



EDISON
INTERNATIONAL®

2007

Financial &

Statistical

Report



Contents

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Corporate profiles

Edison International

Edison International, through its subsidiaries, is a generator and distributor of electric power and an investor in infrastructure and energy assets, including renewable energy. The company operates in regulated and competitive markets with a power generation capacity of approximately 14,955 megawatts. Headquartered in Rosemead, California, Edison International is the parent company of a regulated electric utility and a competitive power generation business with combined assets totaling about \$37 billion as of December 31, 2007.

Southern California Edison Company

Southern California Edison Company is one of the nation's largest investor-owned electric utilities, serving more than 13 million people in a 50,000 square-mile area of central, coastal and southern California excluding the City of Los Angeles and certain other cities. Based in Rosemead, California, the utility has been providing electric service in the region for 122 years.

Edison Mission Group

In March 2005, the management structure of Edison Mission Energy and Edison Capital was reorganized. The independent power generation and capital and financial services businesses are now commonly managed in an integrated business platform and for convenience are referred to as the Edison Mission Group.

Mission Energy Holding Company / Edison Mission Energy

Mission Energy Holding Company is the parent company of Edison Mission Energy (EME). EME is an independent power producer engaged in the business of developing, acquiring, owning or leasing, operating and selling energy and capacity from independent power production facilities. EME also conducts hedging and energy trading activities in power markets open to competition. As of December 31, 2007, EME's continuing operations consisted of owned or leased interests in 33 operating projects of which EME's capacity pro rata share was 9,453 MW.

Edison Capital

Edison Capital has investments worldwide in energy and infrastructure projects, including power generation, electric transmission and distribution, transportation, and telecommunications. Edison Capital also has investments in affordable housing projects located throughout the United States.

Edison International Consolidated Earnings

	Three Months Ended		Year Ended December 31,		
	December 31,		2007	2006	2005
	2007	2006			
Earnings (Loss) (in millions)					
Southern California Edison Company	\$ 120	\$ 158	\$ 707	\$ 776	\$ 725
Edison Mission Group	99	113	412	334	414
Edison International (parent) and other	(5)	(5)	(19)	(27)	(31)
EIX consolidated earnings from continuing operations	214	266	1,100	1,083	1,108
Income (loss) from discontinued operations	(3)	22	(2)	97	30
Cumulative effect of accounting change	—	—	—	1	(1)
Total EIX consolidated earnings	\$ 211	\$ 288	\$ 1,098	\$ 1,181	\$ 1,137
Earnings (Loss) per common share					
Southern California Edison Company	\$ 0.37	\$ 0.48	\$ 2.17	\$ 2.38	\$ 2.22
Edison Mission Group	0.30	0.35	1.27	1.02	1.27
Edison International (parent) and other	(0.02)	(0.03)	(0.10)	(0.12)	(0.11)
EIX consolidated earnings from continuing operations	0.65	0.80	3.34	3.28	3.38
Earnings (loss) from discontinued operations	(0.01)	0.07	(0.01)	0.30	0.09
Total EIX consolidated earnings	\$ 0.64	\$ 0.87	\$ 3.33	\$ 3.58	\$ 3.47
Core vs. non-core presentation of earnings (loss) per common share					
Southern California Edison Company	\$ 0.37	\$ 0.32	\$ 2.07	\$ 1.89	\$ 1.82
Edison Mission Group	0.30	0.36	1.72	1.30	\$ 1.42
Edison International (parent) and other	(0.02)	(0.03)	(0.10)	(0.12)	(0.11)
EIX consolidated core earnings	\$ 0.65	\$ 0.65	\$ 3.69	\$ 3.07	\$ 3.13
Non-core items:					
SCE – Regulatory and tax items	—	0.15	0.10	0.40	0.36
SCE – Generator settlement / refund incentive	—	0.01	—	0.09	0.04
EMG – March Point impairment	—	—	—	—	(0.10)
EMG – Early debt retirements	—	(0.01)	(0.45)	(0.28)	(0.05)
EMG – Discontinued operations	(0.01)	0.07	(0.01)	0.30	0.09
Total non-core items	(0.01)	0.22	(0.36)	0.51	0.34
Total EIX consolidated earnings	\$ 0.64	\$ 0.87	\$ 3.33	\$ 3.58	\$ 3.47

Security Credit Ratings

	Fitch			Moody's			Standard and Poors		
	12/31/06	09/30/07	12/31/07	12/31/06	09/30/07	12/31/07	12/31/06	09/30/07	12/31/07
SCE Senior Secured	A+	A+	A+	A2	A2	A2	BBB+	A	A
SCE Senior Unsecured	A	A	A	A3	A3	A3	BBB	BBB	BBB
SCE Preferred Stock	A-	A-	A-	Baa2	Baa2	Baa2	BBB-	BBB-	BBB-
SCE Commercial Paper	F-1	F-1	F-1	P-2	P-2	P-2	A-2	A-2	A-2
EME Senior Unsecured	BB-	BB-	BB-	B1	B1	B1	BB-	BB-	BB-
EME Funding Corp.	NR	NR	BB-	Ba1	Ba1	B1	BB-	BB-	BB-
MWG LLC Senior Secured	BBB-	BBB-	BBB-	Baa3	Baa3	Baa3	BB	BB+	BB+
Homer City Funding LLC	BBB-	BBB-	BBB-	Ba2	Ba2	Ba2	BB	BB	BB
EC Edison Funding Senior Unsec.	BB	BB	NR	Ba1	Ba1	Ba1	BB+	BB+	BB+

RRB = Rate Reduction Bonds (also known as Rate Reduction Notes)

NR = not rated

Highlights

As of December 31, or
Year Ended December 31,

	2007	2006	2005
Edison International			
Basic earnings per share	\$ 3.33	\$ 3.58	\$ 3.47
Diluted earnings per share	\$ 3.31	\$ 3.57	\$ 3.45
Net income (millions)	\$ 1,098	\$ 1,181	\$ 1,137
Income from continuing operations	\$ 1,100	\$ 1,083	\$ 1,108
Book value per share	\$ 25.92	\$ 23.66	\$ 20.30
Recourse financial capital structure: ¹			
Common equity	42.1%	43.3%	41.1%
Preferred securities	4.6%	5.1%	4.5%
Debt	53.3%	51.6%	54.4%
Total	100.0%	100.0%	100.0%

Southern California Edison

Basic earnings per Edison International common share	\$ 2.17	\$ 2.38	\$ 2.22
Net income available for common stock (millions)	\$ 707	\$ 776	\$ 725
Ratemaking rate of return on common equity — authorized	11.6%	11.6%	11.4%
Kilowatt-hour sales (millions)	97,688	96,146	100,992
Peak demand in megawatts (MW) ²	23,303	22,889	21,934
Generating capacity resources (MW) ³	9,401	9,257	10,536
Customers (thousands)	4,851	4,812	4,741
Employees	15,067	14,362	14,041

Edison Mission Group

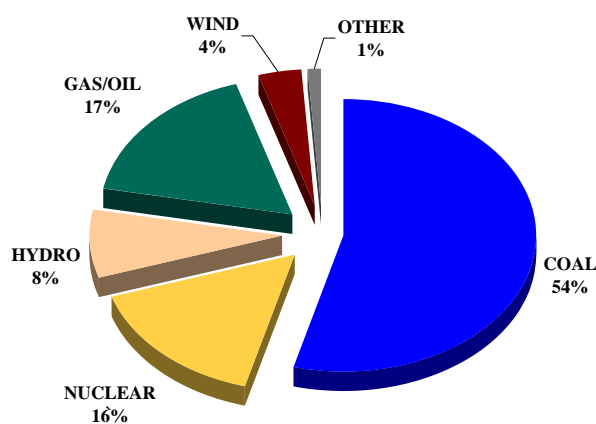
Basic earnings per Edison International common share	\$ 1.26	\$ 1.32	\$ 1.36
Income from continuing operations (millions)	\$ 412	\$ 334	\$ 414
Net income (millions)	\$ 410	\$ 432	\$ 443
Equity (millions)	\$ 2,328	\$ 2,308	\$ 2,547
Employees	1,807	1,751	1,768

¹ The 2007 ratios include common equity and preferred securities as reflected on the EIX balance sheets. Debt includes the Powerton/Joliet lease termination value of \$1.3 billion, and short and long-term debt. Debt excludes non-recourse debt from continuing operations totaling \$2.0 billion as outlined on pages 11-12 of this document. The comparable 2007 ratios, based on the same balance sheet classifications, including non-recourse debt and excluding the Powerton/Joliet lease termination value, for common equity, preferred securities and debt are 44.7%, 4.8%, and 50.5% respectively. 2006 ratios are calculated on the same basis as 2007, and include the Powerton/Joliet lease termination value of \$1.4 billion, as a component of debt. Non-recourse debt of \$1.8 billion is excluded. The comparable 2006 ratios, including non-recourse amounts and excluding the Powerton/Joliet lease termination value, are 42.3%, 5.0% and 52.7% for common equity, preferred securities and debt, respectively.

² Includes all of the load on transmission and distribution systems.

³ Excludes CDWR allocated contracts starting in 2001 and transitional capacity contracts.

Owned MW



	As of 12/31/2007 EIX Share MW
Gas/oil	2,583
Coal	8,114
Nuclear	2,361
Hydro	1,178
Wind ¹	566
Other ²	153
Total	14,955

¹ Excludes EMG's 447 MW wind projects under construction as of December 31, 2007.

² Other represents EMG's share in a biomass plant located in New York (9 MW) and the Doga natural gas plant located in Turkey (144 MW).

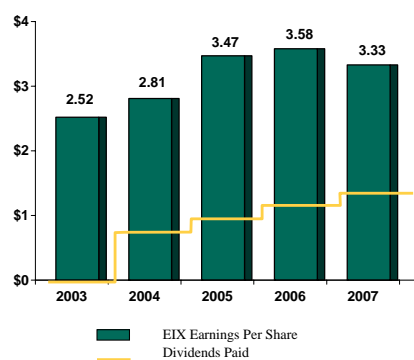
Edison International Consolidated Per-Share Data — Common Stock

Year Ended December 31,	2007	2006	2005	2004	2003	2002
Basic earnings per share	\$ 3.33	\$ 3.58	\$ 3.47	\$ 2.81	\$ 2.52	\$ 3.31
Diluted earnings per share	\$ 3.31	\$ 3.57	\$ 3.45	\$ 2.77	\$ 2.50	\$ 3.28
Dividends per share:						
Paid ¹	\$ 1.160	\$ 1.080	\$ 1.000	\$ 0.800	\$ —	\$ —
Declared ¹	\$ 1.175	\$ 1.100	\$ 1.020	\$ 0.850	\$ 0.200	\$ —
Year-ended data:						
Dividend rate ¹	\$ 1.22	\$ 1.16	\$ 1.08	\$ 1.00	\$ —	\$ —
Dividend yield (paid) ¹	2.2%	2.4%	2.3%	2.5%	—	—
Dividends payout ratio (paid) ¹	34.8%	30.2%	28.8%	28.5%	—	—
Book value per share	\$ 25.92	\$ 23.66	\$ 20.30	\$ 18.56	\$ 16.52	\$ 13.62
Market price/book value ratio	2.1x	1.9x	2.1x	1.7x	1.3x	0.9x
Price/earnings ratio	16.0x	12.7x	12.6x	11.4x	8.7x	3.6x
Total shareholder return:						
Appreciation and dividends paid ^{1,2}	19.9%	7.0%	39.6%	50.7%	86.8%	(21.5)%
Price:						
High	\$ 60.26	\$ 47.15	\$ 49.16	\$ 32.52	\$ 22.07	\$ 19.60
Low	\$ 42.76	\$ 37.90	\$ 30.43	\$ 21.24	\$ 10.57	\$ 7.80
Year-end	\$ 53.37	\$ 45.48	\$ 43.61	\$ 32.03	\$ 21.93	\$ 11.85
Common shares outstanding (thousands)	325,811	325,811	325,811	325,811	325,811	325,811
Weighted-average shares of common stock outstanding (thousands)	325,811	325,811	325,811	325,811	325,811	325,811

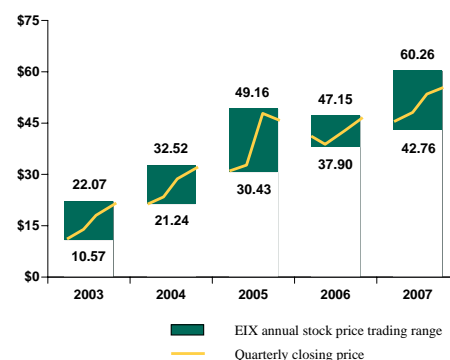
1 The quarterly common stock dividends customarily paid on January 31, April 30, July 31, and October 31, were not declared for 2002 and 2003.

2 The EIX Common Stock dividend of \$0.20 per share, declared in December 2003 and paid in January 2004, was included in the 2003 one-year total shareholder return calculation.

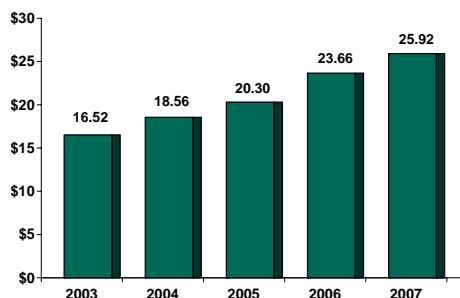
**BASIC EARNINGS PER SHARE
AND DIVIDENDS PAID**



STOCK PRICE RANGE



BOOK VALUE PER SHARE



Edison International Consolidated Balance Sheet

(In millions)

December 31,

	2007	2006	2005
Assets			
Cash and equivalents	\$ 1,441	\$ 1,795	\$ 1,893
Restricted cash	3	59	60
Margin and collateral deposits	141	124	739
Receivables, less allowances of \$34, \$29 and \$33 for uncollectible accounts at respective dates	1,033	1,014	1,220
Accrued unbilled revenue	370	303	291
Fuel inventory	116	122	80
Materials and supplies	316	270	261
Accumulated deferred income taxes — net	167	203	218
Derivative assets	110	328	316
Regulatory assets	197	554	536
Short-term investments	81	558	211
Other current assets	290	152	134
Total current assets	4,265	5,482	5,959
Nonutility property — less accumulated provision for depreciation of \$1,765, \$1,627 and \$1,424 at respective dates	4,906	4,356	4,119
Nuclear decommissioning trusts	3,378	3,184	2,907
Investments in partnerships and unconsolidated subsidiaries	272	308	426
Investments in leveraged leases	2,473	2,495	2,447
Other investments	96	91	115
Total investments and other assets	11,125	10,434	10,014
Utility plant, at original cost:			
Transmission and distribution	18,940	17,606	16,760
Generation	1,767	1,465	1,370
Accumulated provision for depreciation	(5,174)	(4,821)	(4,763)
Construction work in progress	1,693	1,486	956
Nuclear fuel, at amortized cost	177	177	146
Total utility plant	17,403	15,913	14,469
Regulatory assets	2,721	2,818	3,013
Restricted cash	48	91	105
Margin and collateral deposits	18	4	137
Derivative assets	122	131	132
Rent payments in excess of levelized rent expense under plant operating leases	716	556	395
Other long-term assets	1,144	832	556
Total long-term assets	4,769	4,432	4,338
Assets of discontinued operations	—	—	11
Total assets	\$ 37,562	\$ 36,261	\$ 34,791

Edison International Nonutility Property

(In millions)

December 31,

	2007	2006	2005
Furniture and equipment	\$ 90	\$ 107	\$ 102
Building, plant and equipment	4,490	4,026	3,663
Land (including easements)	85	78	78
Emission allowances	1,305	1,305	1,305
Leasehold improvements	110	100	90
Construction in progress	591	367	305
	6,671	5,983	5,543
Accumulated provision for depreciation	(1,765)	(1,627)	(1,424)
Nonutility property — net	\$ 4,906	\$ 4,356	\$ 4,119

Edison International Consolidated Balance Sheet

(In millions)

December 31,

	2007	2006	2005
Liabilities and shareholders' equity			
Short-term debt	\$ 500	\$ —	\$ —
Long-term debt due within one year	18	488	745
Accounts payable	979	926	961
Accrued taxes	49	155	262
Accrued interest	160	196	212
Counterparty collateral	42	36	183
Customer deposits	219	198	183
Book overdrafts	212	140	257
Derivative liabilities	149	181	418
Regulatory liabilities	1,019	1,000	681
Other Current Liabilities	933	983	1,057
Total current liabilities	4,280	4,303	4,959
Long-term debt	9,016	9,101	8,833
Accumulated deferred income taxes — net	5,196	5,297	5,256
Accumulated deferred investment tax credits	114	122	130
Customer advances	155	160	153
Derivative liabilities	116	86	101
Power-purchase contracts	22	32	64
Accumulated provision for pensions and benefits	1,089	1,099	745
Asset retirement obligations	2,892	2,759	2,628
Regulatory liabilities	3,433	3,140	2,962
Other deferred credits and other long-term liabilities	1,595	1,267	1,311
Total deferred credits and other liabilities	14,612	13,962	13,350
Liabilities of discontinued operations	—	—	14
Total liabilities	27,908	27,366	27,156
Minority interest	295	271	301
Preferred and preference stock of utility not subject to mandatory redemption	915	915	719
Common stock, no par value (325,811,206 shares outstanding at each date)	2,225	2,080	2,043
Accumulated other comprehensive income (loss)	(92)	78	(226)
Retained earnings	6,311	5,551	4,798
Total common shareholders' equity	8,444	7,709	6,615
Total liabilities and shareholders' equity	\$ 37,562	\$ 36,261	\$ 34,791

Edison International Estimated Commitments For 2008 - 2011 And Thereafter

(In millions)

As of December 31, 2007

	2008	2009	2010	2011	2012	Thereafter
Long-term debt maturities and interest	\$ 574	\$ 724	\$ 841	\$ 538	\$ 539	\$ 14,371
Fuel supply contract payments	541	407	223	77	73	243
Gas and coal transportation payments	253	168	172	8	8	43
Purchased-power capacity payments	410	324	294	290	339	1,152
Operating lease obligations	980	1,056	1,001	765	598	3,897
Capital lease obligations	4	3	4	1	1	7
Turbine commitments	484	540	49	—	—	—
Capital improvements	249	—	—	—	—	—
Other commitments	34	28	29	18	10	27
Employee benefit plans contributions ²	110	—	—	—	—	—
Total³	\$ 3,639	\$ 3,250	\$ 2,613	\$ 1,697	\$ 1,568	\$ 19,740

¹ Amount includes scheduled principal payments for debt outstanding as of December 31, 2007 and related forecast interest payments over the applicable period of debt.

