat, Indonesia

Mission First Financial

Leasing and project finance:

Beaver Valley Unit 2, Pennsylvania

Lake Superior Paper Mill, Minnesota

Midland Cogeneration Plant, Michigan

Huntington Waste-to-Energy, New York

Vidalia Hydroelectric, Louisiana

Greenwood Combustion Turbine, Missouri

Boeing 737/747 Aircraft, United Airlines

Boeing 767 Aircraft (3) American Airlines

Corporate Office:
18101 Von Karman Avenue
Suite 1700
Irvine, California 92715-1007

Mission Energy Company

- *Operating projects*
- *Under construction/permitting*
- *Projects under negotiation*
- *Offices*
- * *Operated by Mission Energy Company*

Mission First Financial

- *Leasing and project finance*

Mission Energy is actively exploring opportunities in Asia, Latin America and Europe.

Leading A New Industry

International Market: The New Frontier

Even larger than the domestic market is the international one, where Mission Energy is among the early leaders. With some 60 countries now considering privatization of their electric power industries, experts forecast the need for more than 460,000 MW of new generating capacity outside the United States and Canada by the turn of the century. An estimated one-fourth of this capacity will come from independent power producers at a capital investment of more than $200 billion.

Although foreign markets may have greater risks, Mission Energy's experience, reputation and resources put it in a strong position to be very selective in developing projects that are sound and profitable. The company carefully evaluates each project for key factors—such as political stability, currency convertibility, labor requirements, availability of skilled labor, legal requirements, cultural customs and availability and price of fuel.

By early 1993, the company had several international projects either completed or in advanced stages of development. They include:

Australia: In December, Mission Energy completed purchase of a 51% interest in Loy Yang B, a 1,000-MW power plant near Melbourne. The State Electricity Commission of Victoria is a 49% partner. The company will invest nearly $300 million for its share of the $1.9 billion plant. The facility has two 500-MW coal-fired units, one scheduled for operation in late 1993 and the other in 1996. Mission Energy will operate the plant and sell power to the State of Victoria utility under a 30-year contract.

Mexico: Mission Energy and its Mexican partners (Organizacion Autrey and Grupo Ancira) are completing arrangements with Comision Federal de Electricidad (CFE), the Mexican national electric utility, to develop, own and operate a four-unit 1,400-MW coal-fired power plant under construction about 100 miles south of San Antonio, Texas. In late 1992, Mission Energy and CFE signed power-sales and asset-transfer agreements. The company has invested approximately $300 million for a 49% interest in the $1.8 billion plant and associated coal resources. The first two units are scheduled to begin commercial operation in 1993 and the other two in 1994 and 1995.

United Kingdom: In April, the company invested $13 million for a 33% interest in a 210-MW gas-fired cogeneration plant near Derby, England, scheduled for operation in 1995. Mission Energy will operate the $250 million plant. Separately, Mission Energy acquired a 60% interest in Lakeland Power, a 220-MW gas-fired independent power project in operation since November 1991. British Gas will supply fuel for both projects under long-term fixed-price contracts.

Spain: In December, Mission Energy purchased a 34% interest in Iberian Hy-Power Amsterdam, B.V., a Dutch company that develops small hydroelectric projects in Spain. It has 45 MW in operation and 35 MW under development.

Indonesia: The company is part of a consortium with Mitsui, General Electric, and P.T. Batu Hitam Per Kasa that was selected in a competitive tender to exclusively negotiate the rights to build, own and operate a $1.9 billion, 1,220-MW coal-fired plant scheduled for operation in 1997. The consortium, led by Mission Energy, is in the final stages of negotiation with the Indonesian National Utility and the Government of Indonesia for the plant. Mission Energy's anticipated equity investment would be approximately $150 million for a 32.5% interest.

Blueprint for Success

Mission Energy has had good success in getting projects off the ground, completed on time and within budget. Mission Energy has several competitive strategies:

Equity and financing: Mission Energy typically invests substantial equity—20% to 25%—so its plants have the resources and flexibility to succeed in varying economic conditions. Also, the company uses nonrecourse project financing to limit its liability for each project and to better leverage resources.

Fuel supplies: Mission Energy purchases and owns competitively priced, reliable fuel supplies that directly support many of its projects.

Project management: Its expertise in project management helps ensure high standards in engineering and construction for reliable, long-term plant operations.

Operation and maintenance: Mission Energy's operations unit has an excellent record for running and maintaining projects in which the company owns an interest. In 1992, it operated 12 projects with an on-peak capacity factor of 98.9%. Such operation and maintenance services are integral to Mission Energy's strategy of being a full-service company.

Mission First Financial

Highlights	1992	1991	% Change
Revenue (including interest)	**$39.6 million**	$30.5 million	30
Net income	**$29.4 million**	$24.5 million	20
Earnings per share	**13 cents**	11 cents	18
Equity investment	**$ 186 million**	$ 157 million	19
Assets	**$ 826 million**	$ 690 million	20

Mission First Financial is an investment subsidiary whose primary focus is energy-related investments. The company's "passive" investment strategy effectively complements Mission Energy's active involvement in developing, owning and operating power projects.

Mission First Financial has established a high-quality, diverse investment portfolio that provides good returns at reasonable risk. At year-end, 68% of its funded investments were energy-related – including nuclear, cogeneration, hydroelectric and waste-to-energy projects.

Mission First Financial earned a record $29.4 million, or 13 cents per share – up 20% from 1991. In the last five years, its earnings have grown at an average annual rate of 21%, and its return on equity has averaged 16.9%. The company's 1992 return on common equity was 17.3%.

Mission First Financial's objective is to expand its role as a provider of capital and financial services for energy-related projects, products and services. Among its targeted investment areas are electric technologies, electric transportation, pollution-control and energy-efficient equipment.

Although Mission First Financial primarily focuses on energy-related investments, it also seeks other investment opportunities with attractive yields. The most important, to date, has been affordable housing. Since 1989, the company has invested in high-quality, affordable rental housing for low-income tenants. Mission First Financial has structured these investments to mitigate many traditional real estate risks. It co-invests only with experienced sponsors who have secured strong community support in the form of land contributions and low-interest loans. These subsidies, combined with Mission First investments, provide the capital needed to develop high-quality housing at rents significantly below market levels. The company funds projects only after they are completed and substantially occupied.

Altogether, the company has invested in, and committed approximately $220 million to more than 70 low-income housing projects with nearly 4,800 rental units. At the end of 1992, one-half of these projects were completed and fully occupied, and the rest are scheduled for completion in 1993 and 1994.

Mission First Financial's 1992 activities included:

- Refinancing its investment in the Beaver Valley Unit 2 nuclear power plant in Pennsylvania to take advantage of low interest rates and increase the yield;
- Purchasing a 50% interest in a 53-MW generating unit under long-term lease to Utilicorp;
- Completing the sale and leaseback of a new Boeing 767 aircraft to American Airlines; and
- Committing $100 million to fund 30 affordable rental housing projects when they are completed.

