



EDISON
INTERNATIONAL®

*2006 Financial and
Statistical Report*

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Edison International (EIX)

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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 portfolio of approximately 14,400 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 \$36 billion as of December 31, 2006.

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 121 years.

Mission Energy Holding Company

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, 2006, EME's continuing operations consisted of owned or leased interests in 29 operating power plants of which EME's capacity pro rata share was 9,303 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 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.

Edison International Consolidated Earnings

Year Ended December 31,	2006	2005	Change
Earnings (Loss) (in millions)			
Southern California Edison Company	\$ 776	\$ 725	\$ 51
Edison Mission Group			
Mission Energy Holding Company	246	332	(86)
Edison Capital	88	82	6
Edison Mission Group total	334	414	(80)
Edison International (parent) and other	(27)	(31)	4
EIX consolidated earnings from continuing operations	1,083	1,108	(25)
Earnings from discontinued operations	97	30	67
Cumulative effect of accounting change	1	(1)	2
Total EIX consolidated earnings	\$ 1,181	\$ 1,137	\$ 44
Earnings (Loss) per common share			
Southern California Edison Company	\$ 2.38	\$ 2.22	\$ 0.16
Edison Mission Group			
Mission Energy Holding Company	0.75	1.02	(0.27)
Edison Capital	0.27	0.25	0.02
Edison Mission Group total	1.02	1.27	(0.25)
Edison International (parent) and other	(0.12)	(0.11)	(0.01)
EIX consolidated earnings from continuing operations	3.28	3.38	(0.10)
Earnings from discontinued operations	0.30	0.09	0.21
Total EIX consolidated earnings	\$ 3.58	\$ 3.47	\$ 0.11
Core vs. non-core presentation of earnings (loss) per common share			
Southern California Edison Company	\$ 1.89	\$ 1.82	\$ 0.07
Edison Mission Group			
Mission Energy Holding Company	1.03	1.17	(0.14)
Edison Capital	0.27	0.25	0.02
Edison Mission Group total	1.30	1.42	(0.12)
Edison International (parent) and other	(0.12)	(0.11)	(0.01)
EIX consolidated core earnings	3.07	3.13	(0.06)
Non-core items:			
SCE – regulatory and tax items	0.40	0.36	0.04
SCE – generator settlement / refund incentive	0.09	0.04	0.05
MEHC – March Point impairment	—	(0.10)	0.10
MEHC – early debt retirements	(0.28)	(0.05)	(0.23)
MEHC – discontinued operations	0.30	0.09	0.21
Total non-core items	0.51	0.34	0.17
Total EIX consolidated earnings	\$ 3.58	\$ 3.47	\$ 0.11

Security Credit Ratings

	Fitch			Moody's			Standard & Poor's		
	12/31/05	12/31/06	02/28/07	12/31/05	12/31/06	02/28/07	12/31/05	12/31/06	02/28/07
SCE Senior Secured	BBB+	A+	A+	A3	A2	A2	BBB+	BBB+	BBB+
SCE Senior Unsecured	BBB	A	A	Baa1	A3	A3	BBB	BBB	BBB
SCE Preferred Stock	BBB-	A-	A-	Baa3	Baa2	Baa2	BBB-	BBB-	BBB-
SCE Funding (RRB)	AAA	AAA	AAA	Aaa	Aaa	Aaa	AAA	AAA	AAA
SCE Commercial Paper	nr	F-1	F-1	P-2	P-2	P-2	A-2	A-2	A-2
MEHC Senior Secured	B-	BB-	BB-	B2	B2	B2	CCC+	B	B
EME Senior Unsecured	B	BB-	BB-	B1	B1	B1	B+	BB-	BB-
EME Funding Corp.	nr	nr	nr	Ba1	Ba1	Ba1	B+	BB-	BB-
MWG LLC Sr. Sec. Term Loan (1st)	BB	BBB-	BBB-	Ba3	Baa3	Baa3	BB-	BB	BB
MWG LLC Sr. Sec. Notes (2nd)	B+	BB+	BB+	B1	Ba2	Ba2	B	B+	B+
Homer City Funding LLC	BBB-	BBB-	BBB-	Ba2	Ba2	Ba2	BB	BB	BB
EC Edison Funding Senior Unsec.	BB	nr	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,

	2006	2005	% Change
Edison International			
Basic earnings per share	\$ 3.58	\$ 3.47	3.2
Diluted earnings per share	\$ 3.57	\$ 3.43	4.1
Net income (millions)	\$ 1,181	\$ 1,137	3.9
Income from continuing operations	\$ 1,083	\$ 1,108	(2.3)
Book value per share	\$ 23.66	\$ 20.30	16.6
Recourse financial capital structure ¹ :			
Common equity	43.3%	41.1%	—
Preferred securities	5.1	4.5	—
Debt	51.6	54.4	—
Total	<u>100.0%</u>	<u>100.0%</u>	—
Southern California Edison			
Basic earnings per Edison International common share	\$ 2.38	\$ 2.22	7.2
Net income available for common stock (millions)	\$ 776	\$ 725	7.0
Ratemaking rate of return on common equity — authorized	11.6%	11.4%	—
Kilowatt-hour sales (millions)	96,146	100,992	(4.8)
Peak demand in megawatts (MW) ²	22,889	21,934	4.4
Generating capacity resources (MW) ³	9,257	10,536	(12.1)
Customers (thousands)	4,812	4,741	1.5
Employees	14,362	14,041	2.3
Edison Mission Group			
Basic earnings per Edison International common share	\$ 1.32	\$ 1.36	(2.9)
Income from continuing operations (millions)	\$ 334	\$ 414	(19.3)
Net income (millions)	\$ 432	\$ 443	(2.5)
Equity (millions)	\$ 2,308	\$ 2,547	(9.4)
Employees	1,751	1,768	(1.0)