² Amount includes estimated contributions to the pension and PBOP plans. The estimated contributions for EME and SCE are not available beyond 2008.

³ At December 31, 2007, Edison International had a total net liability recorded for uncertain tax positions of \$374 million, which is excluded from the table. Edison International cannot make reliable estimates of the cash flows by period due to uncertainty surrounding the timing of resolving these open issues with the IRS.

Edison International Consolidated Statement of Income

(In millions, except per-share data)

	Three Months Ended December 31,		Year Ended December 31,		
	2007	2006	2007	2006	2005
Electric utility	\$ 2,581	\$ 2,494	\$ 10,476	\$ 10,312	\$ 9,500
Nonutility power generation	623	554	2,575	2,228	2,248
Financial services and other	7	19	62	82	104
Total operating revenue	<u>3,211</u>	<u>3,067</u>	<u>13,113</u>	<u>12,622</u>	<u>11,852</u>
Fuel	449	431	1,875	1,757	1,810
Purchased power	694	590	3,124	3,409	2,622
Provisions for regulatory adjustment clauses — net	82	281	271	25	435
Other operation and maintenance	1,176	1,034	4,067	3,762	3,609
Asset impairment and loss on lease termination	—	—	—	—	12
Depreciation, decommissioning and amortization	327	258	1,264	1,181	1,061
Net loss (gain) on sale of utility property and plant	2	(1)	3	(2)	(10)
Total operating expenses	<u>2,730</u>	<u>2,593</u>	<u>10,604</u>	<u>10,132</u>	<u>9,539</u>
Operating income	481	474	2,509	2,490	2,313
Interest and dividend income	29	48	154	169	112
Equity in income from partnerships and unconsolidated subsidiaries — net	7	26	79	79	136
Other nonoperating income	21	43	95	133	136
Interest expense — net of amounts capitalized	(175)	(200)	(752)	(807)	(794)
Impairment loss on equity method investment	—	—	—	—	(55)
Other nonoperating deductions	(13)	(28)	(45)	(63)	(67)
Loss on early extinguishment of debt	—	(3)	(241)	(146)	(25)
Income from continuing operations before tax and minority interest	350	360	1,799	1,855	1,756
Income tax expense	100	66	492	582	457
Dividends on preferred and preference stock of utility not subject to mandatory redemption	13	13	51	51	24
Minority interest	23	15	156	139	167
Income from continuing operations	214	266	1,100	1,083	1,108
Income (loss) from discontinued operations — net of tax	(3)	22	(2)	97	30
Income before accounting change	211	288	1,098	1,180	1,138
Cumulative effect of accounting change — net of tax	—	—	—	1	(1)
Net income	<u>\$ 211</u>	<u>\$ 288</u>	<u>\$ 1,098</u>	<u>\$ 1,181</u>	<u>\$ 1,137</u>
Weighted-average shares of common stock outstanding	326	326	326	326	326
Basic earnings (loss) per share:					
Continuing operations	\$ 0.65	\$ 0.80	\$ 3.34	\$ 3.28	\$ 3.38
Discontinued operations	(0.01)	0.07	(0.01)	0.30	0.09
Total	<u>\$ 0.64</u>	<u>\$ 0.87</u>	<u>\$ 3.33</u>	<u>\$ 3.58</u>	<u>\$ 3.47</u>
Weighted-average shares, including effect of dilutive securities	330	330	331	330	332
Diluted earnings (loss) per share:					
Continuing operations	\$ 0.65	\$ 0.80	\$ 3.32	\$ 3.27	\$ 3.36
Discontinued operations	(0.01)	0.07	(0.01)	0.30	0.09
Total	<u>\$ 0.64</u>	<u>\$ 0.87</u>	<u>\$ 3.31</u>	<u>\$ 3.57</u>	<u>\$ 3.45</u>
Dividends declared per common share	\$ 0.305	\$ 0.290	\$ 1.175	\$ 1.100	\$ 1.020

Edison International Business Segments ¹

<i>In millions</i>	Electric Utility	Nonutility Power Generation	Financial Services	Corporate & Other ²	Edison International
2007					
Operating revenue	\$ 10,476	\$ 2,575	\$ 56	\$ 6	\$ 13,113
Depreciation, decommissioning, and amortization	1,094	161	9	—	1,264
Interest and dividend income	39	96	15	4	154
Equity in income from partnerships and unconsolidated subsidiaries — net	—	51	28	—	79
Interest expense — net of amounts capitalized	429	309	10	4	752
Income tax expense (benefit) — continuing operations	337	173	4	(22)	492
Income (loss) from continuing operations	707	342	69	(18)	1,100
Net income (loss) ³	707	340	69	(18)	1,098
Total assets	27,449	7,054	2,820	239	37,562
Capital expenditures	2,286	540	—	—	2,826

¹ Includes the elimination of intercompany transactions.

² Includes amounts from nonutility subsidiaries, as well as Edison International (parent) that are not significant as a reportable segment.

³ Net income available for common stock.

Edison International Consolidated Statement of Cash Flows

(In millions)

Year Ended December 31,

	2007	2006	2005
Cash flows from operating activities:			
Net income	\$ 1,098	\$ 1,181	\$ 1,137
Less: income (loss) from discontinued operations	(2)	97	30
Income from continuing operations	<u>1,100</u>	<u>1,084</u>	<u>1,107</u>
Adjustments to reconcile to net cash provided by operating activities:			
Cumulative effect of accounting change, net of tax	—	(1)	1
Depreciation, decommissioning and amortization	1,264	1,181	1,061
Loss on impairment of nuclear decommissioning trust	58	54	—
Other amortization	111	99	107
Stock-based compensation	37	47	48
Minority interest	156	139	167
Deferred income taxes and investment tax credits	(39)	(136)	160
Equity in income from partnerships and unconsolidated subsidiaries	(75)	(76)	(136)
Income from leveraged leases	(49)	(67)	(71)
Regulatory assets — long-term	148	92	387
Regulatory liabilities — long-term	157	18	(168)
Loss on early extinguishment for debt	241	146	25
Impairment losses	—	—	67
Levelized rent expense	(160)	(161)	(117)
Derivative assets — long-term	(14)	(8)	(42)
Derivative liabilities — long-term	(67)	50	97
Other assets	(180)	(231)	75
Other liabilities	197	307	1
Margin and collateral deposits - net of collateral received	(24)	601	(586)
Receivables and accrued unbilled revenue	(59)	208	(321)
Derivative assets — short-term	111	182	(233)
Derivative liabilities — short-term	(108)	(103)	137
Inventory and other current assets	(121)	(68)	(47)
Regulatory assets — short-term	357	(18)	17
Regulatory liabilities — short-term	19	318	192
Book overdrafts	72	—	—
Accrued interest and taxes	12	(123)	36
Accounts payable and other current liabilities	18	(121)	203
Distributions and dividends from unconsolidated entities	33	61	58
Operating cash flows from discontinued operations	(2)	94	22
Net cash provided by operating activities	<u>3,193</u>	<u>3,568</u>	<u>2,247</u>
Cash flows from financing activities:			
Long-term debt issued	2,930	2,350	1,325
Premiums paid on extinguishment of debt issuance costs	(241)	(181)	(25)
Long-term debt repaid	(3,215)	(2,110)	(2,071)
Bonds repurchased	(37)	—	—
Issuance of preference stock	—	196	591
Redemption of preferred stock	—	—	(148)
Rate reduction notes repaid	(246)	(246)	(246)
Book overdrafts	—	(118)	25
Short-term debt financing — net	500	—	(88)
Shares purchased for stock-based compensation	(215)	(173)	(192)
Proceeds from stock option exercises	86	66	85
Excess tax benefits related to stock option exercises	45	27	—
Dividends to minority shareholders	(106)	(162)	(174)
Dividends paid	(378)	(352)	(326)
Net cash used by financing activities	<u>(877)</u>	<u>(703)</u>	<u>(1,244)</u>
Cash flows from investing activities:			
Capital expenditures	(2,826)	(2,536)	(1,868)
Purchase of interest of acquired companies	(33)	(18)	(154)
Proceeds from sale of property and interests in projects	2	89	10
Proceeds from sale of discontinued operations	—	—	124
Proceeds from nuclear decommissioning trust sales	3,697	3,010	2,067
Purchases of nuclear decommissioning trust investments and other	(3,830)	(3,150)	(2,159)
Proceeds from partnerships and unconsolidated subsidiaries, net of investment	42	25	132
Maturities and sales of short-term investments	9,953	7,128	2,928
Purchase of short-term investments	(9,476)	(7,474)	(2,999)
Restricted cash	99	13	53
Customer advances for construction and other investments	(298)	(50)	62
Investing cash flows from discontinued operations	—	—	5
Net cash used by investing activities	<u>(2,670)</u>	<u>(2,963)</u>	<u>(1,799)</u>
Effect of consolidation of variable interest entities on cash	—	—	3
Effect of exchange rate changes on cash	—	—	(1)
Net decrease in cash and equivalents	<u>(354)</u>	<u>(98)</u>	<u>(794)</u>
Cash and equivalents, beginning of year	<u>1,795</u>	<u>1,893</u>	<u>2,689</u>
Cash and equivalents, end of year	1,441	1,795	1,895
Cash and equivalents — discontinued operations	—	—	(2)
Cash and equivalents — continuing operations	<u>\$ 1,441</u>	<u>\$ 1,795</u>	<u>\$ 1,893</u>

Edison International Consolidated Income Tax Schedules

(In millions)

Year Ended December 31,

	2007	2006	2005
The components of income tax expense (benefit) by location of taxing jurisdiction are:			
Current:			
Federal	\$ 359	\$ 652	\$ 400
State	95	149	103
Foreign	—	1	(1)
Subtotal Current	<u>454</u>	<u>802</u>	<u>502</u>
Deferred:			
Federal	57	(159)	16
State	(19)	(61)	(61)
Subtotal Deferred	<u>38</u>	<u>(220)</u>	<u>(45)</u>
Total continuing operations	492	582	457
Discontinued operations	5	22	(40)
Accounting change	—	—	(1)
Total	<u>\$ 497</u>	<u>\$ 604</u>	<u>\$ 416</u>

The federal statutory income tax rate is reconciled to the effective tax rate from continuing operations as follows:

Year Ended December 31,	2007	2006	2005
Federal statutory rate	35.0%	35.0%	35.0%
Tax reserve adjustments	(3.5)	2.5	(2.1)
Resolution of state audit issue	—	(3.0)	—
Resolution of 1991-1993 audit cycle	—	—	(3.9)
Housing and production credits	(2.9)	(2.1)	(2.0)
Property — related	(0.2)	0.2	0.2
Amortization of ITC credits	(0.6)	(0.5)	(0.5)
State tax — net of federal deduction	4.1	3.7	3.3
ESOP dividend payment	(0.6)	(0.6)	(0.7)
Other	(0.4)	(0.2)	(0.1)
Effective tax rate	<u>30.9%</u>	<u>35.0%</u>	<u>29.2%</u>

Edison International's composite federal and state statutory tax rate was approximately 40% (net of the federal benefit for state income taxes) for all years presented. The effective tax rate from continuing operations in 2007 was 30.9%. The decreased effective tax rate was caused primarily by reductions made to the income tax reserve to reflect progress in an administrative appeals process with the IRS related to SCE's income tax treatment of costs associated with environmental remediation, reductions made to the income tax reserves to reflect settlement of a state tax issue related to an April 2007 State Notice of Proposed Adjustment and due to production and low income housing credits at EMG.

The effective tax rate of 35.0% in 2006 reflected an SCE settlement with the California Franchise Tax Board regarding a state apportionment issue and production and low income housing tax credits at EMG, which served to reduce the effective tax rate, but this was partially offset by additional tax reserve accruals at SCE. The lower effective tax rate of 29.2% in 2005 was primarily due to the favorable resolution of the 1991 - 1993 IRS audit cycle, adjustments made to the tax reserve to reflect the impact of new IRS regulations and the favorable settlement of other federal and state tax audit issues at SCE and EMG.

Edison International and its subsidiaries had California net operating loss carryforwards with expirations dates beginning in 2012 of \$54 million and \$69 million at December 31, 2007 and 2006, respectively.

ESOP = Employee Stock Ownership Plan
 FERC = Federal Energy Regulatory Commission
 IRS = Internal Revenue Service
 ITC = Investment Tax Credits

Edison International Consolidated Statement of Retained Earnings

(In millions)

Year Ended December 31,	2007	2006	2005	2004	2003	2002
Balance at beginning of year	\$ 5,551	\$ 4,798	\$ 4,078	\$ 3,466	\$ 2,711	\$ 1,634
Net income	1,098	1,181	1,137	916	821	1,077
FIN 48 adoption	250	—	—	—	—	—
Dividends declared on common stock	(383)	(358)	(332)	(277)	(65)	—
Shares purchased for stock-based compensation	(216)	(136)	(162)	(75)	—	—
Proceeds from stock option exercises and other	11	66	77	48	(1)	—
Balance at end of year	\$ 6,311	\$ 5,551	\$ 4,798	\$ 4,078	\$ 3,466	\$ 2,711

Preferred and Preference Stock Not Subject To Mandatory Redemption

(In millions)

	Trading Exchanges	Trading Symbol	Shares Outstanding	Redemption Price Per Share	December 31,	
					2007	2006
SCE:						
Cumulative preferred stock not subject to mandatory redemption:						
\$25 par value preferred stock: (Recourse securities)						
4.08% Series	American	SCEPrB	1,000,000	\$25.50	\$ 25	\$ 25
4.24% Series	American	SCEPrC	1,200,000	25.80	30	30
4.32% Series	American	SCEPrD	1,653,429	28.75	41	41
4.78% Series	American	SCEPrE	1,296,769	25.80	33	33
Non-cumulative preference stock:						
\$100 stated value preference stock: (Recourse securities)						
5.349% Series A	Unlisted	—	4,000,000	100.00	400	400
6.125% Series B	Unlisted	—	2,000,000	100.00	200	200
6.000% Series C	Unlisted	—	2,000,000	100.00	200	200
Less issuance cost					(14)	(14)
Total					\$ 915	\$ 915

Edison International Consolidated Recourse Financial Capitalization

(In millions)

December 31,	2007	2006	2005
Short-term debt	\$ 500	\$ —	\$ —
Long-term debt due within one year	18	488	745
Long-term debt — detailed on pages 11-12	9,016	9,101	8,833
Powerton/Joliet lease termination value	1,269	1,365	1,451
Total debt ¹	10,803	10,954	11,029
Total preferred securities	915	915	719
Common shareholders' equity	8,444	7,709	6,615
Total capitalization	20,162	19,578	18,363
Less: non-recourse debt — detailed on pages 11-12	(127)	(1,779)	(2,263)
Recourse capitalization	\$ 20,035	\$ 17,799	\$ 16,100

¹ Excluding the Powerton/Joliet lease termination values, long-term debt and long-term debt due within one year, as reflected on the EIX balance sheets, total \$9,578 and \$9,589 in 2005 and 2006, respectively.

Available Credit Under Existing Lines at SCE, EME (parent) and MWG

(In millions)

December 31,	2007	2006	2005
Edison International	\$ 1,500	\$ 1,000	\$ 1,000
Southern California Edison	1,770	1,541	1,520
Edison Mission Energy (parent) ¹	507	473	98
Midwest Generation (MWG)	497	495	325
Total	\$ 4,274	\$ 3,509	\$ 2,943

¹ As of December 31, 2007 and 2006, excludes \$3 million and \$48 million, respectively, under Midwest Generation EME, LLC's \$5 million and \$50 million respectively, letter of credit facility that requires a cash deposit

Edison International Consolidated Short-Term Debt (Unaudited)

(In millions)

December 31,	2007	2006	2005
Southern California Edison	\$ 500	\$ —	\$ —
Edison International Total Consolidated Short-term Debt	\$ 500	\$ —	\$ —

Five-Year Long-Term Debt Maturities and Sinking Funds Requirements (unaudited) ¹

(In millions)

	2008	2009	2010	2011	2012
Southern California Edison	\$ —	\$ 150	\$ 250	\$ —	\$ —
Edison Mission Energy	17	25	12	14	15
Edison Capital	—	—	52	—	—
Edison International	—	—	—	—	—
Intercompany debt	—	—	—	—	—
Total ²	<u>\$ 18</u>	<u>\$ 175</u>	<u>\$ 314</u>	<u>\$ 14</u>	<u>\$ 15</u>

¹ Includes recourse and non-recourse long-term debt as of December 31, 2007.