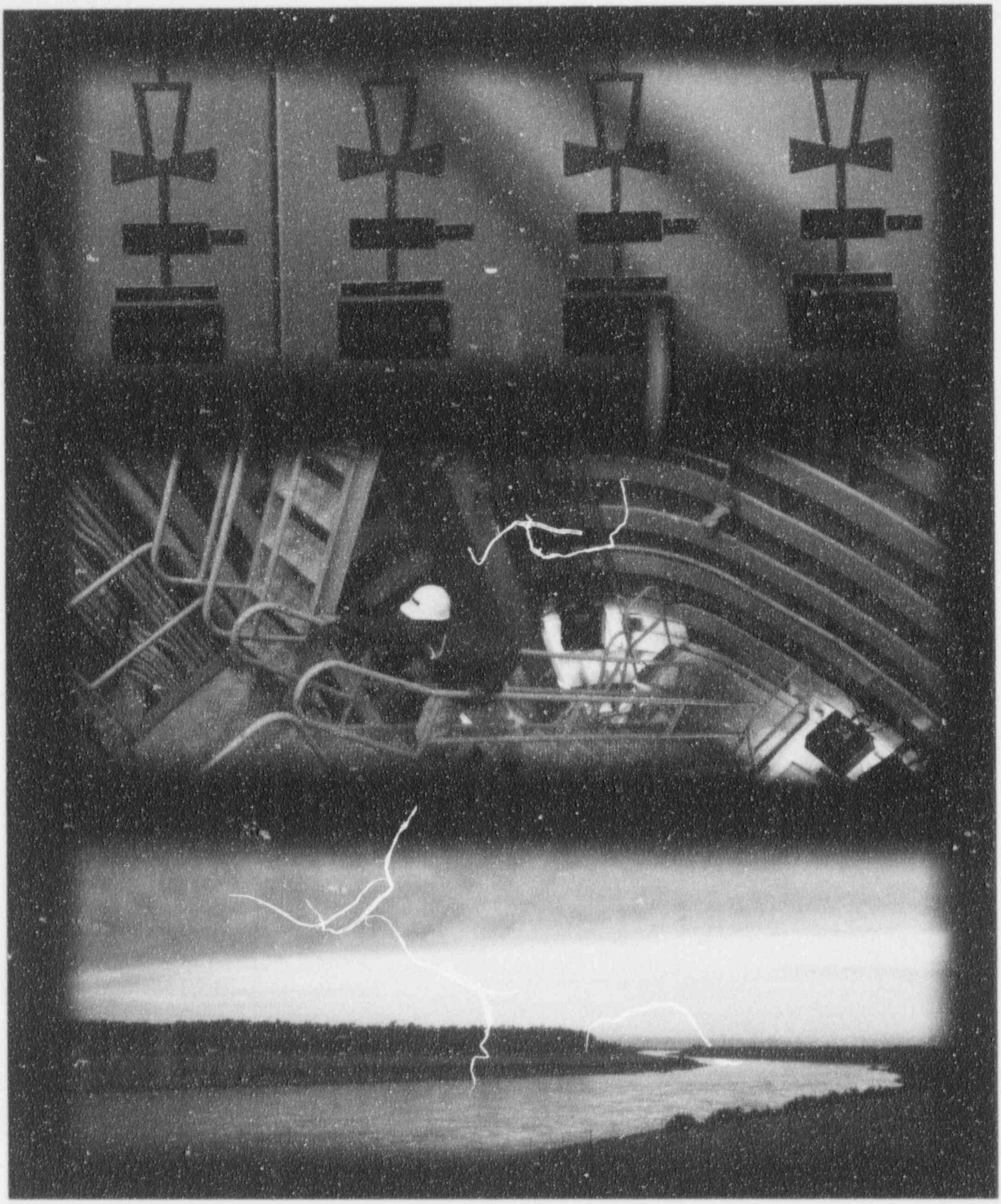
Mission Land Company

Highlights	1992	1991	% Change
Revenue	**$46.7 million**	$80.3 million	(42)
Net income	**$(9.8) million**	$ 9.2 million	–
Earnings per share	**(4) cents**	4 cents	–
Equity investment	**$ 237 million**	$ 247 million	(4)
Assets	**$ 493 million**	$ 489 million	1

In 1991, SCEcorp decided no longer to pursue real estate development as one of its core businesses and to exit the business in an orderly way over the next five years. A new, experienced management team was hired to implement this plan. During the year, Mission Land concentrated on managing its portfolio of properties to position them for sale.

In the fourth quarter, the company added $22.5 million to reserves for possible losses on real estate projects. This resulted in a $13.5 million, or 6-cents-per-share, after-tax charge to SCEcorp's earnings, which more than offset positive income from lease rentals and property sales. Consequently, Mission Land lost $9.8 million in 1992, compared with earnings of $9.2 million in 1991.

At year-end, Mission Land's net worth was $237 million. Total assets were $493 million, compared with $489 million in 1991. These assets for 1992 and 1991 have been restated to reflect the full consolidation of several joint-venture projects previously accounted for under the equity method of accounting. This change increased assets by $217 million in 1992 and by $225 million in 1991.



CLEAN POWER FROM THE MISSISSIPPI RIVER

Mission First Financial participated in the sale and leaseback of the Sydney A. Murray Jr. Hydroelectric Station near Vidalia, Louisiana. The 192-megawatt plant sells power under long-term contract to Louisiana Power and Light and the City of Vidalia. Mission First Financial has a $43-million equity investment in the plant.

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

1 *Member of the audit committee*
2 *Member of the finance committee*
3 *Member of the compensation committee*
4 *Member of the executive committee*
5 *Member of the nominating committee*
6 *Retires in March 1993*
7 *Retires in April 1993*
8 *Retired in January 1993 to become U.S. Secretary of State*

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Chief Executive Officer

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Senior Vice President and
General Counsel

Alan J. Fohrer
Senior Vice President, Treasurer
and Chief Financial Officer

Richard K. Bushey
Vice President and Controller

Kenneth S. Stewart
Assistant General Counsel
and Corporate Secretary

Southern California Edison

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Chief Executive Officer

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Senior Vice President and
General Counsel

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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,
Regulatory Projects

John R. Fielder
Vice President,
Regulatory Policy and Affairs

Lawrence D. Hamlin
Vice President,
Power Production

Margaret H. Jordan
Vice President, Health Care

J. Michael Mendez
Vice President, Regional Leadership

Harry E. Morgan Jr.[6]
Vice President and Site Manager,
San Onofre Nuclear
Generating Station

Lewis M. Phelps
Vice President,
Corporate Communications

Kenneth S. Stewart
Assistant General Counsel
and Corporate Secretary

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Mission First Financial and
Mission Land Company

James S. Pignatelli
President,
Mission Energy Company

Robert M. Edgell
Executive Vice President,
Mission Energy Company

Charles W. Johnson
Executive Vice President,
Mission Land Company

Robert Dietch
Senior Vice President,
Project Management/Operations,
Mission Energy Company

Alan M. Fenning
Senior Vice President
and General Counsel,
Mission Energy Company

John A. Moriarty
Senior Vice President,
Mission Land Company

Michael L. Noel
Senior Vice President and
Chief Financial Officer,
Mission Energy Company

Lawrence W. Yu
Senior Vice President,
Mission First Financial

Management's Discussion and Analysis: Results of Operations

Earnings

SCEcorp's earnings per share were $3.22 in 1992, compared with $3.21 in 1991 and $3.60 in 1990. SCEcorp's 1992 earnings reflect an 11-cent-per-share Edison charge for a settlement of litigation with Tucson Electric Power Company and a 6-cent-per-share Mission Land Company charge for possible real estate losses.

SCEcorp's 1991 earnings included 43 cents per share in one-time Edison charges for an agreement with the California Public Utilities Commission's (CPUC) Division of Ratepayer Advocates (DRA) to settle disputes about purchased-power payments to SCEcorp's Mission Energy Company unit, legal and regulatory reserves, and a corporate restructuring program.

Excluding these charges, earnings declined 15 cents per share from 1991, due to lower earnings at Edison and dilution from issuing additional shares of SCEcorp common stock.

Edison contributed 85% of SCEcorp's earnings, or $2.83 per share, up 15 cents per share from 1991. Excluding the special charges, Edison's earnings fell 17 cents per share, due to a lower authorized rate of return and reduced interest income. In 1991, Edison's earnings decreased 49 cents per share from 1990, largely due to the 43 cents per share in nonrecurring charges previously discussed.

The Mission companies, SCEcorp's nonutility units, earned 49 cents per share in 1992, 4 cents per share below 1991. The earnings decrease is attributed to Mission Land, whose earnings fell 8 cents per share, principally due to the 6-cent-per-share charge for possible losses on several real estate projects.

Both Mission Energy and Mission First Financial performed well in 1992. Mission Energy's earnings per share rose 2 cents to 40 cents, as it completed construction or acquisition of five operating projects. Mission First Financial's earnings per share increased 2 cents to 13 cents, due to new energy-related and affordable housing investments, as well as refinancings of existing projects.

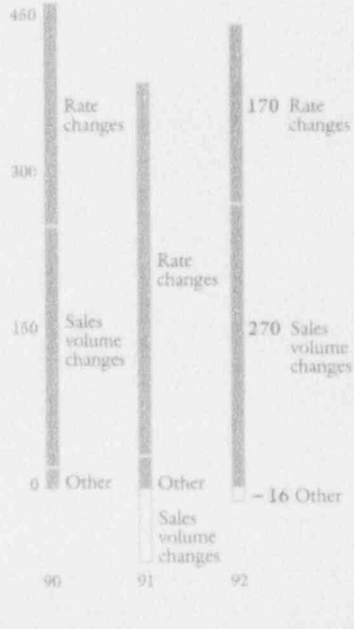
The Mission companies' 1991 earnings grew by 10 cents per share from 1990. Earnings in 1990 included an 8-cent-per-share loss from discontinued operations at Mission Power Engineering Company.

Operating Revenue

Electric revenue increased 6% over 1991, mostly due to warmer weather during the summer of 1992. In addition, retail rates rose in 1992, reflecting a CPUC-authorized increase of 1.9%, for Edison's higher operating and maintenance expenses and capital-related costs. Retail rates account for over 98% of electric revenue and are regulated by the CPUC. Wholesale rates are regulated by the Federal Energy Regulatory Commission. In 1991, electric revenue increased 4% over 1990, mainly due to higher retail rates.

SCEcorp: Electric Revenue Increases

In millions of dollars



Management's Discussion and Analysis: Results of Operations

Operating Expenses

Fuel expense increased 18% in 1992, primarily due to Edison's greater power generation. Fuel expense in 1991 decreased 14% due to lower fuel costs and reduced power generation.

Purchased-power expense increased 2% in 1992 and 6% in 1991, reflecting higher prices and an increased volume of federally required purchases from nonutility generators. These purchases were made under CPUC-mandated fixed-price contracts and, in 1992, cost about $650 million more than power available from other sources.

The provisions for regulatory adjustment clauses minimize rate fluctuations by accumulating differences between estimated and actual kilowatt-hour sales or energy costs in balancing accounts. Rate adjustments for prior-period differences are also reflected in these provisions. The 1992 decrease in the provisions is mainly due to kilowatt-hour sales and energy costs greater than CPUC-authorized estimates. The 1991 increase is largely due to rate increases in the energy-cost balancing account to recover prior-period differences.

Other operating expenses increased 6% in 1992, reflecting Edison's authorized increases in energy conservation programs, partial funding of postretirement benefits other than pensions, and Mission Land's charge for possible real estate losses. In 1991, other operating expenses increased 11%, primarily due to a $15 million merger termination fee paid to San Diego Gas & Electric Company (SDG&E), a $25 million reserve established for a corporate restructuring program and higher costs for workers' compensation claims and health care.

Other Income and Deductions

The provision for rate phase-in plan reflects a CPUC-authorized, 10-year rate phase-in plan for the three Palo Verde Nuclear Generating Station units. Phase-in plans minimize the effect of construction costs by gradually implementing rate increases. Palo Verde's plan deferred $200 million of revenue for each unit over a four-year period. The deferred revenue, including interest, is being collected evenly over six-year periods ending in 1996 for Units 1 and 2, and in 1998 for Unit 3. The provision is a non-cash offset to the collection of deferred revenue.