¹ The 2006 ratios include common equity and preferred securities as reflected on the EIX balance sheets. Debt includes the Powerton/Joliet lease termination value of \$1.4 billion, and short- and long-term debt. Debt excludes non-recourse debt from continuing operations totaling \$1.8 billion as outlined on pages 11-12 of this document. The comparable 2006 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 42.3%, 5.0%, and 52.7% respectively. 2005 ratios are calculated on the same basis as 2006, and include the Powerton/Joliet lease termination value of \$1.5 billion, as a component of debt. Non-recourse debt of \$2.3 billion is excluded. The comparable 2005 ratios, including non-recourse amounts and excluding the Powerton/Joliet lease termination value, are 39.1%, 4.3% and 56.6% 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.

N/M = Not meaningful

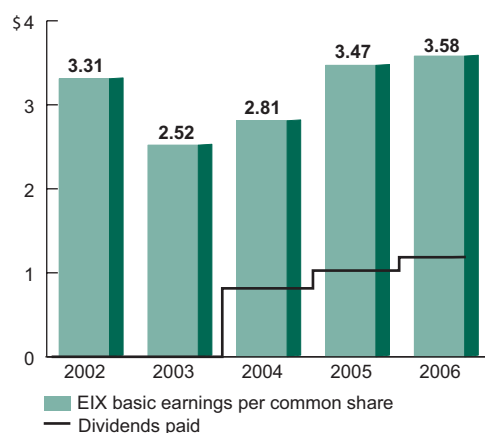
Edison International Consolidated Per-Share Data — Common Stock

Year Ended December 31,	2006	2005	2004	2003	2002	2001
Basic earnings per share	\$ 3.58	\$ 3.47	\$ 2.81	\$ 2.52	\$ 3.31	\$ 3.18
Diluted earnings per share	\$ 3.57	\$ 3.43	\$ 2.77	\$ 2.50	\$ 3.28	\$ 3.17
Dividends per share:						
Paid ¹	\$ 1.08	\$ 1.00	\$ 0.80	\$ —	\$ —	\$ —
Declared ¹	\$ 1.10	\$ 1.02	\$ 0.85	\$ 0.20	\$ —	\$ —
Year-ended data:						
Dividend rate ¹	\$ 1.16	\$ 1.08	\$ 1.00	—	—	—
Dividend yield (paid) ¹	2.4%	2.3%	2.5%	—	—	—
Dividends payout ratio (paid) ¹	30.2%	28.8%	28.5%	—	—	—
Book value per share	\$ 23.66	\$ 20.30	\$ 18.56	\$ 16.52	\$ 13.62	\$ 10.04
Market price/book value ratio	1.9x	2.1x	1.7x	1.3x	0.9x	1.5x
Price/earnings ratio	12.7x	12.6x	11.4x	8.7x	3.6x	4.7x
Total shareholder return:						
Appreciation and dividends paid ^{1,2}	7.0%	39.6%	50.7%	86.8%	(21.5)%	(3.4)%
Price:						
High	\$ 47.15	\$ 49.16	\$ 32.52	\$ 22.07	\$ 19.60	\$ 16.12
Low	\$ 37.90	\$ 30.43	\$ 21.24	\$ 10.57	\$ 7.80	\$ 6.25
Year-end	\$ 45.48	\$ 43.61	\$ 32.03	\$ 21.93	\$ 11.85	\$ 15.10
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

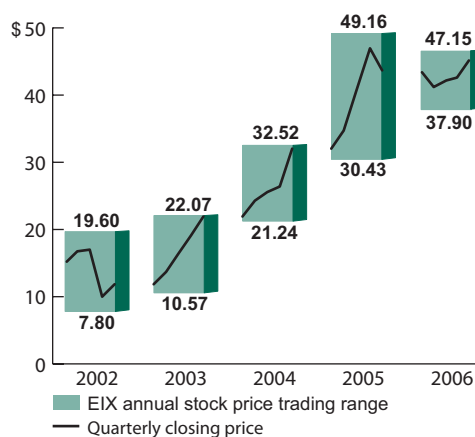
¹ The quarterly common stock dividends customarily paid on January 31, April 30, July 31, and October 31, were not declared for 2001, 2002 and 2003.

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



Edison International Consolidated Balance Sheets

<i>In millions</i>	<i>December 31,</i>	2006	2005	2004
Assets				
Cash and equivalents		\$ 1,795	\$ 1,893	\$ 2,688
Restricted cash		59	60	73
Margin and collateral deposits		124	739	108
Receivables, less allowances of \$29, \$33 and \$31 for uncollectible accounts at respective dates		1,014	1,220	846
Accrued unbilled revenue		303	291	320
Fuel inventory		122	80	73
Materials and supplies		270	261	231
Accumulated deferred income taxes — net		203	218	288
Derivative assets		328	316	67
Regulatory assets		554	536	553
Short-term investments		558	211	140
Other current assets		152	134	128
Total current assets		5,482	5,959	5,515
Nonutility property — less accumulated provision for depreciation of \$1,627, \$1,424 and \$1,311 at respective dates		4,356	4,119	3,922
Nuclear decommissioning trusts		3,184	2,907	2,757
Investments in partnerships and unconsolidated subsidiaries		308	426	608
Investments in leveraged leases		2,495	2,447	2,424
Other investments		91	115	131
Total investments and other assets		10,434	10,014	9,842
Utility plant, at original cost:				
Transmission and distribution		17,606	16,760	15,685
Generation		1,465	1,370	1,356
Accumulated provision for depreciation		(4,821)	(4,763)	(4,506)
Construction work in progress		1,486	956	789
Nuclear fuel, at amortized cost		177	146	151
Total utility plant		15,913	14,469	13,475
Regulatory assets		2,818	3,013	3,285
Restricted cash		91	105	155
Margin and collateral deposits		4	137	—
Derivative assets		131	132	90
Rent payments in excess of levelized rent expense under plant operating leases		556	395	277
Other long-term assets		832	556	508
Total long-term assets		4,432	4,338	4,315
Assets of discontinued operations		—	11	122
Total assets		\$ 36,261	\$ 34,791	\$ 33,269