² Totals may not add due to rounding.

Edison International Consolidated Long-Term Debt (unaudited)

(In millions)

Year	Series	Due Date	Interest Rate	First Call Date	Dec. 31, 2007	Dec. 31, 2006
Southern California Edison Company						
Recourse long-term debt:						
<u>First and refunding mortgage bonds</u>						
2004	Series 2004A	01/15/14	5.000%	N/A	\$ 300	\$ 300
2004	Series 2004B	01/15/34	6.000%	N/A	525	525
2004	Series 2004F	04/01/15	4.650%	N/A	300	300
2004	Series 2004G	04/01/35	5.750%	N/A	350	350
2004	Series 2004H	12/13/07	Variable	06/01/07	—	150
2005	Series 2005A	01/15/16	5.000%	N/A	400	400
2005	Series 2005B	01/15/36	5.550%	N/A	250	250
2005	Series 2005E	07/15/35	5.350%	N/A	350	350
2006	Series 2006A	02/01/36	5.630%	N/A	350	350
2006	Series 2006B	02/02/09	Variable	N/A	150	150
2006	Series 2006E	01/15/37	5.550%	N/A	400	400
	Subtotal				<u>3,375</u>	<u>3,525</u>
<u>Other</u>						
1999	Notes	04/01/29	6.650%	N/A	300	300
2000	Notes	01/15/10	7.630%	N/A	250	250
N/A	Other obligation ¹	08/01/53	5.060%	N/A	7	7
	Subtotal				<u>557</u>	<u>557</u>

Year	Series	Due Date	Interest Rate	First Call Date	Dec. 31, 2007	Dec. 31, 2006
Pollution control indebtedness:						
<u>Four Corners Generating Station</u>						
1999	Series A ²	04/01/29	5.125%	04/01/09	\$ 55	\$ 55
2005	Series A-B ³	04/01/29	3.550% ⁴	04/01/10	204	204
<u>Huntington Beach Generating Station</u>						
1999	Series D ²	09/01/15	5.200%	09/01/09	8	8
<u>Mohave Generating Station</u>						
2000	Series A-C	06/01/31	3.250% ⁴	03/02/09	75	75
<u>Palo Verde Nuclear Generating Station</u>						
2000	Series A-B ⁵	06/01/35	2.900% ⁴	03/02/09	144	144
<u>San Onofre Nuclear Generating Station</u>						
1999	Series A-B ²	09/01/29	5.450%	09/01/09	100	100
1999	Series C ²	09/01/31	5.550%	09/01/09	30	30
2005	Series A-C ²	08/01/35	Variable	Variable	249	249
2006	Series A-B ³	04/01/28	4.100% ⁴	04/01/13	196	196
2006	Series C-D ³	11/01/33	4.250% ⁴	11/01/16	135	135
	Subtotal				<u>1,196</u>	<u>1,196</u>
Non-recourse long-term debt:						
VIE debt ⁶						
		2008	5.000%	N/A	—	54
<u>Rate reduction notes ⁷</u>						
1997	Class A-7	12/26/07	6.420%	N/A	—	246
	Subtotal				<u>—</u>	<u>300</u>
Total SCE principal amount outstanding					5,128	5,578
Less: bonds repurchased ⁸					(37)	—
Less: current portion of long-term debt					—	(396)
Less: unamortized discount — net					(10)	(11)
SCE long-term debt					<u>\$ 5,081</u>	<u>\$ 5,171</u>

¹ Fort Irwin acquisition debt, not a publicly traded security.

² Insured.

³ Secured by SCE's first and refunding mortgage bonds, but payment of interest and principal guaranteed by bond insurance.

⁴ Subject to remarketing.

⁵ Secured by first and refunding mortgage bonds.

⁶ Long-term debt of Variable Interest Entities (VIE). This debt is non-recourse to SCE and EIX.

⁷ Also known as Rate Reduction Bonds. The notes are non-recourse to SCE and EIX.

⁸ Repurchase of 2005C bonds.

Edison International Consolidated Long-Term Debt (unaudited) (continued)

(In millions)

Year	Series	Due Date	Interest Rate ¹	First Call Date	Dec. 31, 2007	Dec. 31, 2006
Mission Energy Holding Company (parent only)						
2001	Senior secured notes	2008	13.50%	N/A	\$ —	\$ 800
	Less unamortized debt discount - net				—	(5)
	MEHC long-term debt				<u>\$ —</u>	<u>\$ 795</u>
Edison Mission Energy						
<u>EME (parent only)</u>						
1999	Senior notes	2009	7.73%	N/A	\$ 13	\$ 600
2006	Senior notes	2013	7.50%	N/A	500	500
2006	Senior notes	2016	7.75%	N/A	500	500
2007	Senior notes	2017	7.00%	N/A	1,200	—
2007	Senior notes	2019	7.20%	N/A	800	—
2007	Senior notes	2027	7.63%	N/A	700	—
	Obligations to affiliates	2007	LIBOR+0.275%	N/A	—	78
Non-recourse long-term debt:						
1996	Due to EME Funding Corp.	2008	7.33%	N/A	8	51
<u>Midwest Generation</u>						
2004	Senior secured notes (2nd priority)	2034	8.75%	5/1/09	—	1,000
2004	Senior secured term loan (1st priority)	2011	LIBOR+1.5%	Anytime	—	330
<u>EME CP Holdings Co.</u>						
2002	Note purchase agreement	2015	7.31%	N/A	72	76
2005	Other long-term non-recourse debt	Various	Various	N/A	31	34
	EME total principal amount outstanding				<u>3,824</u>	<u>3,169</u>
	Less current portion of long-term debt				(17)	(132)
	Less unamortized debt discount - net				(1)	(2)
	EME long-term debt				<u>\$ 3,806</u>	<u>\$ 3,035</u>
Edison Capital						
Recourse long-term debt:						
2000	Medium term notes	2007	7.61%	N/A	\$ —	\$ 38
2000	Medium term notes	2010	7.44%	N/A	52	51
2000	Medium term notes	2015	7.25%	N/A	60	58
1998	Affordable housing mortgage guarantee	2028	6.27%	N/A	1	1
Non-recourse amortizing debt:						
1998-2000	Affordable housing mortgages	2016-2028	Various	N/A	16	16
	Edison Capital total principal amount outstanding				<u>129</u>	<u>164</u>
	Less current portion of long-term debt				—	(38)
	Edison Capital long-term debt				<u>\$ 129</u>	<u>\$ 126</u>
	EIX (parent) due to affiliates ²				\$ 19	\$ 13
	Elimination of intercompany debt				(19)	(39)
	EIX total consolidated long-term debt				<u>\$ 9,016</u>	<u>\$ 9,101</u>

¹ Interest rates may vary based on debt agreements.

² Not considered debt at the EIX consolidated level as intercompany debt eliminates in consolidation. Excludes current portion of long-term debt of \$75 million for 2006.

SCE Consolidated Balance Sheet

(In millions)

<i>December 31,</i>	2007	2006	2005
Assets			
Cash and equivalents	\$ 252	\$ 83	\$ 143
Restricted cash	—	56	57
Margin and collateral deposits	37	55	178
Receivables, less allowances of \$34, \$29 and \$33 for uncollectible accounts at respective dates	725	939	849
Accrued unbilled revenue	370	303	291
Inventory	283	232	220
Accumulated deferred income taxes — net	146	250	—
Derivative assets	54	56	237
Regulatory assets	197	554	536
Other current assets	188	54	92
Total current assets	2,252	2,582	2,603
Nonutility property — less accumulated provision for depreciation of \$701, \$633 and \$569 at respective dates	1,000	1,046	1,086
Nuclear decommissioning trusts	3,378	3,184	2,907
Other investments	69	62	80
Total investments and other assets	4,447	4,292	4,073
Utility plant, at original cost:			
Transmission and distribution	18,940	17,606	16,760
Generation	1,767	1,465	1,370
Accumulated provision for depreciation	(5,174)	(4,821)	(4,763)
Construction work in progress	1,693	1,486	956
Nuclear fuel, at amortized cost	177	177	146
Total utility plant	17,403	15,913	14,469
Regulatory assets	2,721	2,818	3,013
Derivative assets	28	17	42
Other long-term assets	629	488	503
Total long-term assets	3,378	3,323	3,558
Total assets	\$ 27,480	\$ 26,110	\$ 24,703

SCE Operating and Financial Ratios

<i>Year Ended December 31,</i>	2007	2006	2005	2004	2003	2002
Percent of operating revenue:						
Fuel	11.4%	10.8%	12.6%	9.6%	2.6%	2.8%
Purchased power	29.8	33.1	27.6	27.6	31.5	23.1
Provisions for regulatory adjustment clauses	2.6	0.2	4.6	(2.4)	12.8	17.3
Other operating expenses and maintenance	27.1	26.0	26.5	29.1	23.2	22.1
Depreciation, decommissioning and amortization	10.4	9.9	9.6	10.2	10.0	9.0
Property and other taxes	2.1	2.0	2.0	2.1	1.9	1.3
Operating expenses (before income taxes)	83.4	82.0	82.9	76.2	82.0	75.6
Taxes on operating income	3.2	4.2	3.0	5.2	5.2	7.0
Operating income	13.4	13.8	14.1	18.6	12.8	17.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Regulatory embedded cost of capital (at year-end):						
Long-term debt	6.24%	6.15%	6.09%	7.03%	8.44%	8.20%
Preferred and preference stock	5.80%	5.88%	5.82%	6.17%	6.20%	6.53%
Other:						
Customers to employees ratio	323	335	338	347	362	374

SCE Consolidated Balance Sheet

(In millions)

<i>December 31,</i>	2007	2006	2005
Liabilities and shareholders' equity			
Short-term debt	\$ 500	\$ —	\$ —
Long-term debt due within one year	—	396	596
Accounts payable	914	856	898
Accrued taxes	42	193	242
Accrued interest	126	114	106
Counterparty collateral	42	36	183
Customer deposits	218	198	183
Book overdrafts	204	140	257
Accumulated deferred income taxes — net	—	—	5
Derivative liabilities	100	99	87
Regulatory liabilities	1,019	1,000	681
Other current liabilities	548	624	723
Total current liabilities	<u>3,713</u>	<u>3,656</u>	<u>3,961</u>
Long-term debt	5,081	5,171	4,669
Accumulated deferred income taxes — net	2,556	2,675	2,815
Accumulated deferred investment tax credits	105	112	119
Customer advances	155	160	153
Derivative liabilities	13	77	101
Power-purchase contracts	22	32	64
Accumulated provision for pensions and benefits	786	809	500
Asset retirement obligations	2,877	2,749	2,621
Regulatory liabilities	3,433	3,140	2,962
Other deferred credits and other long-term liabilities	1,136	802	681
Total deferred credits and other liabilities	<u>11,083</u>	<u>10,556</u>	<u>10,016</u>
Total liabilities	<u>19,877</u>	<u>19,383</u>	<u>18,646</u>
Minority interest	446	351	398
Common stock, no par value (434,888,104 shares outstanding at each date)	2,168	2,168	2,168
Additional paid-in capital	507	383	361
Accumulated other comprehensive loss	(15)	(14)	(16)
Retained earnings	3,568	2,910	2,417
Total common shareholders' equity	<u>6,228</u>	<u>5,447</u>	<u>4,930</u>
Preferred and preference stock not subject to mandatory redemption	929	929	729
Total shareholders' equity	<u>7,157</u>	<u>6,376</u>	<u>5,659</u>
Total liabilities and shareholders' equity	<u>\$ 27,480</u>	<u>\$ 26,110</u>	<u>\$ 24,703</u>

SCE Estimated Commitments For 2008–2012 And Thereafter

(In millions)

<i>As of December 31, 2007</i>	2008	2009	2010	2011	2012	Thereafter
Long-term debt maturities and interest	\$ 269	\$ 413	\$ 495	\$ 244	\$ 244	\$ 8,886
Fuel supply contract payments	101	79	71	68	64	241
Purchased-power capacity payments	410	324	294	290	339	1,152
Operating lease obligations	617	697	655	436	270	1,515
Capital lease obligations	4	3	4	1	1	7
Other commitments	5	5	6	6	6	25
Employee benefit plans contributions ¹	84	—	—	—	—	—
Total²	<u>\$ 1,490</u>	<u>\$ 1,521</u>	<u>\$ 1,525</u>	<u>\$ 1,045</u>	<u>\$ 924</u>	<u>\$ 11,826</u>

¹ Amount includes estimated contributions to the pension and PBOP plans. The estimated contributions for SCE are not available beyond 2008.

² At December 31, 2007, SCE had a total net liability recorded for uncertain tax positions of \$257 million, which is excluded from the table. Edison International cannot make reliable estimates of the cash flows by period due to uncertainty surrounding the timing of resolving these open issues with the IRS.

SCE Consolidated Statement of Income

(In millions)	Three Months Ended December 31,		Year Ended December 31,		
	2007	2006	2007	2006	2005
Operating revenue	\$ 2,582	\$ 2,494	\$ 10,478	\$ 10,312	\$ 9,500
Fuel	285	276	1,191	1,112	1,193
Purchased power	694	590	3,124	3,409	2,622
Provisions for regulatory adjustment clauses — net	82	281	271	25	435
Other operation and maintenance	852	762	2,840	2,678	2,523
Depreciation, decommissioning and amortization	281	220	1,094	1,026	915
Property and other taxes	53	48	217	206	193
Net gain on sale of utility property and plant	—	—	—	(1)	(10)
Total operating expenses	2,247	2,177	8,737	8,455	7,871
Operating income	335	317	1,741	1,857	1,629
Interest income	11	14	44	58	44
Other nonoperating income	19	24	89	85	127
Interest expense — net of amounts capitalized	(99)	(103)	(429)	(400)	(360)
Other nonoperating deductions	(14)	(28)	(45)	(60)	(65)
Income before tax and minority interest	252	224	1,400	1,540	1,375
Income tax expense	74	22	337	438	292
Minority interest	45	31	305	275	334
Net income	133	171	758	827	749
Dividends on preferred and preference stock not subject to mandatory redemption	13	13	51	51	24
Net income available for common stock	\$ 120	\$ 158	\$ 707	\$ 776	\$ 725

SCE Energy Costs

	Three Months Ended December 31,		Year Ended December 31,		
	2007	2006	2007	2006	2005
Average annual fuel cost — unit of expense:					
Oil (\$/bbl) (Catalina)	\$ 134.19	\$ 104.35	\$ 117.16	\$ 108.12	\$ 97.06
Gas (\$/mcf) ¹	8.28	9.46	9.28	10.91	10.05
Coal (\$/ton)	20.02	18.89	27.08	26.27	29.30
Gas-fired CCGT (\$/mcf)	7.23	7.01	7.09	6.86 ²	11.77 ²
Peakers (\$/mcf) ²	7.96	—	7.41	—	—
Average cost (\$/m²Btu):					
Oil (Catalina)	\$ 23.55	\$ 18.63	\$ 20.91	\$ 19.09	\$ 16.95
Gas ¹	7.67	8.76	8.59	10.10	9.50
Nuclear	0.46	0.46	0.48	0.44	0.45
Coal	1.12	1.07	1.53	1.48	1.48
Gas-fired CCGT (\$/mcf)	7.11	6.81	6.97	6.71 ²	11.51 ²
Peakers ²	7.73	—	7.20	—	—
Average cost — all sources	1.99 ²	1.79	1.74 ²	1.63 ²	0.97 ²
Average cost (cents/kwh):					
Oil (Catalina)	24.64	20.12	21.81	21.06	18.78
Peakers ²	8.15	—	7.99	—	—
Nuclear	0.48	0.48	0.50	0.47	0.47
Coal	1.12	1.07	1.53	1.47	1.50
Gas-fired CCGT	5.07	4.89	4.89	4.82 ²	9.89 ²
Purchased power:					
Other power producers:					
Cogeneration	8.20	7.71	9.60	9.62	10.65
Biomass	7.60	7.06	8.91	9.47	9.96
Small hydro	4.05	4.49	6.05	6.43	7.14
Wind	6.75	5.61	7.80	6.91	7.25
Geothermal	7.76	5.91	7.98	7.23	7.27
Solar	9.99	7.40	16.33	16.34	16.61
Average cost — other power producers	7.91	6.89	9.04	8.76	9.39
Average cost — all sources ^{3,4}	6.86 ²	6.81	6.90 ²	6.93 ²	6.13 ^{2,3}
Fuel consumption (in thousands):					
Oil (bbl)	14	15	58	62	60
Gas (mcf)	27	26	95	109	214
Coal (ton)	785	758	2,750	3,132	5,695
Gas-fired CCGT (mcf)	11,082	10,581	43,765	34,670 ²	2,745 ²
Peakers (mcf) ²	157	—	341	—	—
Oil inventory — year end (bbl)	3	2	3	2	2

¹ Cost of gas used to start-up coal plants (years 2006 and 2007 exclude Mohave charges due to shutdown of plant)

² Includes energy incurred during initial testing of power plant

³ Excludes miscellaneous prior period adjustments

⁴ Excludes ISO/other sales. Includes firm purchased power and CDWR energy purchases (Years 2005, 2006, and 2007 cents per kwh, of 7.99, 10.41, and 9.49 respectively, for CWDR.)