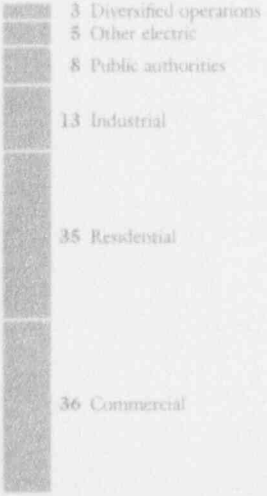
Interest income decreased 46% in 1992, essentially due to lower interest rates and lower balances in Edison's Palo Verde phase-in plan and balancing accounts.

A settlement of major litigation occurred in September 1992, when Edison paid Tucson Electric $40 million. The case arose when SDG&E withdrew from its 1988 merger agreement with Tucson Electric and agreed to merge with Edison. The CPUC later denied Edison's and SDG&E's merger application. Tucson Electric had alleged that Edison wrongfully interfered with the proposed merger of Tucson Electric and SDG&E.

Taxes on nonoperating income decreased in 1992, principally due to the change in the provision for rate phase-in plan and the settlement with Tucson Electric.

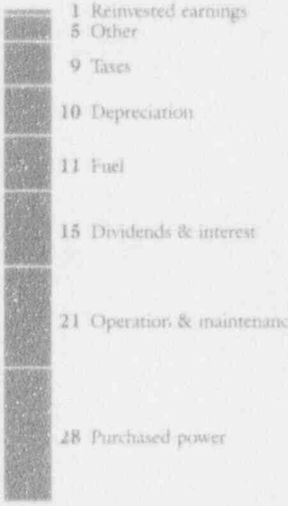
SCEcorp: Sources of Revenue

In percent



Distribution of Revenue

In percent



Consolidated Statements of Income

SCEcorp and Subsidiaries

In millions, except per-share amounts Year ended December 31,	1992	1991	1990
Electric revenue	$7,722	$7,298	$6,986
Diversified operations	262	258	240
Total operating revenue	7,984	7,556	7,226
Fuel	836	709	827
Purchased power	2,251	2,203	2,072
Provisions for regulatory adjustment clauses—net	340	384	206
Other operating expenses	1,294	1,215	1,091
Maintenance	362	383	376
Depreciation and decommissioning	807	767	719
Income taxes	544	453	489
Property and other taxes	207	203	180
Total operating expenses	6,641	6,317	5,960
Operating income	1,343	1,239	1,266
Provision for rate phase-in plan	(147)	(82)	2
Allowance for equity funds used during construction	20	16	13
Interest income	62	114	149
Settlement of major litigation	(40)	—	—
Taxes on nonoperating income	78	17	(17)
Other—net	(7)	10	3
Total other income (deductions)—net	(34)	75	150
Income before interest and other expenses	1,309	1,314	1,416
Interest on long-term debt	463	491	470
Other interest expense	110	103	137
Allowance for borrowed funds used during construction	(17)	(12)	(10)
Capitalized interest	(28)	(13)	(11)
Dividends on subsidiary preferred stock	42	42	44
Total interest and other expenses—net	570	611	630
Net income	$ 739	$ 703	$ 786
Weighted-average shares of common stock outstanding	223	219	218
Earnings per share	$3.32	$3.21	$3.60

Consolidated Statements of Retained Earnings

In millions, except per-share amounts Year ended December 31,	1992	1991	1990
Balance at beginning of year	$3,150	$3,038	$2,824
Net income	739	703	786
Dividends declared on common stock	(626)	(591)	(572)
Balance at end of year	$3,263	$3,150	$3,038
Dividends declared per common share	$2.78	$2.70	$2.62

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

Consolidated Balance Sheets

In millions December 31,	1992	1991
ASSETS		
Utility plant, at original cost	$17,805	$17,772
Less—accumulated provision for depreciation and decommissioning	6,715	6,339
	11,090	11,433
Construction work in progress	724	794
Nuclear fuel, at amortized cost	123	247
Total utility plant	11,937	12,474
Nonutility property—less accumulated provision for depreciation of $50 and $44 at respective dates	1,024	403
Nuclear decommissioning trusts	648	516
Investments in partnerships and unconsolidated subsidiaries	1,453	1,202
Investments in leveraged leases	462	382
Other investments	19	46
Total other property and investments	3,606	2,549
Cash and equivalents	496	479
Receivables, including unbilled revenue, less allowances of $13 and $15 for uncollectible accounts at respective dates	876	859
Fuel inventory	108	165
Materials and supplies, at average cost	110	111
Regulatory balancing accounts—net	—	158
Accumulated deferred income taxes—net	194	89
Prepayments and other current assets	201	171
Total current assets	1,985	2,032
Unamortized debt issuance and reacquisition expense	301	300
Rate phase-in plan	488	613
Unamortized nuclear plant—net	380	—
Other deferred charges	443	375
Total deferred charges	1,612	1,288
Total assets	$19,140	$18,343

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

In millions	December 31, 1992	1991
CAPITALIZATION AND LIABILITIES		
Common shareholders' equity:		
Common stock	$ 2,691	$ 2,531
Retained earnings	3,263	3,150
	5,954	5,681
Preferred stock:		
Not subject to mandatory redemption	359	359
Subject to mandatory redemption	278	199
Long-term debt	6,320	5,940
Total capitalization	12,911	12,179
Other long-term liabilities	289	306
Current portion of long-term debt and redeemable preferred stock	219	263
Short-term debt	758	794
Accounts payable	391	619
Accrued taxes	342	392
Accrued interest	120	132
Dividends payable	161	153
Regulatory balancing accounts—net	88	—
Deferred unbilled revenue and other	742	600
Total current liabilities	2,821	2,953
Accumulated deferred income taxes—net	2,245	2,081
Accumulated deferred investment tax credits	462	485
Customer advances and other deferred credits	412	339
Total deferred credits	3,119	2,905
Commitments and contingencies *(Notes 2, 8, 9 and 10)*		
Total capitalization and liabilities	$19,140	$18,343

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, debt maturities and investing activities. Capital resources include cash from operations and external financings.

SCEcorp reclassified $1.3 billion in property-related accumulated deferred income taxes, previously shown as a deduction from utility plant, as a deferred credit (Page 33). Also, some Mission Land partnerships previously accounted for under the equity method are now fully consolidated.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled $2.0 billion in 1992, $2.0 billion in 1991 and $1.7 billion in 1990. SCEcorp continues to meet most of its capital requirements with cash from operations.

Cash Flows from Financing Activities

Edison's short-term debt is largely used to finance fuel inventories and balancing account undercollections. The Mission companies' short-term debt is mainly used for construction projects until long-term construction or project loans are secured. Long-term debt is mainly used to finance capital expenditures. Edison's external financings are influenced by market conditions and other factors, including limitations imposed by its articles of incorporation and trust indenture. As of December 31, 1992, Edison could issue approximately $5.0 billion of additional first and refunding mortgage bonds and $4.1 billion of preferred stock at current interest and dividend rates.

Edison has $1.0 billion in credit lines for short-term debt. It also has another $500 million for the long-term refinancing of certain variable-rate pollution-control bonds. The Mission companies have $500 million in credit lines that support short-term debt to finance general cash requirements.

In the CPUC's 1993 cost of capital decision (Page 32), it denied Edison's request to increase its rate-making equity ratio from 46% to 48% to counter increased financial risks from purchased-power commitments. Since these commitments are treated like debt by the financial community, three credit rating agencies lowered Edison's debt ratings from double-A to single-A-plus. This downgrade is not expected to materially inhibit Edison's access to capital markets.

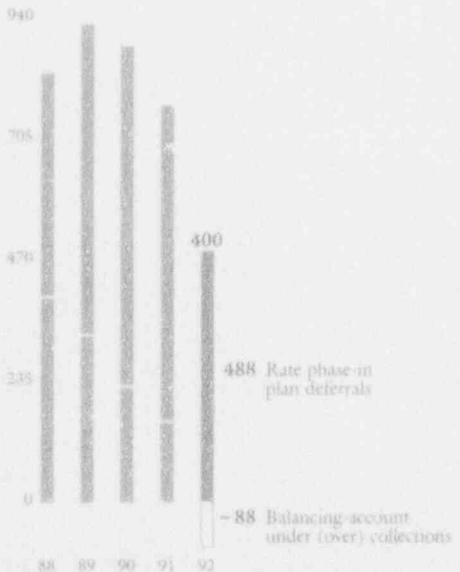
California law prohibits Edison from incurring debt for its non-utility affiliates. Additionally, the CPUC regulates Edison's capital structure, limiting the dividends Edison may pay SCEcorp. These restrictions are not expected to affect SCEcorp's ability to meet its cash obligations.

Cash Flows from Investing Activities

The primary uses of cash for investing activities are capital expenditures, investments in the Mission companies' activities and contributions to nuclear decommissioning trusts. The Mission companies' cash used for investing activities was $763 million in 1992. Edison contributes approximately $96 million per year to decommissioning trusts. These contributions will continue until decommissioning, scheduled to start in 2013.