Edison International Nonutility Property

<i>In millions</i>	<i>December 31,</i>	2006	2005	2004
Furniture and equipment		\$ 107	\$ 102	\$ 117
Building, plant and equipment		4,026	3,663	3,154
Land (including easements)		78	78	74
Emission allowances		1,305	1,305	1,305
Leasehold improvements		100	90	81
Construction in progress		367	305	502
		5,983	5,543	5,233
Accumulated provision for depreciation		(1,627)	(1,424)	(1,311)
Nonutility property — net		\$ 4,356	\$ 4,119	\$ 3,922

Edison International Consolidated Balance Sheets

<i>In millions</i>	<i>December 31,</i>	2006	2005	2004
Liabilities and shareholders' equity				
Long-term debt due within one year		\$ 488	\$ 745	\$ 809
Short-term debt		—	—	88
Preferred stock to be redeemed within one year		—	—	9
Accounts payable		926	961	749
Accrued taxes		155	262	226
Accrued interest		196	212	233
Counterparty collateral		36	183	—
Customer deposits		198	183	168
Book overdrafts		140	257	232
Derivative liabilities		181	418	31
Regulatory liabilities		1,000	681	490
Other current liabilities		983	1,057	1,002
Total current liabilities		4,303	4,959	4,037
Long-term debt				
Accumulated deferred income taxes — net		5,297	5,256	5,233
Accumulated deferred investment tax credits		122	130	138
Customer advances		160	153	70
Derivative liabilities		86	101	5
Power-purchase contracts		32	64	130
Preferred stock subject to mandatory redemption		—	—	139
Accumulated provision for pensions and benefits		1,099	745	523
Asset retirement obligations		2,759	2,628	2,188
Regulatory liabilities		3,140	2,962	3,356
Other deferred credits and other long-term liabilities		1,267	1,311	1,266
Total deferred credits and other liabilities		13,962	13,350	13,048
Liabilities of discontinued operations		—	14	15
Total liabilities		27,366	27,156	26,778
Minority interest		271	301	313
Preferred and preference stock of utility not subject to mandatory redemption				
Common stock, no par value (325,811,206 shares outstanding at each date)		2,080	2,043	1,975
Accumulated other comprehensive income (loss)		78	(226)	(4)
Retained earnings		5,551	4,798	4,078
Total common shareholders' equity		7,709	6,615	6,049
Total liabilities and shareholders' equity		\$ 36,261	\$ 34,791	\$ 33,269

Edison International Estimated Commitments For 2007–2011 And Thereafter

<i>In millions</i>	2007	2008	2009	2010	2011	Thereafter
Long-term debt maturities and interest ¹	\$ 1,128	\$ 1,474	\$ 1,251	\$ 759	\$ 759	\$ 11,791
Fuel supply contract payments	440	224	140	115	63	269
Gas and coal transportation payments	228	92	83	84	8	52
Purchased-power capacity payments	481	255	144	134	112	642
Operating lease obligations	978	951	885	831	598	4,411
Capital lease obligations	3	3	3	4	—	—
Turbine commitments	463	26	—	—	—	—
Capital improvements	186	—	—	—	—	—
Other commitments	16	16	16	15	6	31
Employee benefit plans contributions ²	108	—	—	—	—	—
Total	\$ 4,031	\$ 3,041	\$ 2,522	\$ 1,942	\$ 1,546	\$ 17,196

¹ Amount includes scheduled principal payments for debt outstanding as of December 31, 2006, assuming long-term debt held to maturity, except for EME's Midwest Generation senior secured notes which are assumed to be held until 2014, and related forecast interest payments over the applicable period of the debt.

² Amount includes estimated contributions to the pension and PBOP plans. The estimated contributions for MEHC and SCE are not available beyond 2007.