CCGT = Combined-cycle gas turbine

SCE Consolidated Statements of Cash Flows

(In millions)

Year Ended December 31,	2007	2006	2005
Cash flows from operating activities:			
Net income	\$ 758	\$ 827	\$ 749
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation, decommissioning and amortization	1,094	1,026	915
Loss on impairment of nuclear decommissioning trusts	58	54	—
Other amortization	95	79	96
Stock-based compensation	18	27	21
Minority interest	305	275	334
Deferred income taxes and investment tax credits	(111)	(358)	34
Regulatory assets — long-term	148	92	387
Regulatory liabilities — long-term	157	18	(168)
Derivative assets — long-term	(11)	25	(42)
Derivative liabilities — long-term	(64)	(24)	97
Other assets	(156)	(119)	88
Other liabilities	195	325	(46)
Margin and collateral deposits — net of collateral received	24	(24)	70
Receivables and accrued unbilled revenue	147	51	(202)
Derivative assets — short-term	2	181	(211)
Derivative liabilities — short-term	(32)	12	74
Inventory and other current assets	(185)	(7)	(42)
Regulatory assets — short-term	357	(18)	17
Regulatory liabilities — short-term	19	318	192
Book overdrafts	64	—	—
Accrued interest and taxes	74	(41)	(126)
Accounts payable and other current liabilities	17	(138)	184
Net cash provided by operating activities	<u>2,973</u>	<u>2,581</u>	<u>2,421</u>
Cash flows from financing activities:			
Long-term debt issued	—	900	1,000
Long-term debt issuance costs	(1)	(24)	(20)
Long-term debt repaid	(207)	(352)	(1,040)
Bonds repurchased	(37)	—	—
Issuance of preference stock	—	196	591
Redemption of preferred stock	—	—	(148)
Rate reduction notes repaid	(246)	(246)	(246)
Short-term debt financing — net	500	—	(88)
Book overdrafts	—	(118)	25
Shares purchased for stock-based compensation	(135)	(107)	(122)
Proceeds from stock option exercises	56	45	53
Excess tax benefits related to stock option exercises	28	17	—
Minority interest	(210)	(322)	(345)
Dividends paid	(186)	(300)	(234)
Net cash used by financing activities	<u>(438)</u>	<u>(311)</u>	<u>(574)</u>
Cash flows from investing activities:			
Capital expenditures	(2,286)	(2,226)	(1,808)
Proceeds from nuclear decommissioning trust sales	3,697	3,010	2,067
Purchases of nuclear decommissioning trust investments and other	(3,830)	(3,150)	(2,159)
Sales of short-term investments	7,069	6,446	2,748
Purchases of short-term investments	(7,069)	(6,418)	(2,776)
Restricted cash	56	1	4
Customer advances for construction and other investments	(3)	7	98
Net cash used by investing activities	<u>(2,366)</u>	<u>(2,330)</u>	<u>(1,826)</u>
Net increase (decrease) in cash and equivalents	169	(60)	21
Cash and equivalents, beginning of year	83	143	122
Cash and equivalents, end of year	<u>\$ 252</u>	<u>\$ 83</u>	<u>\$ 143</u>

SCE Consolidated Statements of Retained Earnings

(In millions)

Year Ended December 31,	2007	2006	2005	2004	2003	2002
Balance at beginning of year	\$ 2,910	\$ 2,417	\$ 2,020	\$ 1,868	\$ 1,892	\$ 664
Net income	758	827	749	921	932	1,247
FIN 48	213	—	—	—	—	—
Dividends declared on common stock	(100)	(240)	(285)	(750)	(945)	—
Dividends declared on preferred and preference stock	(51)	(51)	(24)	(6)	(10)	(19)
Shares purchased for stock-based compensation	(135)	(88)	(95)	(43)	(4)	—
Proceeds from stock option exercises and other	(27)	45	52	30	3	—
Balance at end of year	<u>\$ 3,568</u>	<u>\$ 2,910</u>	<u>\$ 2,417</u>	<u>\$ 2,020</u>	<u>\$ 1,868</u>	<u>\$ 1,892</u>

SCE Kilowatt-Hour Sales¹

	Three Months Ended December 31,		Year Ended December 31,		
	2007	2006	2007	2006	2005
Class of service — millions of kWh:					
Residential	6,862	6,730	29,943	30,194	28,889
Commercial	10,228	10,055	41,447	40,865	39,451
Industrial	2,405	2,534	9,929	10,434	10,738
Public authorities	1,475	1,488	6,001	6,038	6,037
Agricultural and other	307	277	1,485	1,198	1,150
Resale	2,628	2,041	8,883	7,417	14,727
Total kilowatt-hoursales	23,905	23,125	97,688	96,146	100,992
Class of service — percent:					
Residential	28.7%	29.1%	30.7%	31.4%	28.6%
Commercial	42.8	43.5	42.4	42.5	39.1
Industrial	10.0	11.0	10.2	10.9	10.6
Public authorities	6.2	6.4	6.1	6.3	6.0
Agricultural and other	1.3	1.2	1.5	1.2	1.1
Resale	11.0	8.8	9.1	7.7	14.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%

¹ Includes direct access customers.

SCE Customers

Year Ended December 31,	2007	2006	2005	2004	2003	2002
Customers:						
Residential	4,234,674	4,205,495	4,146,123	4,086,531	4,030,473	3,977,245
Commercial	532,734	523,304	510,626	495,584	481,509	467,976
Industrial	13,909	14,289	15,118	17,380	18,693	19,200
Public authorities	47,289	47,166	46,885	46,749	46,726	46,684
Agricultural	22,325	22,140	22,203	22,251	22,722	23,019
Railroads and railways	56	58	55	50	47	43
Interdepartmental	23	22	24	24	20	11
Total ultimate customers	4,851,010	4,812,474	4,741,034	4,668,569	4,600,190	4,534,178

SCE Operating Revenue¹

(In millions)	Three Months Ended December 31,		Year Ended December 31,		
	2007	2006	2007	2006	2005
Class of service:					
Residential	\$ 772	\$ 784	\$ 3,760	\$ 3,859	\$ 3,046
Commercial	885	873	4,143	4,228	3,596
Industrial	150	166	681	750	643
Public authorities	124	124	568	579	505
Agricultural	24	23	132	110	91
Other	2	2	7	7	7
Resale	156	110	489	370	832
Sales of electric energy	2,113	2,082	9,780	9,903	8,720
Other operating revenue	133	66	506	432	411
Deferred revenue ²	243	254	(187)	(409)	(93)
Revenue from variable interest entities	93	92	379	386	462
Total operating revenue	\$ 2,582	\$ 2,494	\$ 10,478	\$ 10,312	\$ 9,500
Class of service — percent:					
Residential	29.9%	31.4%	35.9%	37.4%	32.1%
Commercial	34.3	35.0	39.5	41.0	37.8
Industrial	5.8	6.7	6.5	7.3	6.8
Public authorities	4.8	5.0	5.4	5.6	5.3
Agricultural	0.9	0.9	1.3	1.0	1.0
Other	0.1	0.1	0.1	0.1	0.1
Resale	6.0	4.4	4.7	3.6	8.7
Sales of electric energy	81.8	83.5	93.4	96.0	91.8
Other operating revenue	5.2	2.6	4.8	4.2	4.3
Deferred revenue ²	9.4	10.2	(1.8)	(3.9)	(1.0)
Revenue from variable interest entities	3.6	3.7	3.6	3.7	4.9
Total operating revenue	100.0%	100.0%	100.0%	100.0%	100.0%

¹ Does not include energy revenue from direct access customers.

² In accordance with accounting standards for rate-regulated enterprises, amounts currently authorized in rates for recovery of costs to be incurred in the future are not considered as revenue until the associated costs are incurred.

SCE Changes in Operating Revenue

(In millions)

Year Ended December 31,

	2007 vs. 2006	2006 vs. 2005
Rate changes (including unbilled)	\$ (545)	\$ 1,441
Sales volume changes (including unbilled)	119	311
Balancing account overcollections	405	(422)
Sales for resale	120	(463)
SCE's VIE's	(6)	(75)
Other (including intercompany transactions)	73	20
Total	\$ 166	\$ 812

SCE Generating Capacity Resources (Summer Effective Rating)

As of December 31, 2007

Plant	Location	No. of Units	Entered Operation	Ownership Interest	Type	SCE-Owned Total Capacity (Megawatts)
Thermal						
Gas and oil (isolated diesel system on Catalina Island):						
Pebble Beach	Los Angeles, CA	7	1958-1995	100%	Diesel	9
Nuclear:						
San Onofre	San Diego, CA	2	1983, 1984	78%	PWR	1,682
Palo Verde ¹	Maricopa, AZ	3	1986-1988	16%	PWR	612
Subtotal		<u>5</u>				<u>2,294</u>
Coal:						
Four Corners ¹	San Juan, NM	2	1969-1970	48%	Boiler	720
Off-System Losses ²						(22)
Subtotal		<u>2</u>				<u>698</u>
Gas-fired generation:						
Mountainview	San Bernardino, CA	2	2005	100%	CCGT	969
SCE peakers	Norwalk, Ontario, Rancho Cucamonga, Stanton	4	2007	100%	GT	176
Subtotal		<u>6</u>				<u>1,145</u>
Total thermal generation		<u>20</u>				<u>4,146</u>
Hydroelectric plants:						
Northern region:	Fresno, Madera, Tulare	23	1913-1987	100%	Storage and Run-of-the-River	1,000
Eastern region:	San Bernardino, Kern, Los Angeles, Inyo, Mono, Tulare ³	53	1893-1999	100%	Storage and Run-of-the-River	153
Subtotal		<u>76</u>				<u>1,153</u>
Total SCE-owned generation		<u>96</u>				<u>5,299</u>

¹ Operated by Arizona Public Service.

² Represents a constant value of line loss from Four Corners.

³ Santa Ana 2 and 3 plants (total of 3 units) retired and replaced by new Santa Ana 3 plant (1 unit), with no net change in capacity.

CCGT= Combined-cycle gas turbine

GT= Gas turbine

PWR = Pressurized water reactor

Plant	Seller	Initial Year of Purchase Under Current Contract	Point of Delivery	Total Capacity (Megawatts)
Purchases (other utilities):				
System (firm purchase/interchange):				
Hoover — SCE	Western Area Power Admin.	1987	Mead substation	278
Off-System Losses				—
Subtotal				<u>278</u>
Other area resources:				
MWD, Hoover to SCE	MWD	1987	Hoover plant	248
MWD, Parker to SCE	MWD	1987	Hoover plant	60
USDOE, Parker/Davis	Department of Defense, Edwards AFB	2001	Blythe substation	18
USDOE, Parker/Davis	Department of Defense, March AFB	2004	Blythe substation	5
Subtotal				<u>331</u>
Total other utility purchases				<u>609</u>
Purchases (other power producers):				
Cogeneration				1,682
Biomass				152
Small hydro				45
Wind				197
Geothermal				878
Solar				355
Total other power producers				<u>3,309</u>
Total purchases/exchanges				<u>3,918</u>
Total generation capacity resources ¹				<u>9,217</u>

¹ Includes isolated resources.

SCE Operating Statistics

Year Ended December 31,	2007		2006		2005		2004		2003		2002	
	MW	%	MW	%	MW	%	MW	%	MW	%	MW	%
SCE generating capacity resources (MW) — summer effective rating:												
SCE owned:												
Oil and gas (Catalina)	9	0.1%	9	0.1%	9	0.1%	9	0.1%	9	0.1%	9	0.1%
Nuclear	2,294	24.9	2,294	24.8	2,215	21.0	2,215	22.2	2,204	22.6	2,204	22.6
Coal	698	7.6	688	7.4	1,573	14.9	1,573	15.4	1,573	16.1	1,573	16.1
Hydro	1,153	12.5	1,153	12.4	1,153	11.0	1,153	11.3	1,153	12.0	1,173	12.0
Gas-fired CCGT / GT ¹	1,145	12.4	969	10.5	484	4.6	—	—	—	—	—	—
Purchases:												
Other utilities ²	609	6.7	820	8.9	1,667	15.8	1,667	16.3	1,667	17.0	1,667	17.0
Other power producers:												
Cogeneration	1,682	18.2	1,720	18.6	1,730	16.4	1,724	16.9	1,725	17.7	1,724	17.7
Biomass	152	1.6	156	1.7	179	1.7	203	2.0	185	1.9	188	1.9
Small hydro	45	0.5	40	0.4	34	0.3	42	0.4	25	0.3	25	0.3
Wind	197	2.1	184	2.0	231	2.2	270	2.7	67	1.8	173	1.8
Geothermal	878	9.5	869	9.4	901	8.6	939	9.2	900	6.9	677	6.9
Solar	355	3.9	355	3.8	360	3.4	360	3.5	353	3.6	354	3.6
Total	9,217	100.0%	9,257	100.0%	10,536	100.0%	10,155	100.0%	9,861	100.0%	9,767	100.0%

SCE total energy requirement (millions of kWh):

SCE owned:												
Nuclear	17,687	21.0%	13,979	16.9%	17,886	22.7%	15,724	20.0%	18,255	23.7%	18,421	25.7%
Coal	4,914	5.8	5,631	6.8	11,237	14.3	10,789	13.7	10,984	14.2	10,345	14.5
Hydro	2,278	2.7	5,038	6.1	5,089	6.5	3,525	4.5	3,990	5.2	3,611	5.0
Oil (Catalina)	31	—	32	—	31	—	31	—	30	—	27	—
Peakers GT ¹	31	—	—	—	—	—	—	—	—	—	—	—
Gas-fired CCGT ¹	6,347	7.5	4,933	6.0	327	0.4	—	—	—	—	—	—
Purchased power: ³												
PX purchases — net ⁴	—	—	—	—	—	—	—	—	—	—	(51)	(0.1)
Firm ⁵	13,975	16.6	13,108	15.8	12,234	15.5	8,346	10.6	7,110	9.3	2,263	3.2
Economy/other ⁶	(550)	(0.7)	(95)	(0.1)	(293)	(0.4)	(1,806)	(2.3)	(1,292)	(1.7)	(1,914)	(2.7)
Other power producers: ³												
Cogeneration	12,435	14.8	12,486	15.1	13,529	17.2	13,830	17.6	13,837	17.9	13,668	19.1
Biomass	1,253	1.6	1,428	1.7	1,371	1.7	1,467	1.9	1,391	1.8	1,482	2.1
Small hydro	197	0.2	352	0.4	320	0.4	243	0.3	239	0.3	229	0.3
Wind	2,385	2.8	2,226	2.7	2,229	2.8	—	—	—	—	—	—
Geothermal	7,570	9.0	7,484	9.0	7,855	10.0	7,862	10.0	7,070	9.2	6,041	8.4
Solar	663	0.8	612	0.7	610	0.8	741	0.9	759	1.0	881	1.2
CDWR - ISO ³	15,065	17.9	15,614	18.9	6,347	8.1	15,610	19.8	12,444	16.1	14,036	19.6
Total ⁷	84,281	100.0%	82,828	100.0%	78,772	100.0%	76,362	97.0%	74,817	97.0%	69,039	96.3%
Area peak demand (MW)	23,303		22,889		21,934		20,762		20,136		18,821	
Annual area system load factor (%)	52.2		52.7		52.3		55.1		55.1		57.6	

¹ CCGT = Combined-cycle gas turbine; GT = Gas turbine

² Includes system and unit purchases and net interchange. Excludes public power utilities.

³ Calculated consistent with the accrual basis of accounting.

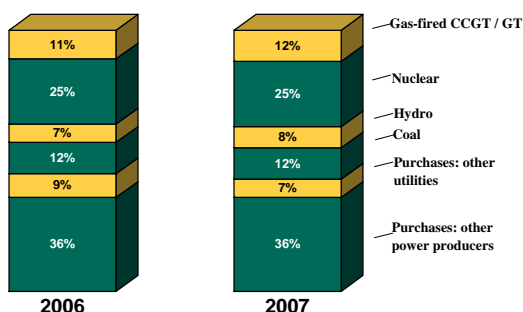
⁴ Net purchases represent energy purchases from the PX in excess of energy sales to the PX. Includes lagged PX/ISO settlement agreement.

⁵ Includes bilateral and long term contracts.

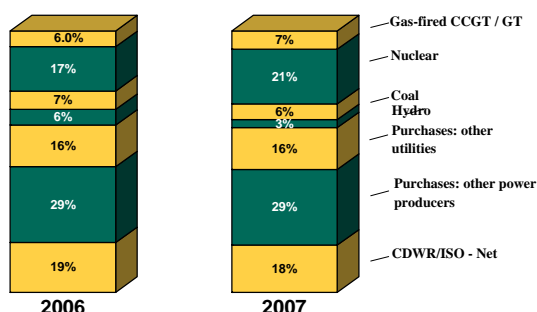
⁶ Includes economy energy, exchange energy, fringe energy and net interchange.

⁷ Excludes direct access and resale customer requirements. Includes generation line losses.