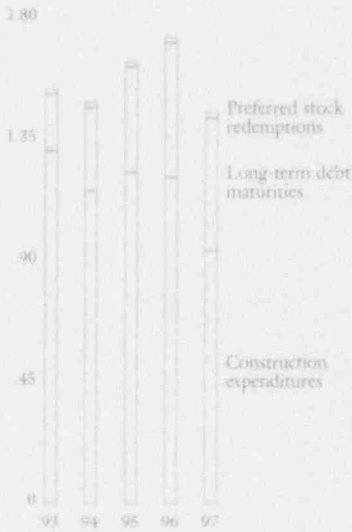
Edison: Regulatory Balancing Accounts and Rate Phase-in Plan

In millions of dollars



SCEcorp: Projected Capital Requirements

In billions of dollars



Consolidated Statements of Cash Flows

SCEcorp and Subsidiaries

In millions Year ended December 31,	1992	1991	1990
Cash flows from operating activities:			
Net income	$ 739	$ 703	$ 786
Adjustments for noncash items:			
Depreciation and decommissioning	807	767	719
Amortization	150	166	169
Rate phase-in plan	125	43	(54)
Deferred income taxes and investment tax credits	32	103	142
Equity in income from partnerships and unconsolidated subsidiaries	(148)	(140)	(128)
Other long-term liabilities	(17)	146	6
Nonrecurring charges	—	79	—
Other—net	56	21	(42)
Changes in working capital components:			
Receivables	(17)	(73)	(15)
Regulatory balancing accounts	246	68	95
Fuel inventory, materials and supplies	58	10	(98)
Prepayments and other current assets	(30)	(73)	(11)
Accrued interest and taxes	(62)	(25)	(73)
Accounts payable and other current liabilities	(95)	16	129
Distributions from partnerships and unconsolidated subsidiaries	124	149	120
Net cash provided by operating activities	1,968	1,960	1,745
Cash flows from financing activities:			
Issuances of long-term debt	1,611	819	707
Issuances of preferred stock	296	—	—
Repayment of long-term debt	(1,332)	(363)	(543)
Redemption of preferred stock	(232)	(12)	(13)
Nuclear fuel financing	(126)	23	(106)
Proceeds from sales of common stock	160	67	—
Short-term debt financings—net	(36)	(558)	508
Dividends paid	(614)	(586)	(568)
Net cash used by financing activities	(273)	(610)	(15)
Cash flows from investing activities:			
Capital expenditures	(844)	(1,033)	(963)
Nuclear decommissioning trusts	(132)	(131)	(115)
Investments in leveraged leases—net	(44)	(26)	(129)
Investments in partnerships and unconsolidated subsidiaries	(654)	(238)	(241)
Other—net	(4)	74	50
Net cash used by investing activities	(1,678)	(1,354)	(1,398)
Net increase (decrease) in cash and equivalents	17	(4)	332
Cash and equivalents, beginning of year	479	483	151
Cash and equivalents, end of year	$ 496	$ 479	$ 483
Cash payments for interest and taxes:			
Interest	$ 459	$ 520	$ 536
Taxes	457	380	393
Noncash investing and financing activities:			
Obligation to fund investment in partnerships and unconsolidated subsidiaries	69	102	21

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

Regulatory Matters

The CPUC decreased Edison's revenue by $217 million, or 2.9%, for 1993. The decrease includes a $216 million reduction for fuel and related costs and a $106 million decrease for the lower costs of debt and equity, partially offset by a $110 million increase for higher operating costs. The CPUC authorized Edison an 11.80% return on equity for 1993, which is expected to reduce 1993 earnings by about 19 cents per share. Authorized return on equity was 12.65% for 1992 and 12.85% for 1991.

In November 1992, the CPUC ruled on one of two previously deferred 1992 general rate case issues. The ruling allows recovery of $41 million in software development costs, but disallows another $9 million. The other issue under CPUC review is $56 million in research, development and demonstration (RD&D) expenses originally capitalized by Edison through 1991. Additionally, in February 1993, the CPUC began an audit of Edison's RD&D spending from 1988 through 1992. The probable effect on net income of these RD&D matters cannot be determined at this time, but SCEcorp believes it will not materially affect its financial position.

The DRA previously recommended disallowances for payments made between 1985 and 1991 on several purchased-power contracts with nonutility power producers partially owned by Mission Energy. Edison and the DRA have settled these disputes for $250 million, which was fully reflected in the 1991 financial statements. A CPUC decision on this settlement is expected in early 1993.

The CPUC is reviewing Edison's costs (approximately $90 million) related to a 1985 steam-pipe rupture at the Mohave Generating Station. Edison believes the rupture was caused by a manufacturing defect. The CPUC is also reviewing extended outages at the Palo Verde Nuclear Generating Station. The DRA has recommended a total disallowance of $168 million on this issue. Edison believes its costs were reasonably incurred and is contesting the proposed disallowance. Hearings have not been scheduled on either matter. The probable effect of these matters on net income cannot be determined at this time, but SCEcorp believes it will not materially affect its financial position.

On November 30, 1992, Edison discontinued operation of San Onofre Nuclear Generating Station Unit 1. Edison will recover its approximately $350 million investment in the unit by August 1996, with an 8.98% fixed rate of return.

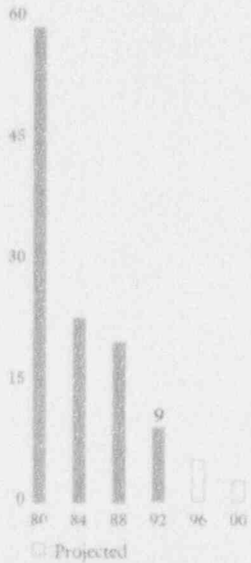
Environmental Protection

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

Edison has identified 43 sites for which it is, or may be, responsible for remedial action under environmental laws. Edison is participating in investigations and cleanups at a number of these sites, and has recorded a $45 million liability for its estimated cleanup costs. Additional investigations and cleanups will be performed as requested by environmental authorities or as Edison deems necessary, which may result in additional costs. The CPUC currently allows rate recovery of environmental-cleanup costs after reasonableness reviews. Edison has recorded a $45 million regulatory asset that represents the expected rate recovery of the estimated cleanup costs. However, the CPUC is currently reviewing alternative rate-recovery procedures, and could substantially change the current procedure.

The 1990 federal Clean Air Act requires power producers to have emissions allowances to emit sulfur dioxide. Power companies receive emissions 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. In addition, the Environmental Protection Agency is conducting a study of the effect of air contaminant emissions on visibility in Grand Canyon National Park. The potential effect of these studies on sulfur dioxide emissions regulations for the Mohave coal plant is unknown.

Edison:
Average Nitrogen-Oxides Emissions in L.A. Basin
In tons per day



Edison's projected capital expenditures to protect the environment are $1.4 billion for the years 1993 through 1997, mainly for placing overhead distribution lines underground and reducing nitrogen-oxides (NOx) emissions. Edison could spend up to $320 million by 1997 to comply with local NOx emissions regulations.

The probable effect on net income of these environmental matters cannot be determined at this time, but SCEcorp believes it will not materially affect its financial position.

Competitive Environment

The Energy Policy Act of 1992 affects many aspects of SCEcorp's business strategy. The act frees Mission Energy from previous regulatory requirements and ownership restrictions when competing for domestic and foreign generating projects. Other provisions enable the Federal Energy Regulatory Commission to order utilities to transmit power for third parties, while allowing the utilies to recover all costs of providing these services. This expanded transmission access gives Mission Energy increased opportunities to develop projects throughout the United States. Mission Energy currently has interests in 30 operating projects and is the nation's largest independent power producer.

For Edison, the act promotes electric vehicles, clean fuels and demand-side management programs. Edison is currently engaged in programs that reduce the demand for electricity and allow a profit for encouraging energy efficiency.

In April 1992, the CPUC decided how Edison and other California utilities will meet new energy needs through the end of this decade. Based on this decision, most of Edison's needs over the next eight years will be met through conservation programs. The CPUC also ruled that Edison must obtain 624 megawatts (MW) of new generating resources through competitive bidding. The decision sets aside 175 MW for renewable energy resources, such as wind, solar and geothermal. Edison's 274-MW planned upgrade to its San Bernardino plant will compete against other bids for the remaining 449 MW of new facilities. Edison is scheduled to solicit bids in early 1993, with bid awards expected in late 1993. The first plant should be on-line in 1997.

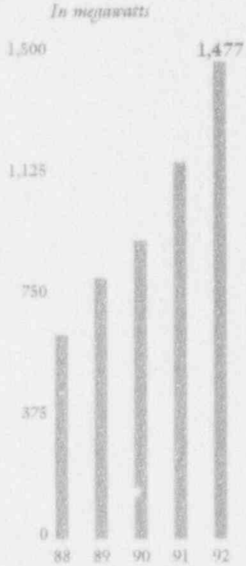
New Accounting Standards

A new accounting standard, which must be implemented in 1993, requires a change from the income statement method to the balance sheet method of accounting for income taxes. SCEcorp will not restate prior-period statements when it implements the new standard. Edison will record balance sheet adjustments of approximately $1.6 billion to reflect unrecorded deferred taxes on temporary differences between book and tax income. The majority of these deferred taxes will be offset by regulatory assets and liabilities representing the anticipated effects on electric rates. The new standard also requires property-related accumulated deferred income taxes to be classified as a deferred credit. This standard is not expected to significantly affect results of operations or financial position.

Financial statements after January 1, 1993, will reflect a new accounting standard for postretirement benefits other than pensions, which requires the expected cost of these benefits to be charged to expense during employees' service. Edison began funding its future liability for these benefits with $111 million in contributions in 1991 and 1992. These contributions are charged to expense over a 12-month period as they are recovered in rates. SCEcorp's unfunded liability for prior years ($710 million) will be amortized over 20 years. Annual expense under the new standard is estimated at $115 million. In 1992, the CPUC authorized Edison's rate recovery of tax-deductible funding for 1993 and beyond. In early 1993, Edison will seek CPUC approval for its 1993 funding plan. Any difference between expense determined under the new standard and amounts authorized for rate recovery is not expected to be significant and will be charged to earnings.