Edison International Consolidated Statements of Income

<i>In millions, except per-share data</i>	<i>Year Ended December 31,</i>		
	2006	2005	2004
Electric utility	\$ 10,312	\$ 9,500	\$ 8,448
Nonutility power generation	2,228	2,248	1,639
Financial services and other	82	104	112
Total operating revenue	12,622	11,852	10,199
Fuel	1,757	1,810	1,429
Purchased power	3,409	2,622	2,332
Provisions for regulatory adjustment clauses — net	25	435	(201)
Other operation and maintenance	3,762	3,609	3,528
Asset impairment and loss on lease termination	—	12	989
Depreciation, decommissioning and amortization	1,181	1,061	1,022
Net gain on sale of utility property and plant	(2)	(10)	—
Total operating expenses	10,132	9,539	9,099
Operating income	2,490	2,313	1,100
Interest income	169	112	46
Equity in income from partnerships and unconsolidated subsidiaries — net	79	136	66
Other nonoperating income	133	136	135
Interest expense — net of amounts capitalized	(807)	(794)	(985)
Impairment loss on equity method investment	—	(55)	—
Other nonoperating deductions	(63)	(67)	(80)
Loss on early extinguishment of debt	(146)	(25)	—
Income from continuing operations before tax and minority interest	1,855	1,756	282
Income tax (benefit)	582	457	(92)
Dividends on preferred and preference stock of utility not subject to mandatory redemption	51	24	6
Minority interest	139	167	142
Income from continuing operations	1,083	1,108	226
Income from discontinued operations (including gain on disposal of \$533 in 2004) — net of tax	97	30	690
Income before accounting change	1,180	1,138	916
Cumulative effect of accounting change — net of tax	1	(1)	—
Net income	\$ 1,181	\$ 1,137	\$ 916
Weighted-average shares of common stock outstanding	326	326	326
Basic earnings per share:			
Continuing operations	\$ 3.28	\$ 3.38	\$ 0.69
Discontinued operations	0.30	0.09	2.12
Total	\$ 3.58	\$ 3.47	\$ 2.81
Weighted-average shares, including effect of dilutive securities	330	332	331
Diluted earnings per share:			
Continuing operations	\$ 3.28	\$ 3.34	\$ 0.68
Discontinued operations	0.29	0.09	2.09
Total	\$ 3.57	\$ 3.43	\$ 2.77
Dividends declared per common share	\$ 1.10	\$ 1.02	\$ 0.85

Edison International Business Segments¹

<i>In millions</i>	Electric Utility	Nonutility Power Generation ²	Financial Services ²	Corporate & Other ³	Edison International
2006					
Operating revenue	\$ 10,312	\$ 2,232	\$ 73	\$ 5	\$ 12,622
Depreciation, decommissioning, and amortization	1,026	143	13	(1)	1,181
Interest income	51	96	19	3	169
Equity in income from partnerships and unconsolidated subsidiaries — net	—	50	29	—	79
Interest expense — net of amounts capitalized	400	393	16	(2)	807
Income tax expense (benefit) — continuing operations	438	145	11	(12)	582
Income (loss) from continuing operations	776	246	89	(28)	1,083
Net income (loss)	776 ⁴	344	89	(28)	1,181
Total assets	26,110	7,042	3,197	(88)	36,261
Capital expenditures	2,226	310	—	—	2,536

¹ Includes the elimination of intercompany transactions.

² Reflects Edison Capital's capital contribution to MEHC.

³ Includes amounts from nonutility subsidiaries, as well as Edison International (parent) that are not significant as a reportable segment.

⁴ Net income available for common stock.

Edison International Consolidated Statements of Cash Flows

<i>In millions</i>	<i>Year Ended December 31,</i>	2006	2005	2004
Cash flows from operating activities:				
Net income		\$ 1,181	\$ 1,137	\$ 916
Less: income from discontinued operations		97	30	690
Income from continuing operations		1,084	1,107	226
Adjustments to reconcile to net cash provided by operating activities:				
Cumulative effect of accounting change, net of tax		(1)	1	—
Depreciation, decommissioning and amortization		1,181	1,061	1,022
Loss on impairment of nuclear decommissioning trust		54	—	—
Other amortization		99	107	98
Minority interest		139	167	142
Deferred income taxes and investment tax credits		(136)	160	557
Equity in income from partnerships and unconsolidated subsidiaries		(76)	(136)	(67)
Income from leveraged leases		(67)	(71)	(81)
Regulatory assets — long-term		92	387	442
Regulatory liabilities — long-term		18	(168)	(69)
Loss on early extinguishment for debt		146	25	—
Impairment losses		—	67	35
Levelized rent expense		(161)	(117)	(59)
Other assets		(239)	33	(35)
Other liabilities		393	143	66
Margin and collateral deposits - net of collateral received		601	(586)	(75)
Receivables and accrued unbilled revenue		208	(321)	47
Derivative assets - short-term		182	(233)	(27)
Derivative liabilities - short-term		(103)	137	30
Inventory and other current assets		(39)	(71)	42
Regulatory assets — short-term		(18)	17	(254)
Regulatory liabilities — short-term		318	192	(169)
Accrued interest and taxes		(123)	36	(273)
Accounts payable and other current liabilities		(114)	196	(82)
Distributions and dividends from unconsolidated entities		61	58	84
Operating cash flows from discontinued operations		94	22	(481)
Net cash provided by operating activities		3,593	2,213	1,119
Cash flows from financing activities:				
Long-term debt issued		2,350	1,325	3,570
Long-term debt issuance costs		(42)	(25)	(62)
Long-term debt repaid		(2,249)	(2,071)	(4,331)
Bonds remarketed — net		—	—	350
Issuance of preference stock		196	591	—
Redemption of preferred stock		—	(148)	(2)
Rate reduction notes repaid		(246)	(246)	(246)
Change in book overdrafts		(118)	25	43
Short-term debt financing — net		—	(88)	(112)
Shares purchased for stock-based compensation		(169)	(182)	(109)
Proceeds from stock option exercises		66	85	48
Excess tax benefits related to stock option exercises		27	—	—
Dividends to minority shareholders		(162)	(174)	(146)
Dividends paid		(352)	(326)	(261)
Financing cash flows from discontinued operations		—	—	(144)
Net cash used by financing activities		(699)	(1,234)	(1,402)
Cash flows from investing activities:				
Capital expenditures		(2,536)	(1,868)	(1,733)
Acquisition costs related to nonutility generation plant		—	—	(285)
Purchase of interest of acquired companies		(18)	(154)	—
Proceeds from sale of property and interests in projects		89	10	118
Proceeds from sale of discontinued operations		—	124	2,740
Proceeds from nuclear decommissioning trust sales		3,010	2,067	2,416
Purchase of nuclear decommissioning trust investments		(3,150)	(2,159)	(2,525)
Proceeds from partnerships and unconsolidated subsidiaries, net of investment		25	132	(4)
Purchase of short-term investments		(511)	(183)	(301)
Maturities and sales of short-term investments		137	140	181
Restricted cash		12	49	31
Turbine deposits		(130)	(57)	—
Customer advances for construction and other investments		80	119	2
Investing cash flows from discontinued operations		—	5	58
Net cash provided (used) by investing activities		(2,992)	(1,775)	698
Effect of consolidation of variable interest entities on cash		—	3	79
Effect of deconsolidation of variable interest entities on cash		—	—	(34)
Effect of exchange rate changes on cash		—	(1)	50
Net increase (decrease) in cash and equivalents		(98)	(794)	510
Cash and equivalents, beginning of year		1,893	2,689	2,179
Cash and equivalents, end of year		1,795	1,895	2,689
Cash and equivalents — discontinued operations		—	(2)	(1)
Cash and equivalents — continuing operations		\$ 1,795	\$ 1,893	\$ 2,688