SOUTHERN CALIFORNIA EDISON
GENERATING CAPACITY RESOURCE MIX



SOUTHERN CALIFORNIA EDISON
TOTAL ENERGY REQUIREMENT



Line Items With Variable Interest Entities (VIE) Activity on SCE's Consolidated Balance Sheet

<i>(In Millions)</i>	Electric Utility	VIEs	Eliminations	SCE
Balance sheet items as of December 31, 2007:				
Cash and equivalents	\$ 142	\$ 110	\$ —	\$ 252
Accounts receivable — net	684	110	(69)	725
Inventory	265	18	—	283
Other current assets	184	4	—	188
Nonutility property — net of depreciation	700	300	—	1,000
Other long-term assets	627	2	—	629
Total assets	\$ 27,005	\$ 544	\$ (69)	\$ 27,480
Accounts payable	902	81	(69)	914
Other current liabilities	545	3	—	548
Asset retirement obligations	2,862	15	—	2,877
Minority interest	1	445	—	446
Total liabilities and shareholders' equity	\$ 27,005	\$ 544	\$ (69)	\$ 27,480
Balance sheet items as of December 31, 2006:				
Cash and equivalents	\$ 5	\$ 78	\$ —	\$ 83
Accounts receivable — net	893	141	(95)	939
Inventory	218	14	—	232
Other current assets	50	4	—	54
Nonutility property — net of depreciation	727	319	—	1,046
Other long-term assets	481	7	—	488
Total assets	\$ 25,642	\$ 563	\$ (95)	\$ 26,110
Accounts payable	809	142	(95)	856
Other current liabilities	622	2	—	624
Long-term debt	5,117	54	—	5,171
Asset retirement obligations	2,735	14	—	2,749
Minority interest	—	351	—	351
Total liabilities and shareholders' equity	\$ 25,642	\$ 563	\$ (95)	\$ 26,110

Line Items With Variable Interest Entities (VIE) Activity on SCE's Consolidated Income Statement

<i>(In Millions)</i>	Electric Utility	VIEs	Eliminations ¹	SCE
Income statement items as of December 31, 2007:				
Operating revenue	\$ 10,099	\$ 1,129	\$ (750)	\$ 10,478
Fuel	482	709	—	1,191
Purchased power	3,874	—	(750)	3,124
Provisions for regulatory adjustments clauses — net	271	—	—	271
Other operation and maintenance	2,744	96	—	2,840
Depreciation, decommissioning and amortization	1,058	36	—	1,094
Property and other taxes	217	—	—	217
Total operating expenses	8,646	841	(750)	8,737
Operating income	1,453	288	—	1,741
Interest income	41	3	—	44
Other nonoperating income	75	14	—	89
Interest expense — net of amounts capitalized	(429)	—	—	(429)
Other non operating deductions	(45)	—	—	(45)
Income tax expense	(337)	—	—	(337)
Minority interest	—	(305)	—	(305)
Net income	\$ 758	\$ —	\$ —	\$ 758
Income statement items as of December 31, 2006:				
Operating revenue	\$ 9,926	\$ 1,137	\$ (751)	\$ 10,312
Fuel	389	723	—	1,112
Purchased power	4,160	—	(751)	3,409
Provisions for regulatory adjustment clauses — net	25	—	—	25
Other operation and maintenance	2,575	103	—	2,678
Depreciation, decommissioning and amortization	990	36	—	1,026
Property and other taxes	206	—	—	206
Net gain on sale of utility property and plant	(1)	—	—	(1)
Total operating expenses	8,344	862	(751)	8,455
Operating income	1,582	275	—	1,857
Interest income	58	—	—	58
Other nonoperating income	85	—	—	85
Interest expense — net of amounts capitalized	(400)	—	—	(400)
Other nonoperating deductions	(60)	—	—	(60)
Income tax expense	(438)	—	—	(438)
Minority interest	—	(275)	—	(275)
Net income	\$ 827	\$ —	\$ —	\$ 827

¹ VIE segment revenue includes sales to the electric utility segment, which is eliminated in revenue and purchased power in the consolidated statements of income.

Regulatory Assets

(In millions)

December 31,	2007	2006	2005
Current:			
Regulatory balancing accounts	\$ 99	\$ 128	\$ 355
Rate reduction — transition cost deferral	—	219	—
Direct access procurement charges	—	63	113
Energy derivatives	71	88	—
Purchased-power settlements	8	31	53
Deferred FTR proceeds	15	14	—
Other	4	11	15
	<u>197</u>	<u>554</u>	<u>536</u>
Long-term:			
Regulatory balancing accounts	15	—	—
Flow-through taxes — net	1,110	1,023	1,066
Rate reduction notes — transition cost deferral	—	—	465
Unamortized nuclear investment — net	405	435	487
Nuclear-related Asset Retirement Obligation (ARO) investment — net	297	317	292
Unamortized coal plant investment — net	94	102	97
Unamortized loss on reacquired debt	331	318	323
Direct access procurement charges	—	—	40
SFAS No. 158 pensions and other postretirement benefits	231	303	—
Energy derivatives	70	145	58
Environmental remediation	64	77	56
Other	104	98	129
	<u>2,721</u>	<u>2,818</u>	<u>3,013</u>
Total Regulatory Assets	<u>\$ 2,918</u>	<u>\$ 3,372</u>	<u>\$ 3,549</u>

Regulatory Liabilities

(In millions)

December 31,	2007	2006	2005
Current:			
Regulatory balancing accounts	\$ 967	\$ 912	\$ 370
Rate reduction notes — transition cost overcollection	20	—	—
Direct access procurement charges	—	63	113
Energy derivatives	10	7	136
Deferred FTR costs	19	11	—
Other	3	7	62
	<u>1,019</u>	<u>1,000</u>	<u>681</u>
Long-term:			
ARO	793	732	584
Costs of removal	2,230	2,158	2,110
SFAS No. 158 pensions and other postretirement benefits	308	145	—
Direct access procurement charges	—	—	39
Energy derivatives	27	27	—
Employee benefits plan	75	78	229
	<u>3,433</u>	<u>3,140</u>	<u>2,962</u>
Total Regulatory Liabilities	<u>\$ 4,452</u>	<u>\$ 4,140</u>	<u>\$ 3,643</u>

Balancing Accounts (Unaudited) ¹

(In millions)

December 31,	2007	2006	2005
Assets			
Current:			
Base rate performance	\$ 77	\$ 73	\$ 69
Catastrophic event	53	48	187
Transmission revenue	—	28	10
Reliability service	—	24	125
Transmission access charge	33	27	18
Other — net	(64)	(72)	(54)
	<u>99</u>	<u>128</u>	<u>355</u>
Long term:			
Catastrophic event	14	—	—
Other — net	1	—	—
	<u>15</u>	<u>—</u>	<u>—</u>
Total balancing account — assets	<u>\$ 114</u>	<u>\$ 128</u>	<u>\$ 355</u>
Liabilities			
Current:			
Base revenue requirement	\$ 295	\$ 105	\$ 179
Energy settlements	46	57	52
Safety and reliability performance incentive mechanism	2	2	2
Public purpose program adjustment	192	207	80
Generation revenue	390	540	(18)
Transmission revenue	31	—	—
Reliability service	21	—	—
Other distribution adjustment	—	—	72
Other — net	(10)	1	3
	<u>967</u>	<u>912</u>	<u>370</u>
Total balancing account — liabilities	<u>967</u>	<u>912</u>	<u>370</u>
Total balancing account — net	<u>\$ 853</u>	<u>\$ 784</u>	<u>\$ 15</u>

¹ Includes interest.

SCE System Rate Base ¹

(In Millions)

Year Ended December 31,

	2007 ²	2006 ²	2005 ²	2004	2003	2002
Fixed capital:						
Plant in service	\$ 26,487	\$ 25,252	\$ 23,661	\$ 22,755	\$ 22,064	\$ 21,502
Property held for future use	16	11	4	4	3	5
Total fixed capital	26,503	25,263	23,665	22,759	22,067	21,507
Adjustments	(102)	(87)	(68)	(51)	(44)	35
Working capital	(98)	(101)	110	98	93	180
Reserves:						
Depreciation	(12,950)	(12,640)	(12,416)	(12,175)	(11,816)	(11,797)
Accumulated deferred income taxes	(1,533)	(1,496)	(1,413)	(1,128)	(1,050)	(574)
Other	(101)	(103)	(98)	(95)	(90)	(250)
Total reserves	(14,584)	(14,239)	(13,927)	(13,398)	(12,956)	(12,621)
System rate base ²	\$ 11,719	\$ 10,836	\$ 9,780	\$ 9,408	\$ 9,160	\$ 9,101

¹ Weighted-average depreciated book costs, excluding amounts spent, but remaining in work-in-progress.

² Includes Mountainview.

Detail of SCE Utility Plant — Net

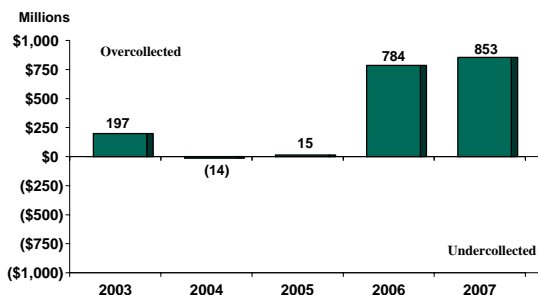
December 31,

	2007	2006	2005
Generation:			
Nuclear ¹	\$ 716	\$ 643	\$ 631
Hydro	492	479	466
Steam	96	73	100
Mohave regulatory asset	93	102	97
Generation general and intangible	59	54	49
Generation-related transmission	54	54	19
Other	263	30	26
Total generation	1,773	1,435	1,388
Distribution	9,612	9,002	8,417
Transmission	3,628	3,410	3,167
T&D general and intangible	1,003	910	971
Gas and water (Catalina)	15	15	8
Construction work in progress	1,693 ¹	1,501 ¹	956
Nuclear fuel	177	177	146
Total utility plant — net (unadjusted)	17,901	16,450	15,053
Less: amounts classified as regulatory assets ²			
Nuclear regulatory asset	405	435	487
Mohave regulatory asset	93	102	97
Total utility plant — net — as shown in Annual Report	\$ 17,403	\$ 15,913	\$ 14,469

¹ Includes nuclear plant and regulatory asset.

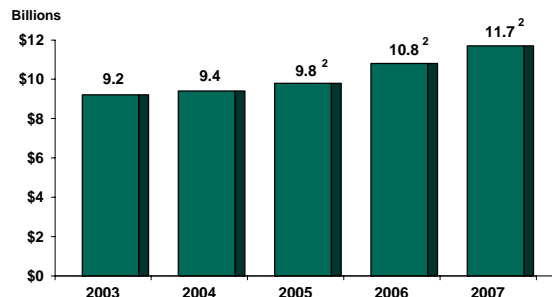
² Nuclear plant assets and related depreciation were reclassified as regulatory assets in 1998. A portion of the Mohave plant and depreciation were reclassified as a regulatory asset in 2002. In 2005, all Mohave plant assets and related depreciation were reclassified as regulatory assets.

SOUTHERN CALIFORNIA EDISON
BALANCING ACCOUNT - NET ¹



¹ Includes interest and other current and long-term regulatory assets/liabilities and balancing accounts, net.

SOUTHERN CALIFORNIA EDISON
SYSTEM RATE BASE ¹



¹ Weighted-average depreciated book costs excluding amounts spent, but remaining in work-in-progress.

² Includes Mountainview.

Palo Verde Plant Facts

	Unit 1	Unit 2	Unit 3
Commercial operation	02/01/86	09/19/86	01/20/88
Net plant capacity (MW) ¹	1311 ²	1,314	1,317 ³
2007 net generation (MWh) ¹	8,841,134	10,957,595	6,993,690
2007 capacity factor (CF) (%)	77.0	95.2	64.0
Lifetime net CF through 2007 (%)	75.2	81.8	82.7
Last refueling outage	05/19/07-07/19/07	09/30/06-11/14/06	09/29/07-01/19/08 ⁴
Last refueling outage days	61	45	112 ³

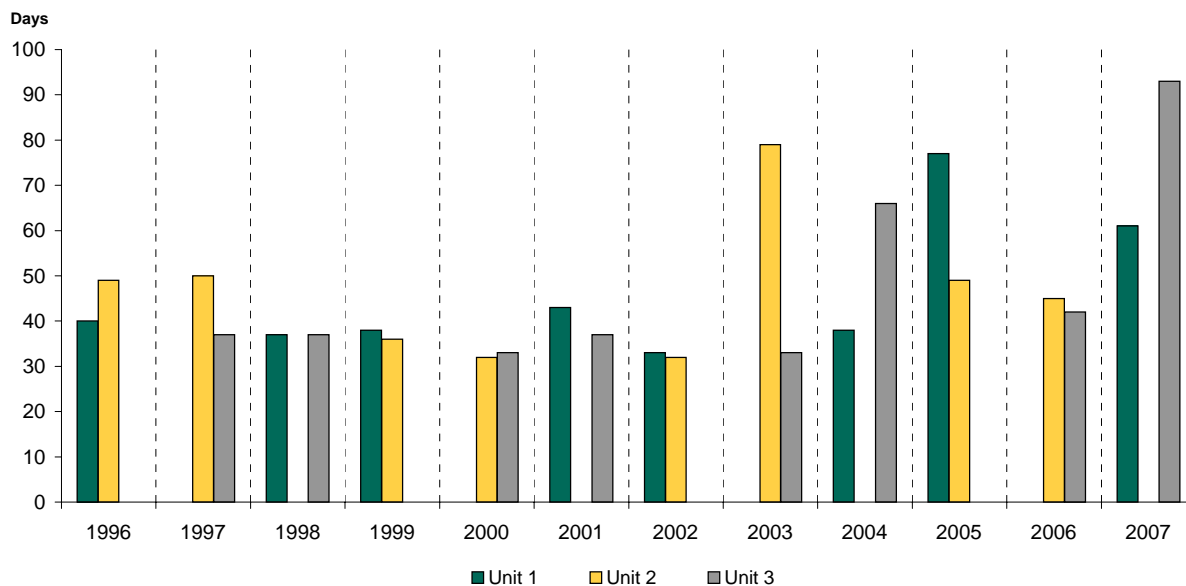
¹ Capacity and generation are reported at the 100% level. SCE's share is 15.8%.

² The unit was rerated effective January 1, 2007, as a result of Unit 1's power uprate modifications and Steam Generator replacement.

³ The unit was rerated effective January 1, 2008, as a result of Unit 3's power uprate modifications and Steam Generator replacement.

⁴ Unit 3's refueling outage began in 2007 (93 days) and ended in 2008 (19 days).

Palo Verde Refueling History ¹



¹ 2007 Unit 3's refueling outage began in 2007 and ended in 2008, only 2007 outage days are reflected in the graph.

Palo Verde Annual Capacity Factors

Year	Unit 1	Unit 2	Unit 3
1996	81%	87%	100%
1997	99%	86%	87%
1998	88%	102%	88%
1999	89%	90%	100%
2000	100%	87%	90%
2001	88%	93%	84%
2002	89%	92%	102%
2003	97%	78%	87%
2004	85%	91%	75%
2005	66%	82%	84%
2006	42%	85%	86%
2007	77%	95%	64%

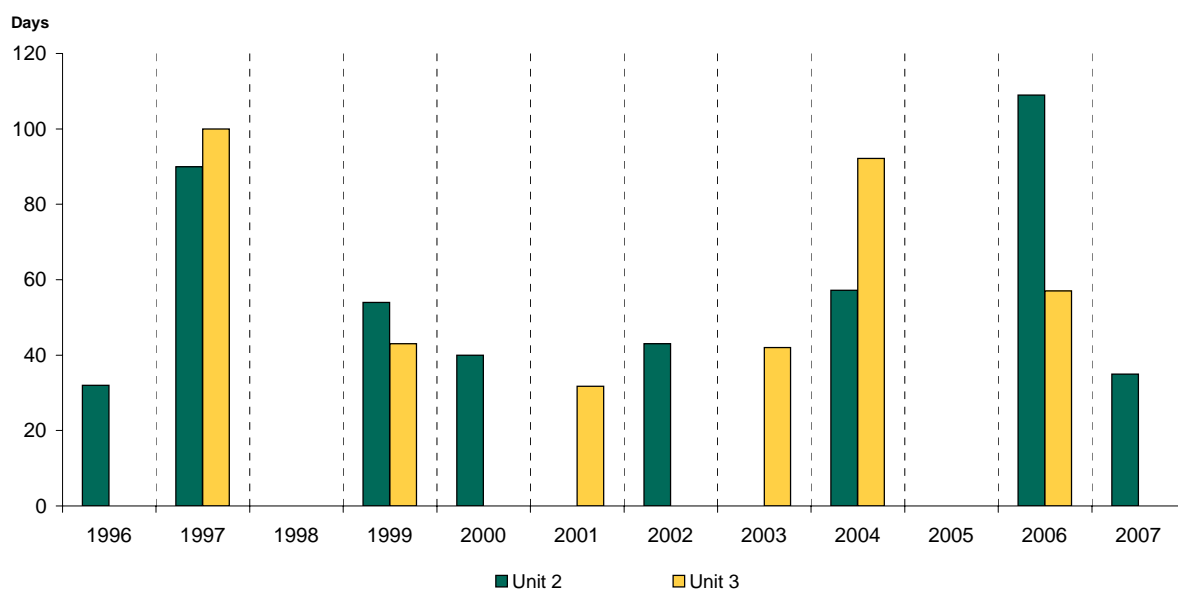
San Onofre Plant Facts

	Unit 2	Unit 3
Commercial operation	08/08/83	04/01/84
Net plant capacity (MW) ¹	1,070	1,080
2007 net generation (MWh) ¹	8,298,430	8,905,571
2007 net capacity factor (CF) (%)	88.5	94.1
Lifetime net CF through 2007 (%)	81.3	80.8
Last refueling outage	11/26/07 - 01/19/08 ²	10/16/06-12/12/06
Last refueling outage days	54 ²	57

¹ Capacity and generation are reported at the 100% level for each unit. Effective December 29, 2006, SCE's share increased to 78.21%.

² Unit 2's refueling outage began in 2007 (35 days) and ended in 2008 (19 days).

San Onofre Refueling History ¹



¹ Unit 2's refueling outage began in 2007 (35 days) and ended in 2008 (19 days), only 2007 outage days are reflected in the graph.