Mission Energy: Operating Project Ownership

In megawatts



Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

The consolidated financial statements include SCEcorp and its subsidiaries: Southern California Edison Company, a rate-regulated electric utility; and the Mission companies, SCEcorp's nonutility subsidiaries. SCEcorp uses the equity method to account for significant investments in partnerships and subsidiaries in which it owns 50% or less. Intercompany transactions have been eliminated, except Mission Energy Company's profits from energy sales to Edison, which are allowed in utility rates.

Certain prior-year reclassifications have been made to conform to the December 31, 1992, financial statement presentation.

Accounting Principles

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

Cash Equivalents

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

Construction Financing Costs

Allowance for funds used during construction (AFUDC) represents the estimated cost of debt and equity funds that finance utility-plant construction. AFUDC is capitalized as a cost of utility plant and reported in current earnings. AFUDC is recovered in rates through depreciation when completed projects are placed into commercial operation.

Debt Issuance and Reacquisition Expense

Debt premium, discount and issuance expenses are amortized over the life of each issue. Debt reacquisition expenses are amortized over the remaining life of the reacquired debt or, if refinanced, the life of the new debt.

Depreciation and Decommissioning

Depreciation of utility plant 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.

Decommissioning of Edison's nuclear generating facilities will cost an estimated $959 million in current-year dollars. Decommissioning costs are recovered in rates through annual charges to depreciation expense. These funds, which are held in trust until decommissioning begins, are invested in high-grade securities and reported at the lower of cost or market value. At December 31, 1992, the market value of the trusts was $683 million. Approximately 86% of the trust fund contributions were tax-deductible.

In accordance with the Energy Policy Act of 1992, Edison recorded a $58 million liability for its share of the estimated costs to decommission three federal nuclear enrichment facilities. Edison's share is based on the number of nuclear enrichment units purchased, and will be paid over a 15-year period. These costs are expected to be recovered in rates.

Fair Value of Financial Instruments

The fair values of financial instruments were determined by:

Instrument	*Method*
Decommissioning trusts	Quoted market prices
Federal nuclear facility decommissioning fees	Discounted future cash flows
Interest-rate swaps and caps	Quotes from brokers
Long-term debt	Quotes from brokers
Preferred stock subject to mandatory redemption	Quotes from brokers
Short-term financial instruments	Due to short maturities, these instruments approximate fair value

Nuclear Fuel

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

Rate Phase-In Plan

The CPUC authorized a 10-year rate phase-in plan that defers collection of $200 million in revenue during the first four years of operation for each unit of the Palo Verde Nuclear Generating Station. Collection of the deferred revenue (including interest) is occurring evenly over the final six years of each unit's plan. The plans end in 1996 for Units 1 and 2, and in 1998 for Unit 3.

Regulatory Balancing Accounts

Balancing accounts accumulate differences between authorized and recorded kilowatt-hour sales or energy costs until they are refunded to, or recovered from, utility customers through CPUC-authorized rate adjustments (with interest). Income tax effects on balancing account changes are deferred.

CPUC-established target generation levels act as performance incentives for Edison's nuclear generating stations. Fuel savings or costs above or below these targets are shared equally by Edison and its customers through balancing account adjustments.

Research, Development and Demonstration (RD&D)

Edison's RD&D costs are charged to expense unless they are expected to result in plant construction. If construction does not result, any capitalized costs are then charged to expense. RD&D costs charged to expense are recorded in a balancing account; Edison must refund to customers any authorized but unspent RD&D funds at the end of the rate-case cycle. Edison's RD&D costs charged to expense were $40 million in 1992, $49 million in 1991 and $41 million in 1990.

Revenue

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

Utility Plant

Plant additions, including replacements and betterments, are capitalized. Such costs include direct material and labor, construction overhead and AFUDC. Replaced or retired property and related removal costs—less salvage—are charged to the accumulated provision for depreciation.

Note 2. Regulatory Matters

Energy Cost Proceedings

Edison purchases power from nonutility power projects partially owned by SCEcorp's Mission Energy subsidiary. In 1988, the CPUC's Division of Ratepayer Advocates (DRA) began reviewing several of these purchases and later recommended partial disallowances on three projects. In 1990, the CPUC disallowed recovery of $48 million (including interest) paid to one project between mid-1985 and late 1987. Edison contested this disallowance. The DRA also began reviewing payments made to 10 other nonutility power producers partially owned by Mission Energy.

In March 1992, Edison and the DRA signed an agreement to settle disputes about Edison's power purchases from these 13 nonutility power producers. 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. If approved by the CPUC, the settlement will result in disallowances of approximately $250 million (in present value terms), which is fully reserved. On January 8, 1993, a CPUC administrative law judge recommended that the CPUC approve the settlement, if amended to disallow $250 million immediately, which is financially equivalent to the original agreement. Edison and the DRA have jointly filed reply briefs stating that the $250 million should be amortized over two years. However, Edison has requested that the two-year period start in January 1994. A decision is expected in early 1993.

General Rate Case

In November 1992, the CPUC adopted a settlement agreement between Edison and the DRA, which allows Edison to recover $41 million in software development costs incurred in 1990 and 1991. Edison had requested recovery of $50 million in software development costs in its 1992 general rate case. The remaining $9 million was charged to earnings.

In Edison's 1992 general rate case, the CPUC deferred a final decision (pending additional information from Edison) on the recovery of $56 million in capitalized RD&D costs incurred before 1992. Edison later requested that $35 million of these costs be included in rate base and $17 million be classified as RD&D expense. The remaining $4 million was charged to earnings. Additionally, in February 1993, the CPUC began an audit of Edison's RD&D spending from 1988 through 1992, with a final report due in 1993. The probable effect on net income cannot be determined at this time, but SCEcorp believes it will not materially affect its financial position.

Mohave Outage Review

In 1986, the CPUC began investigating a 1985 steam-pipe rupture at the Mohave Generating Station. Edison, plant operator and 56% owner, incurred costs of approximately $90 million, after insurance recoveries, to repair damage and provide replacement power during the six-month outage. In 1991, the DRA and its consultant alleged that Edison contributed to the piping failure by imprudently operating the plant and recommended disallowance of all accident-related expenditures.

Edison believes the accident was caused by a manufacturing defect in a seam weld and is contesting these allegations. Hearings have not been scheduled. The probable effect on net income cannot be determined at this time, but SCEcorp believes it will not materially affect its financial position.

Palo Verde Outage Review

In March 1989, Arizona Public Service Company, operating agent for Palo Verde, removed Units 1 and 3 from service for modifications required by regulatory agencies. As required by state law, the CPUC conducted an investigation of the outages, and ordered the authorized revenue collected during the outages be subject to refund. Units 3 and 1 resumed operation in December 1989 and July 1990, respectively.

In April 1992, the CPUC ruled that its reasonableness review of replacement power costs from several Unit 2 outages in 1989 and 1990 be consolidated with the Units 1 and 3 investigation. The DRA recommended a total disallowance valued at $168 million, including: $62 million of revenue collected during the outages (including interest through 1992); $5 million for capital projects deemed unnecessary; $50 million in replacement power costs; and $51 million in penalties for environmental effects of replacement power and the outages' effect on the regional energy market. In May 1992, Edison filed testimony that its costs were reasonably incurred and is contesting the proposed disallowance. Hearings have not been scheduled. The probable effect on net income cannot be determined at this time, but SCEcorp believes it will not materially affect its financial position.

Resale Rates

The Federal Energy Regulatory Commission requires resale revenue related to pending rate proceedings to be subject to refund with interest if subsequently disallowed. SCEcorp believes any refunds from pending rate proceedings will not materially affect results of operations or financial position.

San Onofre Unit 1

On November 30, 1992, Edison discontinued operation of San Onofre Nuclear Generating Station Unit 1. The CPUC-approved action was the result of an agreement between Edison and the DRA. Edison will recover its investment of approximately $350 million (after deferred taxes), including an 8.98% rate of return, by August 1996.

The agreement does not affect Unit 1's decommissioning, scheduled to start in 2013. The estimated current-dollar decommissioning costs, less amounts previously funded, are recorded as a liability. These costs will be collected in rates over the next two years.

Note 3. Debt

Long-Term Debt

California law prohibits Edison from incurring or guaranteeing debt for its nonutility affiliates.

Almost all Edison properties are subject to a trust indenture lien.

Edison has pledged first and refunding mortgage bonds as security for borrowed funds obtained from pollution-control bonds issued by government agencies. Edison uses these proceeds to finance construction of pollution-control facilities. Bondholders have limited discretion in redeeming certain pollution-control bonds, and Edison has arranged with securities dealers to remarket or purchase them in such cases.

In January and February 1993, Edison issued \$225 million of 6¼% first and refunding mortgage bonds due 2000; \$200 million of 5.9% first and refunding mortgage bonds due 1997; \$125 million of 5⅞% notes due 1998; and redeemed \$550 million of first and refunding mortgage bonds, Series BB, CC, GG and 86I.

SCEcorp has interest-rate swap and cap agreements to reduce the effect of changes in interest rates on \$400 million of its debt. The fair value of the agreements is the amount required to terminate them, which is estimated to cost \$28 million. SCEcorp is exposed to credit loss from nonperformance by counterparties to the agreements, but does not anticipate such nonperformance.