Edison International Consolidated Income Tax Schedules

The components of income tax expense (benefit) by location of taxing jurisdiction are:

<i>In millions</i>	<i>Year Ended December 31,</i>	2006	2005	2004
Current:				
Federal		\$ 652	\$ 400	\$ (560)
State		149	103	(36)
Foreign		1	(1)	—
		802	502	(596)
Deferred:				
Federal		(159)	16	458
State		(61)	(61)	46
		(220)	(45)	504
Total continuing operations		582	457	(92)
Discontinued operations		22	(40)	47
Accounting change		—	(1)	—
Total		\$ 604	\$ 416	\$ (45)

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

<i>Year Ended December 31,</i>	2006	2005	2004
Federal statutory rate	35.0%	35.0%	35.0%
Tax reserve adjustments	2.5	(2.1)	(73.9)
Resolution of state audit issue	(3.0)	—	—
Resolution of 1991-1993 audit cycle	—	(3.9)	—
Housing and production credits	(2.1)	(2.0)	(22.9)
Property-related	0.2	0.2	10.4
Amortization of ITC credits	(0.5)	(0.5)	(6.7)
State tax — net of federal deduction	3.7	3.3	3.0
ESOP dividend payment	(0.6)	(0.7)	(6.2)
Other	(0.2)	(0.1)	(7.4)
Effective tax rate	35.0%	29.2%	(68.7)%

Note: 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 of 35.0% realized in 2006 was primarily due to the effect on SCE of a settlement with the California Franchise Tax Board regarding a state apportionment issue (see "Federal and State Income Taxes" in Note 6) and the benefits received from low income housing and production tax credits at Edison Capital, partially offset by additional tax reserve accruals at SCE. The effective tax rate of 29.2% realized in 2005 was primarily due to the favorable resolution of the 1991-1993 IRS audit, as well as adjustments made to the tax reserve to reflect the issuance of new IRS regulations and the favorable settlement of other federal and state tax audit issues at SCE and EME, and the benefits received from the low income housing and production tax credits at Edison Capital. The effective tax benefit rate of 68.7% realized in 2004 was primarily due to adjustments to tax liabilities relating to prior years at SCE and the benefits received from low income housing and production tax credits at Edison Capital, partially offset by property-related flow-through items and property-related adjustments at SCE.

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

Edison International Consolidated Statements of Retained Earnings

<i>In millions</i>	<i>Year Ended December 31,</i>	2006	2005	2004	2003	2002	2001
Balance at beginning of year		\$ 4,798	\$ 4,078	\$ 3,466	\$ 2,711	\$ 1,634	\$ 599
Net income (loss)		1,181	1,137	916	821	1,077	1,035
Dividends declared on common stock		(358)	(332)	(277)	(65)	—	—
Shares purchased for stock-based compensation		(136)	(162)	(75)	—	—	—
Proceeds from stock option exercises and other		66	77	48	(1)	—	—
Balance at end of year		\$ 5,551	\$ 4,798	\$ 4,078	\$ 3,466	\$ 2,711	\$ 1,634

Preferred and Preference Stock Not Subject To Mandatory Redemption

<i>In millions</i>	<i>Trading Exchanges</i>	<i>Trading Symbol</i>	<i>Shares Outstanding</i>	<i>Redemption Price Per Share</i>	<i>December 31,</i>	
					2006	2005
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	American	SCEPrC	1,200,000	25.80	30	30
4.32	American	SCEPrD	1,653,429	28.75	41	41
4.78	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	—
					929	729
Less issuance costs					(14)	(10)
Total					\$ 915	\$ 719

Edison International Consolidated Recourse Financial Capitalization

<i>In millions</i>	<i>Year Ended December 31,</i>	2006	2005
Long-term debt due within one year		\$ 488	\$ 745
Long-term debt — detailed on pages 11-12		9,101	8,833
Powerton/Joliet lease termination value		1,365	1,451
Total debt¹		10,954	11,029
Total preferred securities		915	719
Common shareholders' equity		7,709	6,615
Total capitalization		19,578	18,363
Less non-recourse debt — detailed on pages 11-12		(1,779)	(2,263)
Recourse capitalization		\$ 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.