San Onofre Annual Capacity Factors

Year	Unit 2	Unit 3
1996	91%	93%
1997	71%	72%
1998	90%	96%
1999	88%	89%
2000	91%	102%
2001	101%	60%
2002	91%	101%
2003	104%	91%
2004	86%	74%
2005	95%	100%
2006	72%	72%
2007	89%	94%

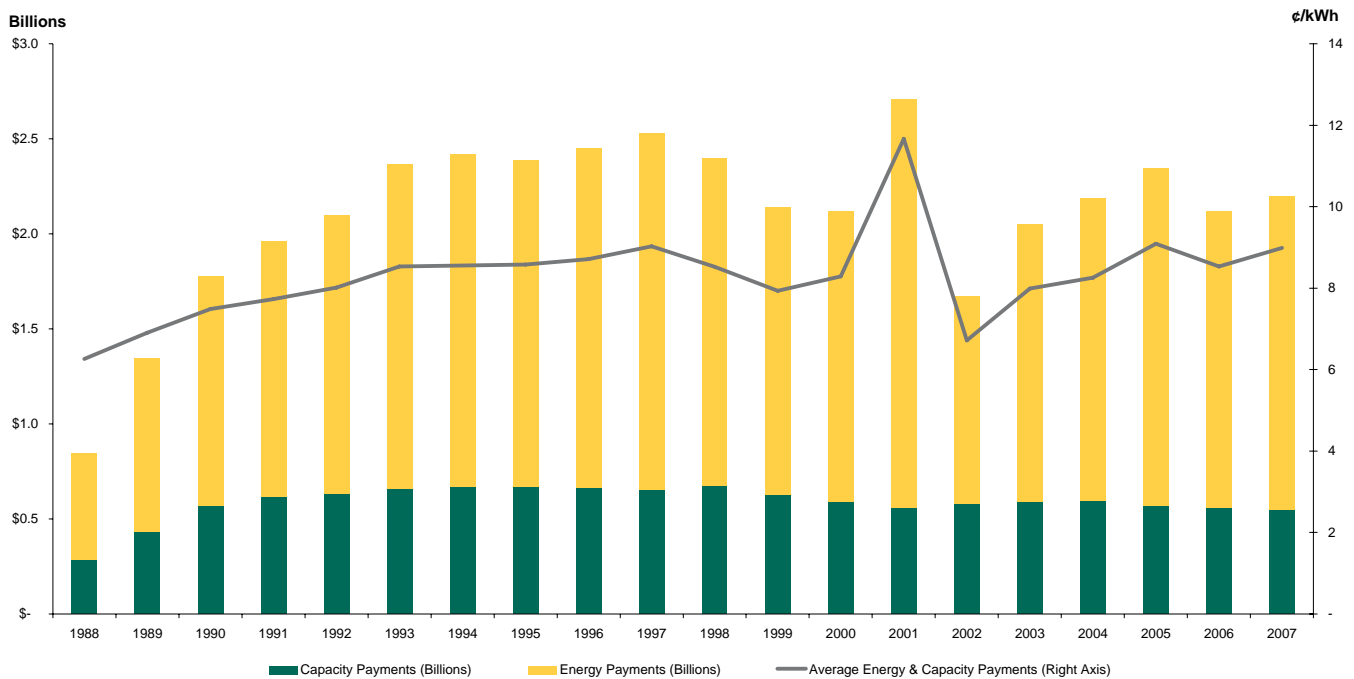
Jointly Owned Utility Projects

(In millions)

As of December 31, 2007

	Investment in Facility	Accumulated Depreciation and Amortization Interest	Ownership
Transmission systems:			
Eldorado	\$ 71	\$ 12	60%
Pacific Intertie	308	96	50%
Generating stations:			
Four Corners Units 4 and 5 (coal)	529	435	48%
Mohave (coal)	344	283	56%
Palo Verde (nuclear)	1,800	1,490	16%
San Onofre (nuclear)	4,722	4,001	78%
Total	\$ 7,774	\$ 6,317	

Cogeneration and Renewable Payments (1988-2007)



Cogeneration and Renewable Resources

Year Ended December 31, 2007

On-Line Projects	On-Line Dedicated Capacity ¹ MW	Energy Deliveries GWh	Energy and Capacity Payments (\$ in Millions)	Average Prices for Energy and Capacity Payments ¢/kWh
BioMass	20	1,256	\$ 112	8.92
Cogeneration	59	12,396	1,164	9.39
Geothermal	20	7,611	620	8.15
Small Hydro	34	196	12	6.12
Solar	10	667	108	16.19
Wind	62	2,374	186	7.83
Total	205	24,500	\$ 2,202	8.99

¹ On-Line Dedicated Capacity includes firm and estimated as-available capacity.

California Public Utilities Commission (CPUC) and Commissioners

SCE is subject to regulation by the CPUC, which has authority over, among other things, retail rates, securities issues, depreciation practices, and plant additions. The CPUC is composed of five members appointed by the Governor for staggered six-year terms.

CPUC Commissioners as of December 31, 2007:	<i>Appointed</i>	<i>Term Expires</i>
Michael R. Peevey - Democrat, economist and entrepreneur, former President of Southern California Edison (October 1990 to March 1993).	2003	December 31, 2008
Dian M. Grueneich - Democrat, served on the Board of the American Council for Energy Efficient Economy and a past President of the Board of the California League of Conservation Voters (CLCV).	2005	January 1, 2011
John Bohn - Republican, a former Chairman of GlobalNet Venture Partners, former Managing Director of the public relations firm Burson-Marsteller, and a past President and Chief Executive Officer of Moody's Investors Service.	2005	December 31, 2010
Rachelle Chong - Republican, a former Commissioner of the Federal Communications Commission and former communications regulatory lawyer and partner at the law firms of Graham & James and Coudert Brothers.	2006	January 1, 2009
Timothy Alan Simon - Republican, served in the Office of the Governor. Former General Counsel for Global Crown Capital, LLC. (2002 to 2005), Vice President and Chief Compliance Officer for Preferred Trade, Inc., and a consultant to Barclays Global Investors.	2007	February 15, 2013

Other Regulatory Agencies

FEDERAL ENERGY REGULATORY COMMISSION (FERC)

SCE's rates to recover the costs of its transmission facilities are subject to regulation by the FERC. The FERC also regulates certain other matters, including accounting and the acquisition and disposition of jurisdictional property. This includes licensing of hydroelectric power projects as well as SCE's involvement in the transmission and wholesale sales of electric energy in interstate commerce.

CALIFORNIA ENERGY COMMISSION (CEC)

The CEC licenses thermal power plants with a capacity of 50 MW or greater and develops electricity demand forecasts covering a 20-year time horizon. The CEC also coordinates a variety of research and development projects, sets appliance and building efficiency standards, and maintains a statewide plan in case of an energy shortage.

NUCLEAR REGULATORY COMMISSION (NRC)

The Nuclear Regulatory Commission regulates and licenses all nuclear facilities in the United States. Its purpose is to ensure compliance with public health and safety, environmental quality, national security, and antitrust laws.

Competitive Businesses

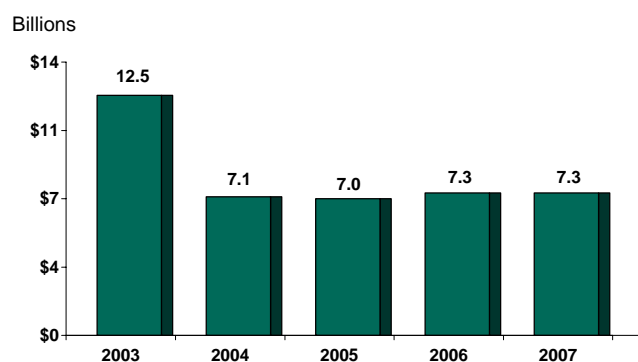


Edison Mission Energy

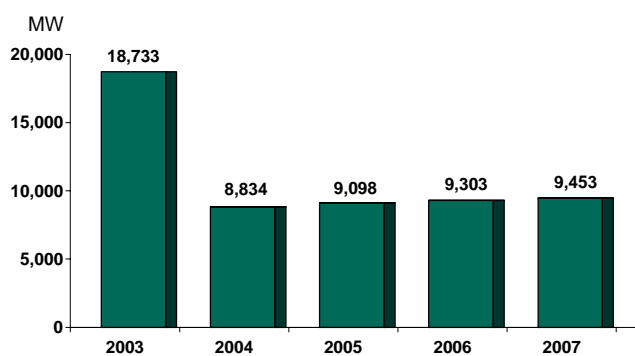
Mission Energy Holding Company is the parent company of Edison Mission Energy (EME). EME is an independent power producer engaged in the business of developing, acquiring, owning or leasing, operating and selling energy and capacity from independent power production facilities. EME also conducts hedging and energy trading activities in power markets open to competition. As of December 31, 2007, EME's continuing operations consisted of owned or leased interests in 33 operating projects with an aggregate net physical capacity of 10,623 MW of which EME's capacity pro rata share was 9,453 MW. During 2004 and early 2005, EME sold assets totaling 6,452 MW, which constituted most of its international assets. Based in Irvine, California, EME had \$7.3 billion in assets as of December 31, 2007.

Highlights

**EDISON MISSION ENERGY
TOTAL ASSETS**



**OWNED SHARES OF
OPERATING PROJECTS**



1 Not restated for discontinued operations or wind transfer

Quarterly Financial Data (Unaudited)

(In Millions)

	First	Second	Third ¹	Fourth	Total
2007					
Operating revenues	\$ 673	\$ 570	\$ 712	\$ 625	\$ 2,580
Operating income	247	107	261	149	764
Income (loss) from continuing operations	153	(19) ²	194	88	416
Discontinued operations, net	3	2	(4)	(3)	(2)
Income (loss) before accounting change	156	(17)	190	85	414
Net income (loss)	156	(17)	190	85	414
2006					
Operating revenues	\$ 514	\$ 463	\$ 706	\$ 556	\$ 2,239
Operating income	135	54	287	147	623
Income (loss) from continuing operations	75	(43) ³	198	86	316
Discontinued operations, net	73	4	(2)	23	98
Income (loss) before accounting change	148	(39)	196	109	414
Net income (loss)	148	(39)	196	109	414

¹ Reflects EME's seasonal pattern, in which a significant amount of earnings from domestic projects are earned and recorded in the third quarter of each year.

² Reflects a \$160 million pre-tax (\$98 million, after tax) loss on early extinguishment of debt related to the early repayment of EME's 7.73% senior secured notes due June 15, 2009 and Midwest Generation's 8.75% second priority senior notes due May 1, 2034.

³ Reflects a \$143 million pre-tax (\$88 million, after tax) loss on early extinguishment of debt related to the early repayment of substantially all of EME's 10% senior notes due August 15, 2008 and 9.875% senior notes due April 15, 2011.

Edison Mission Energy Project List

EME POWER PLANTS

No.	Project Name	Plant Type	Fuel Type	Commercial Operation/ Acquisition Date	Ownership Interest	Megawatts		Location
						Total	EME Share	
Domestic Plants								
Merchant Power Plants								
1	Illinois Plants ¹ (6 plants, see below)	E	Coal, Oil, Gas	12/1999	100%	5,776	5,776	Illinois
7	Homer City ¹	E	Coal	03/1999	100%	1,884	1,884	Pennsylvania
Contracted Power Plants								
Big 4 Projects								
8	Kern River ¹	Q	Natural Gas	08/1985	50%	300	150	California
9	Midway-Sunset ¹	Q	Natural Gas	05/1989	50%	225	113	California
10	Sycamore ¹	Q	Natural Gas	01/1988	50%	300	150	California
11	Watson	Q	Natural Gas	04/1988	49%	385	189	California
Westside Projects								
12	Coalinga ¹	Q	Natural Gas	11/1991	50%	38	19	California
13	Mid-Set ¹	Q	Natural Gas	05/1989	50%	38	19	California
14	Salinas River ¹	Q	Natural Gas	11/1991	50%	38	19	California
15	Sargent Canyon ¹	Q	Natural Gas	11/1991	50%	38	19	California
16	American Bituminous ¹	Q	Waste Coal	04/1993	50%	80	40	West Virginia
17	Huntington	Q	Biomass	04/2006	38%	25	9	New York
18	March Point	Q	Natural Gas	11/1991, 01/1993	50%	140	70	Washington
19	Sunrise ¹	E	Natural Gas	06/2001, 06/2003	50%	572	286	California
Wind Projects								
20	Bingham Lake	Q	Wind	04/2006	99%	15	15	Minnesota
21	Crosswinds ¹	Q	Wind	06/2007	99%	21	21	Iowa
22	Eastridge	E	Wind	04/2006	99%	10	10	Minnesota
23	Hardin ¹	Q	Wind	05/2007	99%	15	15	Iowa
24	Lakota Ridge	Q/E	Wind	04/2006	75%	11	8	Minnesota
25	San Juan Mesa ¹	E	Wind	12/2005	75%	120	90	New Mexico
26	Sleeping Bear ¹	E	Wind	10/2007	100%	95	95	Oklahoma
27	Shaokatan Hills	Q/E	Wind	04/2006	75%	12	9	Minnesota
28	Storm Lake ¹	E	Wind	04/2006	100%	109	109	Iowa
29	West Pipestone	Q/E	Wind	04/2006	99%	8	8	Minnesota
30	Westridge	Q/E	Wind	04/2006	97%	17	17	Minnesota
31	Wildorado ¹	E	Wind	04/2007	100%	161	161	Texas
32	Woodstock Hills	Q/E	Wind	04/2006	75%	10	8	Minnesota
Total Domestic Plants						10,443	9,309	
International								
33	Doga ¹		Natural Gas	05/1999	80%	180	144	Turkey
Total Operating Projects						10,623	9,453	

E = Exempt Wholesale Generation Q = Qualifying facility

¹ Plant is operated under contract by an EME operations and maintenance subsidiary or plant is operated or managed directly by an EME subsidiary.

ILLINOIS PLANTS INCLUDE THE FOLLOWING:

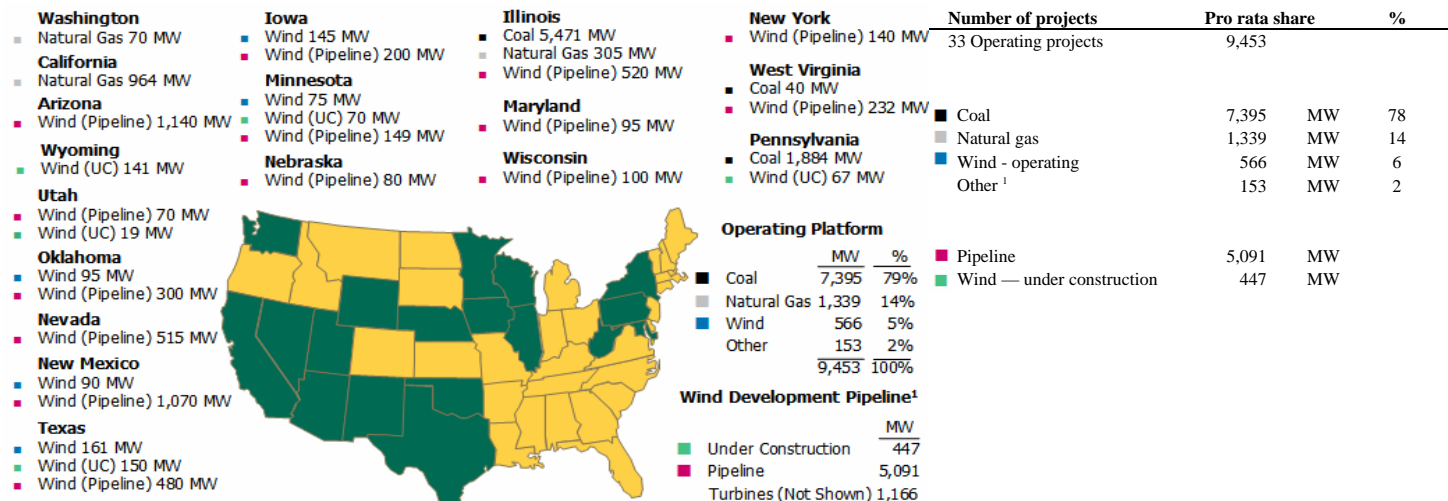
Operating Plant or Site	Location	Leased/Owned	Fuel	Megawatts
Electric Generating Facilities				
Crawford Station	Chicago, Illinois	Owned	Coal	532
Fisk Station	Chicago, Illinois	Owned	Coal	326
Joliet Unit 6	Joliet, Illinois	Owned	Coal	290
Joliet Units 7 and 8	Joliet, Illinois	Leased	Coal	1,036
Powerton Station	Pekin, Illinois	Leased	Coal	1,538
Waukegan Station ¹	Waukegan, Illinois	Owned	Coal	689
Will County Station ²	Romeoville, Illinois	Owned	Coal	1,060
Peaking Units				
Fisk	Chicago, Illinois	Owned	Oil/gas	197
Waukegan	Waukegan, Illinois	Owned	Oil/gas	108
Total				5,776

¹ The Waukegan Station is comprised of Units 7 and 8. Midwest Generation shut down permanently Waukegan Station Unit 6 (100 MW) on December 21, 2007.

² The Will County Station is comprised of Units 1, 2, 3, and 4. Operations at Will County Station Units 1 and 2 (totaling 310 MW) were returned to service in late 2004 after being suspended in January 2003. Midwest Generation has agreed with the Illinois EPA to shut down permanently Will County Station Units 1 and 2 on or before December 31, 2010.