Commercial paper that finances nuclear fuel scheduled to be used more than 12 months after the balance sheet date is classified as long-term debt.

Long-term debt maturities and sinking-fund requirements for the next five years are: 1993 – \$195 million; 1994 – \$311 million; 1995 – \$382 million; 1996 – \$488 million; and 1997 – \$481 million.

Long-term debt consisted of:

	December 31,		
	1992		1991
In millions	Carrying Amount	Fair Value	Carrying Amount
First and refunding mortgage bonds:			
1993–1996 (5.55% to 9%)	\$ 625	\$ 649	\$1,280
1997–2001 (6⅛% to 9%)	950	992	650
2002–2010 (8¼%)	125	134	388
2011–2024 (8⅜% to 10%)	2,025	2,198	2,025
Pollution-control bonds:			
1999 – 2027			
(6% to 10¼% and variable)	1,209	1,243	990
Funds held by trustees	(2)	(2)	(4)
Debentures and notes:			
1993–2003			
(4⅞% to 10.8% and variable)	1,441	1,465	710
Nuclear fuel indebtedness:			
Foreign-currency-denominated notes	—	—	38
Commercial paper	63	63	151
Spent nuclear fuel obligation	6	6	14
Capital lease obligation	153	153	—
Current portion of capital lease obligation	(19)	(19)	—
Long-term debt due within one year	(195)	(200)	(251)
Unamortized debt discount – net	(61)	—	(51)
Total	\$6,320	\$6,682	\$5,940

Short-Term Debt

SCEcorp has lines of credit it can use at negotiated or bank index rates. At December 31, 1992, such lines totaled \$2.0 billion, with \$1.5 billion supporting commercial paper. The remaining \$500 million is available for the long-term refinancing of certain variable-rate pollution-control debt.

Short-term debt consisted of:

	December 31,	
In millions	1992	1991
Commercial paper:		
Balancing accounts	\$ 247	\$ 420
Fuel	228	372
General purpose	466	324
Other short-term debt	64	16
Amount reclassified as long term	(245)	(333)
Unamortized discount	(2)	(5)
Total	\$ 758	\$ 794

Note 4. Equity

The CPUC regulates Edison's capital structure, limiting the dividends Edison may pay SCEcorp. SCEcorp does not expect this restriction to affect its ability to meet its cash obligations.

Authorized common stock is 400 million shares with no par value. Outstanding common stock was 223,868,027 shares and 219,953,020 shares at December 31, 1992, and 1991, respectively.

SCEcorp issued 3,915,007 ($160 million), 1,478,588 ($67 million) and zero shares of common stock in 1992, 1991 and 1990, respectively.

Edison's authorized shares of original preferred, $25 cumulative preferred, $100 cumulative preferred, $25 preference and $100 preference stock are: 480,000; 24 million; 12 million; 10 million; and 2 million, respectively. All cumulative preferred stocks are redeemable. Manditorily redeemable preferred stocks are subject to sinking fund provisions. When preferred shares are redeemed, the premiums paid are charged to common equity.

Edison's cumulative preferred stock not subject to mandatory redemption consisted of:

	December 31, 1992		December 31,	
Dollars in millions, except per-share amounts	Shares Outstanding	Redemption Price	1992	1991
$25 par value:				
4.08%	1,000,000	$ 25.50	$ 25	$ 25
4.24	1,200,000	25.80	30	30
4.32	1,653,429	28.75	41	41
4.78	1,296,769	25.80	33	33
5.80	2,200,000	25.25	55	55
7.36	4,000,000	25.00	100	—
$100 par value:				
7.58%	750,000	101.00	75	75
8.70	—	—	—	50
8.96	—	—	—	50
Total			$359	$359

Edison's cumulative preferred stock subject to mandatory redemption consisted of:

	December 31, 1992		December 31, 1992		December 31, 1991
Dollars in millions, except per-share amounts	Shares Outstanding	Redemption Price	Carrying Amount	Fair Value	Carrying Amount
$100 par value:					
6.45%	1,000,000	$100.00	$100	$103	$ —
7.23	1,000,000	100.00	100	104	—
7.325	427,381	102.53	42	44	46
7.80	411,495	103.47	41	43	43
8.54	—	—	—	—	55
8.70A	—	—	—	—	39
12.31	—	—	—	—	28
Preferred stock to be redeemed within one year			(5)	(6)	(12)
Total			$278	$288	$199

Preferred stock redemption requirements are $5 million per year for the next five years.

Changes in Edison's preferred stocks were:

	Year ended December 31,		
In thousands of shares	1992	1991	1990
6.45%	1,000	—	—
7.23	1,000	—	—
7.325	(30)	(30)	(30)
7.36	4,000	—	—
7.80	(18)	(18)	(18)
8.54	(547)	(22)	(22)
8.70	(500)	—	—
8.70A	(394)	(13)	(13)
8.96	(500)	—	—
12.31	(277)	(34)	(50)
Net issuances (redemptions)	3,734	(117)	(133)

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 subsidiary calculates its own tax liability.

Current and Deferred Taxes

Income tax expense includes the current tax liability from operations. It also includes deferred income taxes on certain income and expense items reported in different periods for tax and financial reporting purposes. Accumulated deferred investment tax credits are amortized over the lives of the related properties.

Federal, and composite federal and state statutory income tax rates were 34% and 40.138%, respectively, for all years presented.

Deferred income taxes for tax depreciation before 1981 and certain construction overheads have not been provided, because the tax effects of these timing differences are not allowed for retail ratemaking until the taxes become payable. The cumulative net amount of these timing differences was approximately $1.6 billion and $1.8 billion at December 31, 1992, and 1991, respectively.

The current and deferred components of income tax expense were:

	Year ended December 31,		
In millions	1992	1991	1990
Current:			
Federal	$324	$219	$244
State	110	114	120
	434	333	364
Deferred—federal and state:			
Accrued charges	(8)	(82)	(24)
Depreciation	150	163	188
Investment and energy tax credits—net	(30)	(33)	(20)
Leveraged leases	93	77	63
Rate phase-in plan	(50)	(17)	21
Regulatory balancing accounts	(121)	(27)	(29)
Resale revenue	34	22	(3)
Unbilled revenue	4	(5)	(21)
Other	(40)	5	(33)
	32	103	142
Total income tax expense	$466	$436	$506
Classification of income taxes:			
Included in operating income	$544	$453	$489
Included in other income	(78)	(17)	17

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

	Year ended December 31,		
	1992	1991	1990
Federal statutory rate	34.0%	34.0%	34.0%
Depreciation and related timing differences not deferred	3.0	4.3	4.3
Investment and energy tax credits	(2.5)	(3.6)	(2.5)
Merger expenses	—	(2.1)	0.9
State tax—net of federal deduction	4.3	5.7	6.2
Other	(0.1)	—	(3.7)
Effective tax rate	38.7%	38.3%	39.2%

New Accounting Standard

A new accounting standard, which must be implemented in 1993, requires a change from the deferred method to the asset-and-liability method of accounting for income taxes. SCEcorp will not restate prior-period statements when it implements the new standard. Edison will record balance sheet adjustments of approximately $1.6 billion to reflect previously unrecorded deferred taxes on temporary differences between book and tax income. The majority of these deferred taxes will be offset by regulatory assets and liabilities representing the anticipated effects on electric rates. Accordingly, this standard is 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 that is administered by a trustee and covers substantially all full-time employees who fulfill minimum service requirements. Benefits are based on years of accredited service and average base pay. SCEcorp's policy is to fund the plan on a level-premium actuarial method. These annual contributions must meet minimum legal funding requirements and do not exceed the maximum amount deductible under income tax regulations. Prior service costs from pension plan amendments are funded over 30-year periods. Plan assets are primarily common stocks, corporate and government bonds, short-term investments and guaranteed investment contracts.

Net pension cost recognized is calculated under the actuarial method used for ratemaking. The difference between pension costs calculated for accounting and ratemaking is recorded as a deferred item in the consolidated balance sheets.

The plan's funded status was:

	December 31,	
In millions	1992	1991
Actuarial present value of benefit obligations:		
Vested benefits	$1,438	$1,250
Nonvested benefits	38	33
Accumulated benefit obligation	1,476	1,283
Value of projected future compensation levels	494	557
Projected benefit obligation	$1,970	$1,840
Plan assets at fair value	$1,947	$1,889
Projected benefit obligation in excess of (less than) plan assets	$ 23	$ (49)
Unrecognized net gain	83	175
Unrecognized prior service cost	(6)	(6)
Unrecognized net obligation being amortized over 17 years	(67)	(73)
Accrued pension liability	$ 33	$ 47
Assumptions for defined-benefit pension plan:		
Discount rate	7.0%	7.5%
Rate of increase in future compensation	5.0%	6.0%
Expected long-term rate of return on assets	8.0%	8.5%

The components of pension expense were:

In millions	Year ended December 31, 1992	1991	1990
Net pension expense:			
Service cost for benefits earned	$ 55	$ 53	$ 58
Interest cost on projected benefit obligation	127	126	116
Actual return on plan assets	(86)	(375)	35
Net amortization and deferral	(62)	251	(167)
Pension cost under accounting standards	34	55	42
Regulatory adjustment	14	(7)	5
Net pension cost recognized	$ 48	$ 48	$ 47

Postretirement Benefits Other Than Pensions

Employees retiring at or after age 55, who have at least 10 years of service, are entitled to postretirement health care, dental, life insurance and other benefits. Health care benefits are subject to deductibles, copayment provisions and other limitations. The costs of these benefits are recognized as expense when paid. Edison began funding its future liability for these benefits in 1991 with a $62 million contribution. In late 1992, Edison funded an additional $49 million. These contributions are charged to expense over a 12-month period as they are recovered in rates. Total expense was $88 million in 1992, $33 million in 1991 and $24 million in 1990.