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

<i>(In millions)</i>	<i>Year Ended December 31</i>	2006	2005
Edison International		\$ 1,000	\$ 1,000
Southern California Edison		1,541	1,520
Edison Mission Energy (parent) ¹		473	98
Midwest Generation (MWG)		495	325
Total		\$ 3,509	\$ 2,943

¹ As of December 31, 2006 and 2005, excludes \$48 million and \$74 million, respectively, under Midwest Generation EME, LLC's \$50 million and \$100 million respectively, letter of credit facility that requires a cash deposit to collateralize any letter of credit issued under it.

EIX Five-Year Long-Term Debt Maturities and Sinking Fund Requirements¹ (unaudited)

<i>In millions</i>	2007	2008	2009	2010	2011
Southern California Edison	\$ 396	\$ 54	\$ 150	\$ 250	\$ —
Mission Energy Holding Co. (consolidated)	132	820	615	15	329
Edison Capital	38	—	—	51	—
Edison International	75	—	—	—	—
Intercompany debt	(153)	(26)	—	—	—
Total	\$ 488	\$ 848	\$ 765	\$ 316	\$ 329

¹ Includes recourse and non-recourse long-term debt as of December 31, 2006.

Edison International Consolidated Long-Term Debt (unaudited)

In millions

Year	Series	Due Date	Interest Rate (%)	First Call Date	Dec. 31, 2006	Dec. 31, 2005	Year	Series	Due Date	Interest Rate (%)	First Call Date	Dec. 31, 2006	Dec. 31, 2005
Southern California Edison							Pollution control indebtedness:						
Recourse long-term debt:							Four Corners Generating Station						
First and refunding mortgage bonds:							1999 Series A ² 04/01/29 5 ¹ / ₈ 04/01/09 \$ 55 \$ 55						
2004	Series 2004 A	01/15/14	5.00	N/A	\$ 300	\$ 300	2005	Series A-B ³	04/01/29	3.55 ⁴	04/01/10	204	204
2004	Series 2004 B	01/15/34	6.00	N/A	525	525	Huntington Beach Generating Station						
2004	Series 2004 C	01/13/06	Variable	N/A	—	150	1999	Series D ²	09/01/15	5.20	09/01/09	8	8
2004	Series 2004 F	04/01/15	4.65	N/A	300	300	Mohave Generating Station						
2004	Series 2004 G	04/01/35	5.75	N/A	350	350	2000	Series A - C	06/01/31	3.25 ⁴	03/02/09	75	75
2004	Series 2004 H	12/13/07	Variable	06/13/06	150	150	Palo Verde Nuclear Generating Station						
2005	Series 2005 A	01/15/16	5.00	N/A	400	400	2000	Series A-B ⁵	06/01/35	2.90 ⁴	03/02/09	144	144
2005	Series 2005 B	01/15/36	5.55	N/A	250	250	San Onofre Nuclear Generating Station						
2005	Series 2005 E	07/15/35	5.35	N/A	350	350	1985	Series A-D ⁵	03/01/08	2.00 ⁴	03/08/05	—	135
2006	Series 2006 A	02/01/36	5.63	N/A	350	—	1986	Series A-D ⁵	02/28/08	2.00 ⁴	03/08/05	—	196
2006	Series 2006 B	02/02/09	Variable	N/A	150	—	1999	Series A-B ²	09/01/29	5.45	09/01/09	100	100
2006	Series 2006 E	01/15/37	5.55	N/A	400	—	1999	Series C ²	09/01/31	5.55	09/01/09	30	30
Subtotal					3,525	2,775	2005	Series A-C ²	08/01/35	Variable	Variable	249	249
Other:							2006	Series A-B ³	04/01/28	4.10 ⁴	04/01/13	196	—
1996	Notes	01/15/06	6 ³ / ₈	N/A	—	200	2006	Series C-D ³	11/01/33	4.25 ⁴	11/01/16	135	—
1999	Notes	04/01/29	6.65	N/A	300	300	Subtotal					1,196	1,196
2000	Notes	01/15/10	7.63	N/A	250	250	Non-recourse long-term debt:						
Other obligation ¹							VIE Debt ⁶						
08/01/53			5.06	N/A	7	7	2008			5.0	N/A	54	54
Subtotal					\$ 557	\$ 757	Rate reduction notes ⁷						
							1997	Class A-7	12/26/07	6.42	N/A	246	493
Subtotal							Subtotal					300	547
							SCE principal amount outstanding						
							Less current portion of long-term debt						
							Less unamortized discount — net						
							SCE long-term debt						
												\$ 5,171	\$ 4,669

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

² Insured.

³ Secured by first and refunding mortgage bonds, but payment of interest and principles 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. Includes \$26 million of intercompany debt, eliminated in EIX consolidation.

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

Edison International Consolidated Long-Term Debt (continued)