Edison Mission Energy Project Summary

As of December 31, 2007



¹ Includes Doga (144 MW), and Huntington (9 MW) biomass projects.

EME Income (Loss) Before Taxes and Minority Interest — by Project

(In Millions)

Year ended December 31,

	2007	2006	2005
Project earnings (losses)¹			
<u>Consolidated operations</u>			
Illinois Plants	\$ 658	\$ 459	\$ 547
Homer City	226	156	74
Energy trading ²	143	130	195
San Juan Mesa	6	7	—
Gain on sale of assets	—	4	—
Minnesota wind projects	6	1	2
Storm Lake	5	5	2
Wildorado	11	—	—
Other	6	(1)	(3)
<u>Unconsolidated affiliates</u>			
Big 4 projects	146	132	158
Sunrise	33	34	29
March Point	—	—	9
Impairment loss on equity method investment	—	—	(55)
Doga	14	1	7
Other	12	12	13
	<u>1,266</u>	<u>940</u>	<u>978</u>
Corporate interest income	73	82	55
Corporate interest expense	(331)	(253)	(270)
Corporate administrative and general	(175)	(113)	(126)
Loss on early extinguishment of debt	(160)	(146)	(4)
Other income (expense), net	(10)	10	(3)
Project earnings	<u>663</u>	<u>520</u>	<u>630</u>
Less: Production tax credits	(29)	(16)	(8)
Income from continuing operations before income taxes and minority interest	<u>\$ 634</u>	<u>\$ 504</u>	<u>\$ 622</u>

¹ Project earnings are equal to income from continuing operations before income taxes, except with respect to wind projects, which also include production tax credits. Wind project earnings, including the production tax credits, were \$26 million, \$13 million and \$4 million for the years ended December 31, 2007, 2006 and 2005, respectively. The project earnings for the wind projects include \$29 million, \$16 million and \$8 million of production tax credits for the years ended December 31, 2007, 2006 and 2005, respectively. Production tax credits are recognized as wind energy is generated based upon a per kilowatt-hour rate prescribed in applicable federal and state statutes. Under GAAP, production tax credits generated by the wind projects are recorded as a reduction in income taxes. Accordingly, project earnings (losses) represent a non-GAAP performance measure which may not be comparable to those of other companies. Management believes that inclusion of production tax credits in project earnings for wind projects is more meaningful for investors as federal and state subsidies are an integral part of the economics of these projects. The table above reconciles the total project earnings with income from continuing operations before income taxes and minority interest under GAAP.

² Income from energy trading represents the gains recognized from price changes related to contracts for electricity, fuels and transmission congestion. The overhead cost of energy trading is included in administrative and general expenses.

Edison Mission Energy Consolidated Statements of Income

(In millions)	Three Months Ended December 31,		Years Ended December 31,		
	2007	2006	2007	2006	2005
Operating revenues	\$ 625	\$ 556	\$ 2,580	\$ 2,239	\$ 2,265
Operating expenses:					
Fuel	164	154	684	645	617
Plant operations	159	128	584	511	493
Plant operating leases	44	44	176	176	177
Depreciation and amortization	45	37	162	144	134
Loss on sale of assets and asset impairment charges	—	6	1	—	7
Administrative and general	64	40	209	140	154
Total operating expenses	476	409	1,816	1,616	1,582
Operating income	149	147	764	623	683
Other income (expense):					
Equity in income from unconsolidated affiliates	28	26	200	186	229
Impairment loss on equity method investment	—	—	—	—	(55)
Dividend income	—	1	12	2	—
Interest income	18	29	85	97	62
Interest expense	(73)	(65)	(273)	(279)	(300)
Loss on early extinguishment of debt	—	(3)	(160)	(146)	(4)
Other income (expense), net	—	4	6	21	7
Total other income (expense)	(27)	(8)	(130)	(119)	(61)
Income from continuing operations before income taxes and minority interest	122	139	634	504	622
Provision for income taxes	35	54	219	189	208
Minority interest	1	1	1	1	—
Income from continuing operations	88	86	416	316	414
Income (loss) from operations of discontinued subsidiaries, net of tax	(3)	23	(2)	98	29
Income before accounting change	85	109	414	414	443
Cumulative effect of change in accounting, net of tax ¹	—	—	—	—	(1)
Net income	\$ 85	\$ 109	\$ 414	\$ 414	\$ 442

¹ The 2005 loss from a change in accounting principle resulted from the adoption of a new accounting standard for conditional asset retirements. The 2003 loss from a change in accounting principle resulted from adoption of a new accounting standard for ARO's.

Historical Distributions Received by Edison Mission Energy

(In millions)	2007	2006	2005
Distributions from Consolidated Operating Projects:			
Edison Mission Midwest Holdings (Illinois Plants) ¹	\$ 660	\$ 542	\$ 330 ²
EME Homer City Generation L.P. (Homer City facilities)	187	—	86
Holding company for Storm Lake project	5	11	—
Holding companies of other consolidated operating projects	7	5	1
Distributions from Unconsolidated Operating Projects:			
Edison Mission Energy Funding Corp. (Big 4 Projects) ³	107	116	122
Sunrise Power Company	24	22	20
Holding company for Doga project	23	—	17
Holding companies for Westside projects	12	16	17
Holding companies for other unconsolidated operating projects	5	1	5
Total distributions	\$ 1,030	\$ 713	\$ 598

¹ Subsequent to December 31, 2007, Edison Mission Midwest Holdings made an additional distribution of \$35 million.

² In April 2005, EME made a capital contribution of \$300 million which was used to repay debt.

³ The Big 4 projects consist of investments in the Kern River project, Midway-Sunset project, Sycamore project and Watson project. Distributions reflect the amount received by EME after debt service payments by Edison Mission Energy Funding Corp.

Edison Mission Energy Consolidated Balance Sheets

(In millions)

December 31,

	2007	2006	2005
Assets			
Current Assets			
Cash and cash equivalents	\$ 994	\$ 1,213	\$ 1,155
Short-term investments	81	558	183
Accounts receivable — trade	224	178	337
Receivables from affiliates	35	51	18
Inventory	149	158	120
Derivative assets	56	272	78
Margin and collateral deposits	103	69	561
Deferred taxes	21	—	155
Prepaid expenses and other	89	96	68
Total current assets	1,752	2,595	2,675
Investments in unconsolidated affiliates	387	367	405
Property, plant and equipment	4,942	4,272	3,856
Less accumulated depreciation and amortization	1,053	981	844
Net property, plant and equipment	3,889	3,291	3,012
Other assets			
Deferred financing costs	41	45	43
Long-term derivative assets	91	114	90
Restricted cash	48	91	105
Rent payments in excess of levelized rent expense under plant operating leases	716	556	395
Long-term margin and collateral deposits	18	4	137
Other long-term assets	366	187	161
Total other assets	1,280	997	931
Total assets	\$ 7,308	\$ 7,250	\$ 7,023
Liabilities and shareholder's equity			
Current liabilities			
Accounts payable	\$ 73	\$ 69	\$ 64
Payables to affiliates	17	6	32
Accrued liabilities	289	270	207
Derivative liabilities	49	82	418
Interest payable	30	28	51
Deferred taxes	—	59	—
Current maturities of long-term obligations	17	132	74
Total current liabilities	475	646	846
Long-term obligations net of current maturities	3,806	3,035	3,330
Deferred taxes and tax credits	351	347	227
Deferred revenues	65	61	55
Long-term derivative liabilities	103	9	83
Other long-term liabilities	543	523	543
Total liabilities	5,343	4,621	5,084
Minority interest	42	47	29
Common stock, par value \$0.01 per share; 10,000 shares authorized; 100 shares issued and outstanding as of December 31, 2007, 2006 and 2005	64	64	64
Additional paid-in capital	1,326	2,174	2,228
Retained earnings	596	243	(171)
Accumulated other comprehensive income (loss)	(63)	101	(211)
Total shareholder's equity	1,923	2,582	1,910
Total liabilities and shareholder's equity	\$ 7,308	\$ 7,250	\$ 7,023

Edison Mission Energy Consolidated Statements of Cash Flows

(In millions)

Year Ended December 31,

	2007	2006	2005
Cash flows from operating activities			
Net income	\$ 414	\$ 414	\$ 442
Less: Income from discontinued operations	2	(98)	(29)
Income from continuing operations, net	416	316	413
Adjustments to reconcile income to net cash provided by (used in) operating activities:			
Equity in income from unconsolidated affiliates	(199)	(183)	(227)
Distributions from unconsolidated affiliates	137	170	222
Depreciation and amortization	172	158	142
Minority interest	(1)	—	—
Deferred taxes and tax credits	41	100	(76)
Loss on sale of assets	1	—	—
Loss on early extinguishment of debt	160	146	4
Impairment charges	—	—	62
Cumulative effect of change in accounting, net of tax	—	—	1
Changes in operating assets and liabilities:			
Decrease (increase) in margin and collateral deposits	(48)	625	(656)
Decrease (increase) in receivables	(29)	125	(118)
Decrease (increase) in inventory	9	(38)	(13)
Decrease (increase) in prepaid expenses and other	6	(26)	13
Increase in rent payments in excess of levelized rent expense	(160)	(161)	(117)
Increase (decrease) in accounts payable and other current liabilities	(9)	—	9
Increase (decrease) in interest payable	2	(23)	(4)
Decrease (increase) in derivative assets and liabilities	26	(72)	41
Other operating — assets	(18)	(1)	4
Other operating — liabilities	13	(5)	61
Operating cash flow from continuing operations	519	1,131	(239)
Operating cash flow from discontinued operations	(2)	94	20
Net cash provided by (used in) operating activities	517	1,225	(219)
Cash flows from financing activities			
Borrowings on long-term debt	2,930	1,450	330
Payments on long-term debt agreements	(2,276)	(1,683)	(712)
Cash contributions from parent	36	—	—
Cash dividends to parent	(925)	(51)	(367)
Payments to affiliates related to stock-based awards	(34)	(27)	(18)
Excess tax benefits related to stock-based awards	14	7	—
Premium paid on extinguishment of debt and financing costs	(162)	(157)	(6)
Net cash used in financing activities	(417)	(461)	(773)
Cash flows from investing activities			
Capital expenditures	(540)	(310)	(61)
Proceeds from return of capital and loan repayments	32	41	—
Purchase of interest from acquired companies	(33)	(18)	(154)
Proceeds from sale of interest in projects	—	43	—
Proceeds from sale of discontinued operations	—	—	124
Purchase of short-term investments	(20)	(512)	(183)
Maturities and sales of short-term investments	497	137	140
Decrease in restricted cash	43	14	41
Investments in other assets	(298)	(101)	(41)
Investing cash flow from continuing operations	(319)	(706)	(134)
Investing cash flow from discontinued operations	—	—	5
Net cash used in investing activities	(319)	(706)	(129)
Effect of consolidation of variable interest entities on cash	—	—	3
Net increase (decrease) in cash and cash equivalents	(219)	58	(1,118)
Cash and cash equivalents at beginning of period	1,213	1,155	2,274
Cash and cash equivalents at end of period	994	1,213	1,156
Cash and cash equivalents classified as part of discontinued operations	—	—	(1)
Cash and cash equivalents of continuing operations	\$ 994	\$ 1,213	\$ 1,155

Edison Mission Energy Supplemental Statements of Cash Flows Information

(In millions)

Year Ended December 31,

	2007	2006	2005
Cash paid			
Interest (net of amount capitalized)	\$ 320	\$ 297	\$ 309
Income taxes	120	172	149
Cash payments under plant operating leases	336	337	293
Details of assets acquired			
Fair value of assets acquired	\$ 41	\$ 29	\$ 154
Liabilities assumed	—	—	—
Net assets acquired	<u>\$ 41</u>	<u>\$ 29</u>	<u>\$ 154</u>
Non-cash activities from consolidation of variable interest entities			
Assets	\$ 12	\$ 18	\$ 37
Liabilities	\$ 5	\$ 4	\$ 27

Note: In connection with certain wind projects acquired during the years ended December 31, 2007 and 2006, the purchase price included payments that were due upon the start and completion of construction. Accordingly, EME accrued for estimated payments related to wind projects primarily due upon completion of construction scheduled during 2008 and made payments primarily related to wind projects completed during 2007. During the year ended December 31, 2006, EME received a capital contribution of \$76 million in the form of ownership interests in a portfolio of wind projects and a small biomass project. During the year ended December 31, 2005, EME received a capital contribution of \$20 million from its parent for investments in an entity which was previously owned by EME's affiliate, Edison Capital. This entity holds interests in various wind projects.

Edison Mission Energy Contractual Obligations

(In millions)

As of December 31, 2007

	Payments Due by Period				Total
	2008	2009-2010	2011-2012	Thereafter	
Long-term debt ¹	\$ 297	\$ 592	\$ 580	\$ 5,397	\$ 6,866
Operating lease obligations	363	706	657	2,382	4,108
Purchase obligations:					
Capital improvements	249	4	—	—	253
Turbine commitments	484	589	—	—	1,073
Fuel supply contracts	440	481	18	2	941
Gas transportation agreements	8	16	16	44	84
Coal transportation	245	323	—	—	568
Other contractual obligations	28	47	16	2	93
Employee benefit plan contribution ²	23	—	—	—	23
Total contractual obligations³	<u>\$ 2,137</u>	<u>\$ 2,758</u>	<u>\$ 1,287</u>	<u>\$ 7,827</u>	<u>\$ 14,009</u>

¹ Amount also includes interest payments over applicable period of the debt.

² Amount includes estimated contribution for pension plans and postretirement benefits other than pensions. The estimated contributions beyond 2008 are not available.

³ At December 31, 2007, EME had a total net liability recorded for uncertain tax positions of \$97 million, which is excluded from the table. EME cannot make reliable estimates of the cash flows by period due to uncertainty surrounding the timing of resolving these open tax issues with the Internal Revenue Service.

EME's Key Ratios of Principal Subsidiaries Affecting Dividends

At December 31, 2007 or Year Ended December 31, 2007

Subsidiary	Financial Ratio	Covenant	Actual
Midwest Generation, LLC (Illinois Plants)	Debt to Capitalization Ratio	Less than or equal to 0.60 to 1	0.23 to 1
EME Homer City Generation L.P. (Homer City facilities)	Senior Rent Service Coverage Ratio	Greater than 1.7 to 1	4.16 to 1

Illinois Plants and Homer City Forward Month-End 24-Hour Energy Prices ¹

Date	2008		2009	
	Northern Illinois ²	PJM West ³	Northern Illinois ²	PJM West ³
January 31, 2007	\$ 44.50	\$ 58.09	\$ 45.15	\$ 56.40
February 28, 2007	44.99	59.33	44.85	57.96
March 31, 2007	47.92	63.37	46.59	61.44
April 30, 2007	49.89	65.73	49.73	64.37
May 31, 2007	50.69	66.57	50.46	65.97
June 30, 2007	46.09	62.36	47.02	64.07
July 31, 2007	46.90	62.89	48.50	64.89
August 31, 2007	44.57	58.96	46.49	62.45
September 30, 2007	46.80	61.71	48.70	64.53
October 31, 2007	50.27	65.97	51.63	67.92
November 30, 2007	47.70	62.14	50.37	65.89
December 31, 2007	48.06	62.49	51.50	67.13

¹ This table sets forth the forward month-end market prices for energy per megawatt-hour for the calendar year 2008 and calendar year 2009 "strips," which are defined as energy purchases for the entire calendar year, as quoted for sales into the Northern Illinois Hub and PJM West Hub during 2007. Forward market prices at the Northern Illinois Hub and the PJM West Hub fluctuate as a result of a number of factors, including natural gas prices, transmission congestion, changes in market rules, electricity demand (which in turn is affected by weather, economic growth and other factors), plant outages in the region, and the amount of existing and planned power plant capacity. The actual spot prices for electricity delivered by the Illinois Plants and the Homer City facilities into these markets may vary materially from the forward market prices set forth in this table.

² Source: Energy prices were determined by obtaining broker quotes and information from other public sources relating to the Northern Illinois Hub delivery point.

³ Source: Energy prices were determined by obtaining broker quotes and information from other public sources relating to the PJM West Hub delivery point. Forward prices at PJM West Hub are generally higher than the prices at the Homer City busbar.

Illinois Plants Statistics — Coal-Fired Generation

(In millions)

Year Ended December 31,	2007	2006	2005
Generation (in GWh)			
Energy only contracts	22,503	28,898	30,953
Load requirements services contracts ¹	7,458	—	—
Total	29,961	28,898	30,953
Aggregate plant performance:			
Equivalent availability ²	75.8%	79.3%	79.6%
Capacity factor ³	60.9%	58.8%	63.0%
Load factor ⁴	80.4%	74.1%	79.1%
Forced outage rate ⁵	9.7%	7.9%	7.8%
Average realized energy price/MWh			
Energy only contracts ⁶	\$ 48.79	\$ 46.19	\$ 45.55
Load requirements services contracts ⁷	\$ 63.43	\$ —	\$ —
Capacity revenue only (in millions)	\$ 27	\$ 24	\$ 27
Average fuel costs/MWh	\$ 13.36	\$ 13.19	\$ 12.40

¹ Represents two load requirements services contracts, awarded as part of an Illinois auction, with Commonwealth Edison that commenced on January 1, 2007.

² The equivalent availability factor is defined as the number of megawatt-hours the coal plants are available to generate electricity divided by the product of the capacity of the coal plants (in megawatts) and the number of hours in the period. Equivalent availability reflects the impact of the unit's inability to achieve full load, referred to as derating, as well as outages which result in a complete unit shutdown. The coal plants are not available during periods of planned and unplanned maintenance.