Financial statements after January 1, 1993, will reflect a new accounting standard for postretirement benefits other than pensions, which requires the expected cost of these benefits to be charged to expense during employees' service. SCEcorp will amortize the transition obligation ($710 million) over a 20-year period. Annual expense under the new standard is estimated at $115 million. In a December 3, 1992, decision, the CPUC authorized Edison to recover tax-deductible funding of these benefits in rates. In early 1993, Edison will seek CPUC approval for its 1993 funding plan. Any difference between expense determined under the new standard and amounts authorized for rate recovery is not expected to be significant and will be charged to earnings.

Stock Plans

SCEcorp has two stock plans that supplement employees' retirement income. The Employee Stock Ownership Plan was funded primarily by employees and federal income tax benefits. The Stock Savings Plus Plan received SCEcorp contributions of $20 million in 1992, $18 million in 1991 and $17 million in 1990.

Under SCEcorp's long-term incentive compensation plans, 4.1 million shares and 1.5 million shares of SCEcorp common stock were reserved at December 31, 1992, and 1991, respectively, for issue to key employees in various forms, including the exercise of stock options. There were 3.5 million shares and 1.1 million shares reserved for future grants at December 31, 1992, and 1991, respectively. Under SCEcorp's stock option plan, share options accrue dividend equivalents at the same rate as outstanding common stock; the dividend equivalents may be applied against the grant price at the time of exercise.

Activity in the stock option plan was:

	Share Options	Share Price
Outstanding, Dec. 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, Dec. 31, 1991	411,785	32.00– 40.19
Granted	197,700	41.31– 46.56
Canceled	(41,075)	37.50– 46.56
Exercised	(20,708)	32.37– 39.69
Outstanding, Dec. 31, 1992	547,702	32.00– 46.56
Exercisable, Dec. 31, 1992	265,729	$32.00–$46.56

Notes to Consolidated Financial Statements

Note 7. Jointly Owned Utility Projects

Edison owns 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, 1992, was:

In millions	Plant in Service	Accumulated Depreciation	Under Construction	Ownership Interest
Eldorado Transmission System	$ 25	$ 11	$ 2	60%
Four Corners Coal Generating Station – Units 4 and 5	448	199	2	48
Mohave Coal Generating Station	267	127	9	56
Pacific Intertie Transmission System	210	55	2	50
Palo Verde Nuclear Generating Station	1,518	240	40	16
San Onofre Nuclear Generating Station	4,003	1,135	50	75
Total	$6,471	$1,767	$105	–

Note 8. Leases

Investments in Leveraged Leases

Mission First Financial is the lessor in several leveraged-lease agreements with terms of 13 to 30 years. All operating, maintenance, insurance and decommissioning costs are the responsibility of the lessees. The total cost of these facilities was $1.4 billion at December 31, 1992, and $1.3 billion at December 31, 1991.

The equity investment in these facilities is 22% of the purchase price. The remainder is nonrecourse debt secured by first liens on the leased property. The lenders have accepted their security interests as their only remedy if the lessee defaults.

The net investment in leveraged leases consisted of:

In millions	December 31, 1992	December 31, 1991
Rentals receivable (net of principal and interest on nonrecourse debt)	$ 687	$ 620
Unearned income	(261)	(267)
Investment in leveraged leases	426	353
Estimated residual value	36	29
Deferred income taxes	(338)	(247)
Net investment in leveraged leases	**$ 124**	$ 135

Lease Commitments

SCEcorp has operating leases, primarily for vehicles, and a capital lease for a $170 million nonutility power-production facility.

Estimated remaining commitments for noncancelable leases at December 31, 1992, were:

In millions	Operating Leases	Capital Leases
Year ended December 31,		
1993	$ 28	$ 31
1994	24	25
1995	20	25
1996	15	25
1997	12	25
Thereafter	21	77
Total future commitments	$120	208
Amount representing interest (11%)		(55)
Net commitments		$153

Note 9. Commitments

Construction Program and Fuel Supply

As of December 31, 1992, construction expenditures were estimated to be $1.3 billion for 1993, $1.2 billion for 1994 and $1.2 billion for 1995. In addition, minimum long-term fuel-supply commitments were approximately $1.9 billion at December 31, 1992.

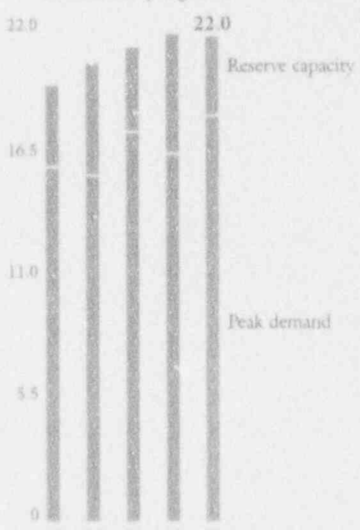
Long-Term Purchased Power and Transmission Contracts

Edison has contracted to purchase part of a power plant's generating output, as well as firm transmission service from another utility. Minimum payments are based, in part, on the debt-service requirements of the provider, whether or not the plant or transmission line is operable.

The purchased-power contract is not expected to provide more than 5% of current or estimated future operating capacity. Edison's minimum commitment under this contract is approximately $4 million annually for the next five years and approximately $100 million through the end of the contract in 2017. Edison's minimum commitment under the transmission contract is approximately $5 million annually for the next five years and approximately $125 million through the end of the contract in 2016.

Edison: Total Capacity—Generation and Load Management

In thousands of megawatts



Note 10. Contingencies

Environmental Protection

SCEcorp is subject to numerous legislative and regulatory environmental-protection requirements. To meet these requirements, SCEcorp will continue to incur substantial costs to operate existing facilities, construct and operate new facilities, and mitigate or remove the effect on the environment of past operations.

Edison has identified 43 sites for which it is, or may be, responsible for remediation under environmental laws. Edison is participating in investigations and cleanups at a number of these sites and has recorded a $45 million liability for its estimated cleanup costs. Additional investigations and cleanups will be performed as requested by environmental authorities or as Edison deems necessary. Additional costs may be incurred as Edison continues to monitor these obligations.

Current CPUC procedures for rate recovery of environmental-cleanup costs are expected to permit subsequent recovery of these costs, subject to reasonableness reviews. As a result, Edison has recorded a $45 million regulatory asset that represents the expected rate recovery of these costs. In a November 1992 decision involving another California utility, the CPUC concluded that the reasonableness review procedure may not be an appropriate mechanism for determining rate recovery of environmental-cleanup costs, and that alternative rate-making procedures should be considered. The CPUC requested interested parties to submit comments on these issues by late March 1993. The outcome of this matter is expected to set a precedent for rate recovery of environmental-cleanup costs for all California utilities. Accordingly, the CPUC could significantly modify or eliminate the current procedure used by Edison. In accordance with current CPUC procedures, Edison has filed for a reasonableness review for costs incurred through 1991 at two sites. Hearings have not been scheduled.

The probable effect on net income of these environmental-protection matters cannot be determined at this time, but SCEcorp believes it will not materially affect its financial position.

Nuclear Insurance

Federal law limits public liability claims from a nuclear incident to $7.8 billion. Edison and other owners of 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 that uses deferred premium charges. Federal regulations require this secondary level of financial protection. The maximum 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. However, 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. Insurance for San Onofre Unit 1 remains in effect pending Nuclear Regulatory Commission approval to discontinue the coverage.

Property damage insurance covers losses up to $500 million, including decontamination costs, at San Onofre and Palo Verde. Decontamination liability and property damage coverage exceeding the primary $500 million also has been purchased in amounts greater than federal requirements. Additional insurance covers part of replacement power expenses during an accident-related nuclear-unit outage. 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 for these insurance programs, Edison could be assessed retrospective premium adjustments of up to $31 million per year. Insurance premiums are charged to operating expense.

Note 11. Investments in Partnerships

The Mission companies have equity interests in energy generation and real estate investment partnerships. Summarized financial information of the partnerships was:

Income statements:	Year ended December 31,		
In millions	1992	1991	1990
Revenue	$1,369	$1,267	$1,239
Expenses	1,040	959	926
Net income	$ 329	$ 308	$ 313

Balance sheets:	December 31,	
In millions	1992	1991
Current assets	$ 762	$ 521
Other assets	3,258	3,252
Total assets	$4,020	$3,773
Current liabilities	$ 350	$ 290
Other liabilities	1,919	1,866
Equity	1,751	1,617
Total liabilities and equity	$4,020	$3,773

Mission Energy: Net Income

In millions of dollars

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 holdings (Mission Land Company). The nonutility segment operations are not individually significant for reporting purposes, so they are combined as "diversified operations" below.