In millions

Year	Series	Due Date	Interest Rate (%) ¹	First Call Date	Dec. 31, 2006	Dec. 31, 2005
Mission Energy Holding Company (consolidated)						
Recourse Long-Term Debt:						
MEHC (parent only)						
2001	Senior Secured Notes	2008	13.5	N/A	\$ 800	\$ 800
EME (parent only)						
1999	Senior Notes	2009	7.730	N/A	600	600
2001	Senior Notes	2011	9.875	N/A	—	600
2001	Senior Notes	2008	10.0	N/A	—	400
2006	Senior Notes	2013	7.50	N/A	500	—
2006	Senior Notes	2016	7.75	N/A	500	—
	Obligations to Affiliates	2007	LIBOR+0.275	N/A	78	78
EME Non-Recourse Long-Term Debt:						
1996	Due to EME Funding Corp.	2007-2008	7.330	N/A	51	92
Midwest Generation						
2004	Sr. Secured Term Loan (1st Priority)	2011	LIBOR+1.50	Anytime	330	333
2004	Sr. Secured Notes (2nd Priority) ²	2034	8.75	05/01/09	1,000	1,000
2005	Credit Revolver	2011	LIBOR+1.50	N/A	—	170
EME CP Holdings Co.						
2002	Note Purchase Agreement	2015	7.31	N/A	76	79
2005	Other long-term non-recourse debt	Various	Various	N/A	34	54
MEHC total principal amount outstanding					3,969	4,206
Less current portion of long-term debt					(132)	(74)
Less unamortized debt discount — net					(7)	(10)
MEHC long-term debt					\$ 3,830	\$ 4,122
Edison Capital						
Recourse Long-Term Debt:						
1996	Medium Term Notes	2006	6.79–7.2	N/A	\$ —	\$ 75
2000	Medium Term Notes	2007	7.61	N/A	38	33
2000	Medium Term Notes	2010	7.44	N/A	51	45
2000	Medium Term Notes	2015	7.25	N/A	58	52
1998	Affordable Housing Mortgage guarantee	2028	6.25	N/A	1	1
1996	Long-term obligation — Affiliate	2007	4.40	N/A	—	75
Non-Recourse Amortizing Debt:						
1986-2000	Affordable Housing Mortgages	2016-2039	Various	N/A	16	16
Edison Capital total principal amount outstanding					164	297
Less current portion of long-term debt					(38)	(75)
Edison Capital long-term debt					\$ 126	\$ 222
EIX (parent) due to affiliates					\$ 13 ³	\$ 885 ³
Elimination of intercompany debt					(39)	(1,065)
EIX total consolidated long-term debt					\$ 9,101	\$ 8,833

¹ Interest rates may vary based on debt agreements.

² Holders of the notes may require Midwest Generation to repurchase the notes on May 1, 2014 and on each one-year anniversary thereafter at 100% of their principal amount, plus accrued and unpaid interest.

³ Not considered debt at the EIX consolidated level as intercompany debt eliminates in consolidation. Formerly presented as Other long-term liabilities on the EIX parent (only) condensed balance sheets. Excludes current portion of long-term debt of \$75 million for 2006.

SCE Consolidated Balance Sheets

<i>In millions</i>	<i>December 31,</i>	2006	2005	2004
Assets				
Cash and equivalents		\$ 83	\$ 143	\$ 122
Restricted cash		56	57	61
Margin and collateral deposits		55	178	66
Receivables, less allowances of \$29, \$33 and \$31 for uncollectible accounts at respective dates		939	849	618
Accrued unbilled revenue		303	291	320
Inventory		232	220	196
Accumulated deferred income taxes — net		250	—	134
Derivative assets		56	237	26
Regulatory assets		554	536	553
Other current assets		54	92	46
Total current assets		2,582	2,603	2,142
Nonutility property — less accumulated provision for depreciation of \$633, \$569 and \$554 at respective dates		1,046	1,086	960
Nuclear decommissioning trusts		3,184	2,907	2,757
Other investments		62	80	104
Total investments and other assets		4,292	4,073	3,821
Utility plant, at original cost:				
Transmission and distribution		17,606	16,760	15,685
Generation		1,465	1,370	1,356
Accumulated provision for depreciation		(4,821)	(4,763)	(4,506)
Construction work in progress		1,486	956	789
Nuclear fuel, at amortized cost		177	146	151
Total utility plant		15,913	14,469	13,475
Regulatory assets		2,818	3,013	3,285
Derivative assets		17	42	—
Other long-term assets		488	503	567
Total long-term assets		3,323	3,558	3,852
Total assets		\$ 26,110	\$ 24,703	\$ 23,290

SCE Operating and Financial Ratios

<i>Year Ended December 31,</i>	2006	2005	2004	2003	2002	2001
Percent of operating revenue:						
Fuel	10.8%	12.6%	9.6%	2.6%	2.8%	2.7%
Purchased power	33.1	27.6	27.6	31.5	23.1	47.4
Provisions for regulatory adjustment clauses	0.2	4.6	(2.4)	12.8	17.3	(40.2)
Other operating expenses and maintenance	26.0	26.5	29.1	23.2	22.1	22.2
Depreciation, decommissioning and amortization	9.9	9.6	10.2	10.0	9.0	8.5
Property and other taxes	2.0	2.0	2.1	1.9	1.3	1.4
Operating expenses (before income taxes)	82.0	82.9	76.2	82.0	75.6	42.0
Taxes on operating income	4.2	3.0	5.2	5.2	7.0	20.1
Operating income	13.8	14.1	18.6	12.8	17.4	37.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Regulatory embedded cost of capital (at year-end):						
Long-term debt	6.15%	6.09%	7.03%	8.44%	8.20%	7.87%
Preferred and preference stock	5.88%	5.82%	6.17%	6.20%	6.53%	6.60%
Other:						
Customers to employees ratio	335	338	347	362	374	351