³ The capacity factor is defined as the actual number of megawatt-hours generated by the coal plants divided by the product of the capacity of the coal plants (in megawatts) and the number of hours in the period.

⁴ The load factor is determined by dividing capacity factor by the equivalent availability factor.

⁵ Midwest Generation refers to unplanned maintenance as a forced outage.

⁶ The average realized energy price reflects the average price at which energy is sold into the market including the effects of hedges, real-time and day-ahead sales and PJM fees and ancillary services. It is determined by dividing (i) operating revenue less unrealized SFAS No. 133 gains (losses) and other non-energy related revenue by (ii) generation. Revenue related to capacity sales are excluded from the calculation of average realized energy price.

⁷ The average realized energy price reflects the contract price for sales to Commonwealth Edison under load requirements services contracts that include energy, capacity and ancillary services. It is determined by dividing (i) contract revenue less PJM operating and ancillary charges by (ii) generation.

Illinois Coal Requirements Under Contract

As of December 31, 2007	2008	2009	2010
Amount of coal under contract in millions of tons ¹	17.5	11.7	11.7

¹ The amount of coal under contract in tons is calculated based on contracted tons and applying an 8,800 Btu equivalent for the Illinois Plants.

Illinois December 31, 2007 Hedge Position

	2008	2009	2010
Energy only contracts ¹			
Megawatt-hours	10,837,600	7,692,290	3,471,950
Average price/MWh ²	\$ 61.27	\$ 62.38	\$ 62.62
Load requirements services contracts			
Estimated megawatt-hours ³	5,613,433	1,631,859	—
Average price/MWh ⁴	\$ 64.01	\$ 63.65	\$ —
Total estimated megawatt-hours	16,451,033	9,324,149	3,471,950

¹ Primarily at Northern Illinois Hub.

² The energy only contracts include forward contracts for the sale of power and futures contracts during different periods of the year and the day. Market prices tend to be higher during on-peak periods and during summer months, although there is significant variability of power prices during different periods of time. Accordingly, the above hedge position at December 31, 2007 is not directly comparable to the 24-hour Northern Illinois Hub prices.

³ Under a load requirements services contract, the amount of power sold is a portion of the retail load of the purchasing utility and thus can vary significantly with variations in that retail load. Retail load depends upon a number of factors, including the time of day, the time of the year and the utility's number of new and continuing customers. Estimated megawatt-hours have been forecast based on historical patterns and on assumptions regarding the factors that may affect retail loads in the future. The actual load will vary from that used for the above estimate, and the amount of variation may be material.

⁴ The average price per megawatt-hour under a load requirements services contract (which is subject to a seasonal price adjustment) represents the sale of a bundled product that includes, but is not limited to, energy, capacity and ancillary services. Furthermore, as a supplier of a portion of a utility's load, Midwest Generation will incur charges from PJM as a load serving entity. For these reasons, the average price per megawatt-hour under a load requirements services contract is not comparable to the sale of power under an energy only contract. The average price per megawatt-hour under a load requirements services contract represents the sale of the bundled product based on an estimated customer load profile.

Homer City Statistics

(In millions)

Year Ended December 31,	2007	2006	2005
Generation (in GWh)	13,649	12,286	13,637
Equivalent availability ¹	89.4%	81.9%	85.2%
Capacity factor ²	82.5%	74.3%	82.4%
Load factor ³	92.4%	90.7%	96.7%
Forced outage rate ⁴	4.1%	13.5%	4.8%
Average realized energy price/MWh ⁵	\$ 54.40	\$ 48.02	\$ 45.05
Capacity revenue only (in millions)	\$ 30	\$ 16	\$ 18
Average fuel costs/MWh	\$ 22.45	\$ 23.05	\$ 21.08

¹ The equivalent availability factor is defined as the number of megawatt-hours the coal plants are available to generate electricity divided by the product of the capacity of the coal plants (in megawatts) and the number of hours in the period. Equivalent availability reflects the impact of the unit's inability to achieve full load, referred to as derating, as well as outages which result in a complete unit shutdown. The coal plants are not available during periods of planned and unplanned maintenance.

² The capacity factor is defined as the actual number of megawatt-hours generated by the coal plants divided by the product of the capacity of the coal plants (in megawatts) and the number of hours in the period.

³ The load factor is determined by dividing capacity factor by the equivalent availability factor.

⁴ Homer City refers to unplanned maintenance as a forced outage.

⁵ The average realized energy price reflects the average price at which energy is sold into the market including the effects of hedges, real-time and day-ahead sales and PJM fees and ancillary services. It is determined by dividing (i) operating revenue less unrealized SFAS No. 133 gains (losses) and other non-energy related revenue by (ii) total generation.

Homer City Coal Requirements Under Contract

As of December 31, 2007	2008	2009	2010
Amount of coal under contract in millions of tons ¹	5.7	4.4	0.3

¹ The amount of coal under contract in tons is calculated based on contracted tons and applying a 13,000 Btu equivalent for the Homer City facilities.

Homer City December 31, 2007 Hedge Position

	2008	2009	2010
Megawatt-hours	7,232,000	2,867,200	1,022,400
Average price/MWh ¹	\$ 60.85	\$ 73.84	\$ 77.80

¹ The above hedge positions include forward contracts for the sale of power during different periods of the year and the day. Market prices tend to be higher during on-peak periods during summer months, although there is significant variability of power prices during different periods of time. Accordingly, the above hedge position at December 31, 2007 is not directly comparable to the 24-hour PJM West Hub prices.

Edison Capital

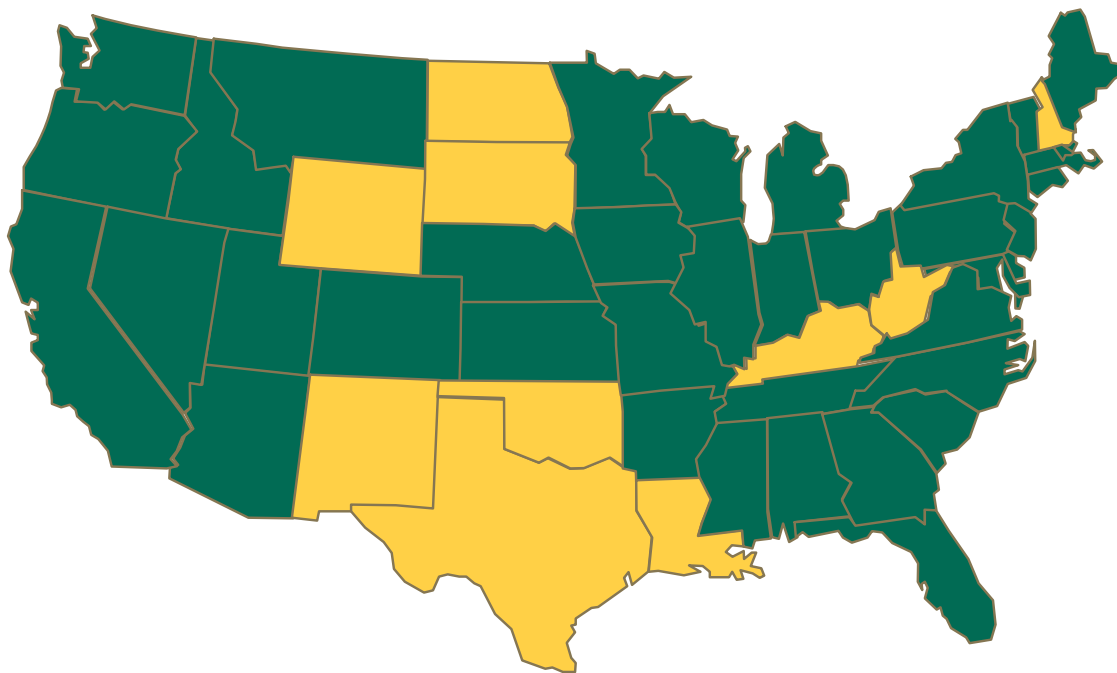
Edison Capital has investments worldwide in energy and infrastructure projects, including power generation, electric transmission and distribution, transportation, and telecommunications. Edison Capital also has investments in affordable housing projects located throughout the United States.

Energy/Infrastructure Projects

Infrastructure Project Name	Country/Region	Project Type	Generation Capacity (MW)	Lessor Interest/Equity Interest
ESKOM/Majuba	South Africa	Coal Power	4,110	50%
Swisscom AG	Switzerland	Telecommunications	—	100%
Midland Cogeneration Plant	U.S.	Gas Power	1,500	9%
EPON/Eems Power Station	Netherlands	Gas/Coal Power	1,675	80%
AIG - Asia II Fund	Asia	Infrastructure	—	6%
Beaver Valley Unit #2	U.S.	Nuclear Power	836	11%
EPZ/Amercentrale 9	Netherlands	Coal Power	600	26%
AIG/GE Latin American Fund	Latin America	Infrastructure	—	8%
ETSA	Australia	Transmission System	—	100%
Vidalia Hydroelectric	U.S.	Hydro Power	192	24%
AIG Emerging Europe Fund	Europe	Infrastructure	—	23%
Nederlandse Spoorwegen	Netherlands	Electric Rail	—	100%
Paz Holdings	Bolivia	Distribution Systems	—	11%
Total			8,913	

Affordable Housing

Edison Capital is currently invested in over 319 Affordable Housing projects in 36 states.



Edison Capital Financial Information

(In millions)

Three Months Ended December 31,

Years Ended December 31,

	2007	2006	2007	2006	2005
Condensed consolidated statements of income					
Lease revenue	\$ 4	\$ 15	\$ 50	\$ 67	\$ 71
Other	1	2	6	6	6
Total operating revenue	5	17	56	73	77
Operating expenses	(2)	2	17	26	48
Operating income	7	15	39	47	29
Equity in income from unconsolidated entities	1	15	28	30	74
Interest expense	(2)	(3)	(10)	(16)	(22)
Other income	4	24	17	39	11
Income before income taxes	10	51	74	100	92
Income tax expense	1	6	5	11	11
Net income	\$ 9	\$ 45	\$ 69	\$ 89	\$ 81

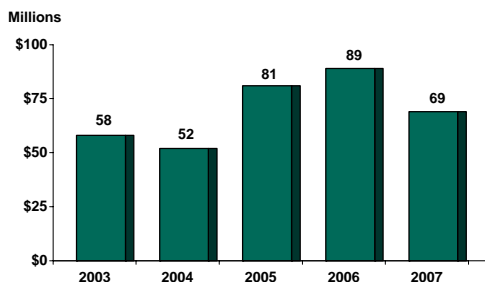
Condensed consolidated balance sheets

Current assets			\$ 269	\$ 431	\$ 661
Investments			2,576	2,638	2,693
Property, plant, and equipment — net and other			132	130	22
Total assets			\$ 2,977	\$ 3,199	\$ 3,376
Current liabilities			\$ 38	\$ 96	\$ 112
Long-term liabilities			2,533	2,526	2,581
Total liabilities			2,571	2,622	2,693
Minority interest			26	46	72
Total shareholder's equity			380	531	611
Total liabilities and shareholder's equity			\$ 2,977	\$ 3,199	\$ 3,376

Condensed consolidated statements of cash flows

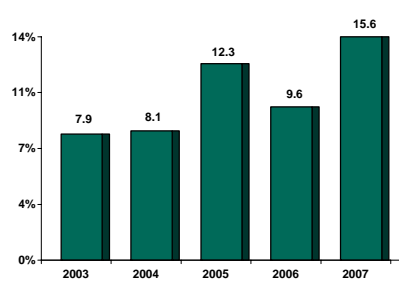
Cash flows from operating activities:					
Net income			\$ 69	\$ 89	\$ 81
Adjustment for non-cash income statement items			(35)	(90)	(58)
Changes in working capital components			(31)	63	227
Net cash provided by operating activities			3	62	250
Cash flows from financing activities:					
Dividend paid to parent			(238)	(108)	—
Repayment of debt, net of borrowings			(36)	(75)	(25)
Other			(2)	(53)	5
Net cash used by financing activities			(276)	(236)	(20)
Cash flows from investing activities:					
Distributions from partnerships, net of investments			37	68	140
Restricted cash			3	—	9
Advance to parent			—	—	(75)
Net cash provided by investing activities			40	68	74
Effects of exchange rate changes on cash			—	—	(1)
Net increase (decrease) in cash and equivalents			(233)	(106)	303
Cash and equivalents, beginning of period			375	481	178
Cash and equivalents, end of period			\$ 142	\$ 375	\$ 481

EDISON CAPITAL
NET INCOME ¹



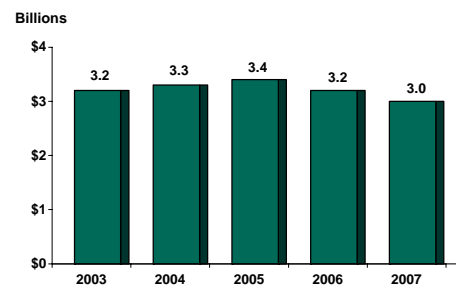
¹ Restated for transfer of wind assets

EDISON CAPITAL
RETURN ON COMMON EQUITY ¹



¹ Restated for transfer of wind assets

EDISON CAPITAL
TOTAL ASSETS ¹



¹ Restated for transfer of wind assets

Management Team ¹

Edison International

John E. Bryson

Chairman of the Board, President and
Chief Executive Officer

Theodore F. Craver, Jr.

Future Chairman of the Board, President and
Chief Executive Officer

J.A. (Lon) Bouknight

Executive Vice President and
General Counsel

Thomas R. McDaniel

Executive Vice President, Chief Financial Officer
and Treasurer

Polly L. Gault

Executive Vice President, Public Affairs

Cecil R. House

Senior Vice President
Safety and Operations Support
and Chief Procurement Officer

Mahvash Yazdi

Senior Vice President, Business Integration
and Chief Information Officer

Barbara J. Parsky

Senior Vice President, Corporate
Communications

Scott S. Cunningham

Vice President, Investor Relations

Linda G. Sullivan

Vice President and Controller

Kenneth S. Stewart

Vice President and Chief Ethics
and Compliance Officer

Barbara E. Mathews

Vice President, Associate General Counsel, Chief
Governance Officer and Corporate Secretary

Diane L. Featherstone

Senior Vice President, Human Resources

Jeffrey L. Barnett

Vice President, Tax

Megan Scott-Kakures

Vice President and General Auditor

Southern California Edison Company

John E. Bryson

Chairman of the Board

Alan J. Fohrer

Chief Executive Officer

Polly L. Gault

Executive Vice President, Public Affairs

John Fielder

President

Barbara J. Parsky

Senior Vice President, Corporate Communications

Cecil R. House

Senior Vice President
Safety and Operations Support
and Chief Procurement Officer

Richard M. Rosenblum

Senior Vice President, Generation and Chief Nuclear
Officer

Thomas M. Noonan

Senior Vice President and Chief Financial Officer

Bruce Foster

Senior Vice President, Regulatory Affairs

Stephen E. Pickett

Senior Vice President and General Counsel

Pedro J. Pizarro

Senior Vice President, Power Procurement
SCE Managing Officer, Edison Carrier Solutions

Mahvash Yazdi

Senior Vice President, Business Integration
and Chief Information Officer

Lynda L. Ziegler

Senior Vice President, Customer Service

Ronald L. Litzinger

Senior Vice President,
Transmission and Distribution

Robert C. Boada

Vice President and Treasurer

Jeffrey L. Barnett

Vice President, Tax

Lisa Cagnolatti

Vice President, Business Customer Division

Jodi M. Collins

Vice President, Information Technology

Diane L. Featherstone

Senior Vice President, Human Resources

Megan Scott-Kakures

Vice President and General Auditor

Ann P. Cohn

Vice President and
Associate General Counsel

Kevin R. Cini

Vice President, Energy Supply and Management
Power Procurement Business Unit

Harry B. Hutchinson

Vice President, Customer Service Operations

Akbar Jazayeri

Vice President, Regulatory Operations

Walter J. Johnston

Vice President, Power Delivery

Erwin Furkawa

Vice President, Customer Programs and Services

R.W. (Russ) Krieger, Jr.

Vice President, Power Production

Kevin M. Payne

Vice President, Enterprise Resource Planning

Frank J. Quevedo

Vice President, Equal Opportunity

Tommy Ross

Vice President, Public Affairs, Sacramento

Ross Ridenoure

Vice President, San Onofre Nuclear Generation Station

James T. Reilly

Vice President, Nuclear Engineering and Technical
Services

Barbara E. Mathews

Vice President, Associate General Counsel, Chief
Governance Officer, and Corporate Secretary

Linda G. Sullivan

Vice President and Controller

Leslie Starck

Vice President, Local Public Affairs

James A. Kelly

Vice President, Engineering and Technical Services

Kenneth S. Stewart

Vice President and Chief Ethics and Compliance Officer

Edison Mission Energy ²

Theodore F. Craver, Jr.

Chairman of the Board, President and Chief
Executive Officer

Guy F. Gorney

Senior Vice President, Coal Generation
President Midwest Generation

Paul Jacob

Senior Vice President, Marketing & Trading

W. James Scilacci

Senior Vice President and
Chief Financial Officer

John P. Finneran, Jr.

Senior Vice President, Business Management

Gerard P. Loughman

Senior Vice President, Development

Steven D. Eisenberg

Vice President and
General Counsel

Jenene J. Wilson

Vice President, Human Resources

Douglas McFarlan

Vice President Public Affairs and
Communications

¹ As of December 31, 2007.

² Parent company of Edison Capital.



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Ticker Symbol

EIX (Common Stock)

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