SCEcorp's business segment information was:

	Year ended December 31,		
In millions	1992	1991	1990
Revenue:			
Electric	$ 7,722	$ 7,298	$ 6,986
Diversified operations	262	258	240
Total revenue	$ 7,984	$ 7,556	$ 7,226
Operating income:			
Electric	$ 1,750	$ 1,547	$ 1,630
Diversified operations	139	146	125
Total operating income before taxes	1,889	1,693	1,755
Income taxes	(544)	(453)	(489)
Corporate items and eliminations	(2)	(1)	—
Total operating income	$ 1,343	$ 1,239	$ 1,266
Depreciation and decommissioning:			
Electric	$ 797	$ 759	$ 711
Diversified operations	10	8	8
Total depreciation and decommissioning	$ 807	$ 767	$ 719
Assets:			
Electric	$15,798	$15,961	$15,737
Diversified operations	3,344	2,344	1,970
Corporate items and eliminations	(2)	38	(23)
Total assets	$19,140	$18,343	$17,684
Capital expenditures:			
Electric	$ 787	$ 964	$ 885
Diversified operations	57	69	78
Total capital expenditures	$ 844	$ 1,033	$ 963

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 that 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
Vice President
and Controller

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

February 5, 1993

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, 1992 and 1991, and the related consolidated statements of income, retained earnings and cash flows for each of the three years in the period ended December 31, 1992. 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, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.

Los Angeles, California
February 5, 1993

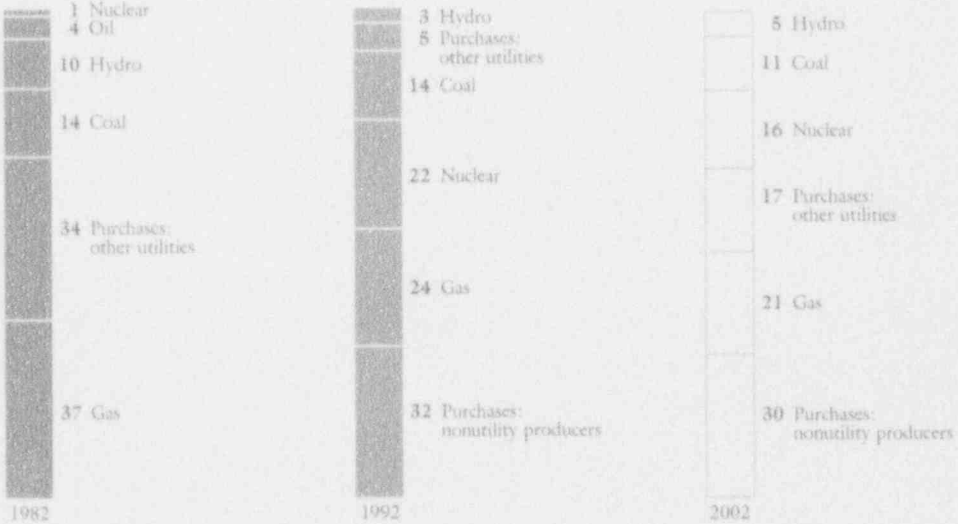
Quarterly Financial Data

Unaudited

In millions, except per-share amounts	1992 Total	1992 Fourth	1992 Third	1992 Second	1992 First	1991 Total	1991 Fourth	1991 Third	1991 Second	1991 First
Operating revenue	$7,984	$1,954	$2,550	$1,766	$1,714	$7,556	$1,940	$2,251	$1,695	$1,670
Operating income	1,343	298	440	303	302	1,239	254	386	295	304
Net income	739	152	272	158	157	703	115	248	168	172
Per share:										
Earnings	3.32	.68	1.22	.71	.71	3.21	.52	1.14	.77	.79
Dividends declared	2.78	.70	.70	.70	.68	2.70	.68	.68	.68	.66
Common stock prices										
High	$47⅝	$46¾	$47⅝	$46⅛	$47⅜	$47⅜	$47⅜	$45⅜	$39¾	$40
Low	40¼	42⅜	44⅛	40¼	40½	36	43¼	38⅝	38	36
Close	44	44	45¼	44¼	40¾	46¾	46¾	44⅜	38⅞	39¾

Edison: Energy Mix

In percent



Selected Financial Data: 1988–1992

SCEcorp and Subsidiaries

Dollars in millions, except per-share amounts December 31,	1992	1991	1990	1989	1988
SCEcorp and Subsidiaries					
Operating revenue	$ 7,984	$ 7,556	$ 7,226	$ 6,904	$ 6,253
Operating expenses	$ 6,641	$ 6,317	$ 5,960	$ 5,737	$ 5,156
Net income	$ 739	$ 703	$ 786	$ 778	$ 762
Weighted-average shares of common stock outstanding (in millions)	223	219	218	218	218
Per-share data:					
Earnings	$3.32	$3.21	$3.60	$3.56	$3.49
Dividends declared	$2.78	$2.70	$2.62	$2.54	$2.45½
Book value	$26.59	$25.83	$25.19	$24.21	$23.18
Market value at year-end	$44	$46¾	$37⅞	$39⅜	$32⅜
Dividend payout ratio	83.1%	83.5%	72.2%	70.8%	69.6%
Rate of return on common equity	12.54%	12.51%	14.51%	14.99%	15.33%
Price/earnings ratio	13.3	14.6	10.5	11.1	9.3
Ratio of earnings to fixed charges	2.68	2.53	2.69	2.79	2.86
Assets	$19,140	$18,343	$17,684	$16,495	$15,781
Retained earnings	$ 3,263	$ 3,150	$ 3,038	$ 2,824	$ 2,601
Common shareholders' equity	$ 5,954	$ 5,681	$ 5,503	$ 5,289	$ 5,065
Preferred and preference stock:					
Not subject to mandatory redemption	$ 359	$ 359	$ 359	$ 359	$ 359
Subject to mandatory redemption	$ 278	$ 199	$ 210	$ 224	$ 239
Long-term debt	$ 6,320	$ 5,940	$ 5,488	$ 5,283	$ 5,422
Southern California Edison Company					
Financial data:					
Earnings	$631	$587	$693	$679	$685
Earnings per SCEcorp common share	$2.83	$2.68	$3.17	$3.10	$3.14
Internal generation of funds	83%	70%	76%	88%	100%
Operating and sales data:					
Peak demand in megawatts (MW)	18,413	16,709	17,647	15,632	15,987
Generation capacity at peak (MW)	20,712	20,875	20,323	20,136	18,893
Kilowatt-hour sales (in millions)	74,186	71,146	71,614	69,136	67,886
Customers (in millions)	4.11	4.08	4.03	3.94	3.83
Employees	16,736	17,110	16,604	16,627	16,660
Mission Companies					
Common shareholder's equity	$1,169	$1,020	$904	$735	$505
Net income	$ 109	$ 116	$ 94	$100	$ 78
Earnings per SCEcorp common share	$.49	$.53	$.43	$.46	$.35
Percent of SCEcorp's earnings per share	14.8%	16.5%	11.9%	12.9%	10.0%

Annual Meeting of Shareholders

Date: **April 15, 1993**
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

The New York, Pacific, London and Tokyo stock exchanges use the ticker symbol SCE. Daily papers list as SCEcp, or SCEcorp.

Edison Preferred Stocks

The American and Pacific stock exchanges use the ticker symbol SCE. Previous day's closing prices are listed in the American Stock Exchange table under the symbol SoCalEd. The 6.45%, 7.23%, 7.325% and 7.80% series are not listed.

Transfer Agent and Registrar

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

- stock transfer and name-change requirements;
- address changes, including dividend addresses;
- taxpayer identification number submission or changes;
- duplicate 1099 and W-9 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

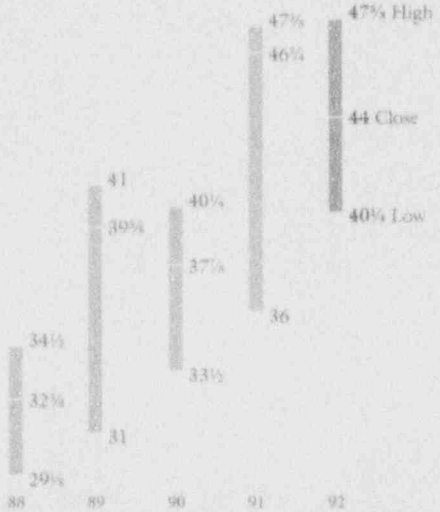
Shareholders can purchase additional common stock shares by reinvesting their quarterly dividends. A prospectus on SCEcorp's Dividend Reinvestment Plan is available from Shareholder Services.

Dividend checks can be mailed directly to your savings institution for deposit. Send instructions to Shareholder Services, including your shareholder account number, savings institution account number or a blank deposit slip, and the institution's address.

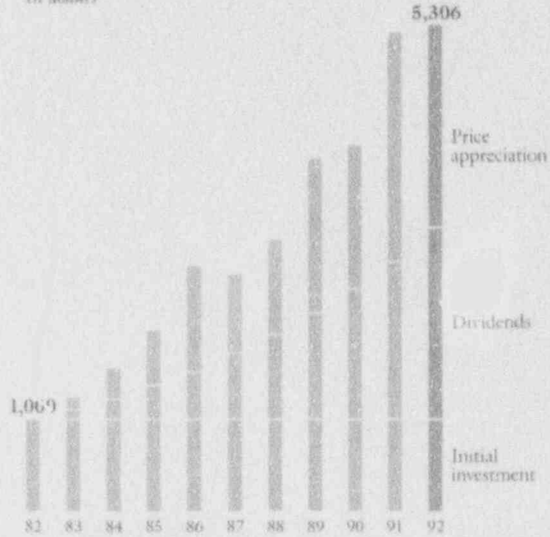
How to Transfer Stock

A change of ownership of shares requires a transfer of stock. This can happen when you sell stock, make a gift of stock, or add or delete owners of the stock certificate. You should complete the assignment on the back of the certificate and sign it exactly as your name appears on the front. Your signature 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.

SCEcorp:
Five-Year Stock Price History
In dollars



SCEcorp:
$1,000 Investment in SCEcorp Stock
In dollars



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