SCE Consolidated Balance Sheets

<i>In millions, except share amount</i> <i>December 31,</i>	2006	2005	2004
Liabilities and shareholders' equity			
Short-term debt	\$ —	\$ —	\$ 88
Long-term debt due within one year	396	596	246
Preferred stock to be redeemed within one year	—	—	9
Accounts payable	856	898	700
Accrued taxes	193	242	357
Accrued interest	114	106	115
Counterparty collateral	36	183	—
Customer deposits	198	183	168
Book overdrafts	140	257	232
Accumulated deferred income taxes — net	—	5	—
Derivative liabilities	99	87	13
Regulatory liabilities	1,000	681	490
Other current liabilities	624	723	630
Total current liabilities	3,656	3,961	3,048
Long-term debt	5,171	4,669	5,225
Accumulated deferred income taxes — net	2,675	2,815	2,865
Accumulated deferred investment tax credits	112	119	126
Customer advances	160	153	70
Derivative liabilities	77	101	4
Power-purchase contracts	32	64	130
Preferred stock subject to mandatory redemption	—	—	139
Accumulated provision for pensions and benefits	809	500	417
Asset retirement obligations	2,749	2,621	2,183
Regulatory liabilities	3,140	2,962	3,356
Other deferred credits and other long-term liabilities	802	681	668
Total deferred credits and other liabilities	10,556	10,016	9,958
Total liabilities	19,383	18,646	18,231
Minority interest	351	398	409
Common stock, no par value (434,888,104 shares outstanding at each date)	2,168	2,168	2,168
Additional paid-in capital	383	361	350
Accumulated other comprehensive loss	(14)	(16)	(17)
Retained earnings	2,910	2,417	2,020
Total common shareholder's equity	5,447	4,930	4,521
Preferred and preference stock not subject to mandatory redemption	929	729	129
Total shareholder's equity	6,376	5,659	4,650
Total liabilities and shareholder's equity	\$ 26,110	\$ 24,703	\$ 23,290

SCE Estimated Commitments For 2007–2011 And Thereafter

<i>In millions</i>	2007	2008	2009	2010	2011	Thereafter
Long-term debt maturities and interest ¹	\$ 679	\$ 325	\$ 415	\$ 496	\$ 245	\$ 9,189
Fuel supply contract payments	75	74	51	53	54	259
Purchased-power capacity payments	481	255	144	134	112	642
Operating lease obligations	617	592	531	490	274	1,740
Capital lease obligations	3	3	3	4	—	—
Other commitments	5	5	5	6	6	31
Employee benefit plans contributions ²	91	—	—	—	—	—
Total	1,951	1,254	1,149	1,183	691	11,861

¹ Amount includes scheduled principal payments for debt outstanding as of December 31, 2006, assuming long-term debt is held to maturity, and related forecast interest payments over the applicable period of the debt.

² Amount includes estimated contributions to the pension and PBOP plans. The estimated contributions are not available beyond 2007.

SCE Consolidated Statements of Income

<i>In millions</i>	<i>Year Ended December 31,</i>	2006	2005	2004
Operating revenue		\$ 10,312	\$ 9,500	\$ 8,448
Fuel		1,112	1,193	810
Purchased power		3,409	2,622	2,332
Provisions for regulatory adjustment clauses — net		25	435	(201)
Other operation and maintenance		2,678	2,523	2,457
Depreciation, decommissioning and amortization		1,026	915	860
Property and other taxes		206	193	177
Net gain on sale of utility property and plant		(1)	(10)	—
Total operating expenses		8,455	7,871	6,435
Operating income		1,857	1,629	2,013
Interest income		58	44	20
Other nonoperating income		85	127	84
Interest expense — net of amounts capitalized		(400)	(360)	(409)
Other nonoperating deductions		(60)	(65)	(69)
Income before tax and minority interest		1,540	1,375	1,639
Income tax expense		438	292	438
Minority interest		275	334	280
Net income		827	749	921
Dividends on preferred and preference stock not subject to mandatory redemption		51	24	6
Net income available for common stock		\$ 776	\$ 725	\$ 915

SCE Energy Costs

<i>Year Ended December 31,</i>	2006	2005	2004
Average annual fuel cost — unit of expense:			
Oil (\$/bbl) (Catalina)	\$ 108.12	\$ 97.06	\$ 75.14
Gas (\$/mcf) ¹	10.91	10.05	7.61
Coal (\$/ton)	26.27	29.30	26.21
Gas-fired CCGT (\$/mcf) ²	6.86²	11.77 ²	—
Average cost (\$/m²Btu):			
Oil (Catalina)	\$ 19.09	\$ 16.95	\$ 12.93
Gas ¹	10.10	9.50	7.20
Nuclear	0.44	0.45	0.44
Coal	1.48	1.48	1.32
Gas-fired CCGT (\$/mcf) ²	6.71²	11.51 ²	—
Average cost — all sources	1.63²	0.97 ²	0.83 ³
Average cost (cents/kwh):			
Oil (Catalina)	21.06¢	18.78¢	14.07¢
Nuclear	0.47	0.47	0.47
Coal ¹	1.47	1.50	1.35
Gas-fired CCGT ²	4.82	9.89 ²	—
Purchased power:			
Other power producers:			
Biomass	9.47	9.96	9.35
Cogeneration	9.62	10.65	9.14
Geothermal	7.23	7.27	7.24
Small Hydro	6.43	7.14	5.69
Solar	16.34	16.61	14.38
Wind	6.91	7.25	7.26
Average cost — other power producers	8.76	9.39	8.54
Average cost — all sources ⁴	6.93^{2,3}	6.13 ^{2,3}	6.09 ³
Fuel consumption (in thousands):			
Oil (bbl)	62	60	57
Gas (mcf)	109	214	215
Coal (ton)	3,132	5,695	5,472
Gas-fired CCGT (mcf) ²	34,670²	2,745 ²	—
Oil inventory — year end (bbl)	2	2	2

¹ Cost of gas used to start-up coal plants (year 2006 excludes Mohave charges due to shutdown of plant)

² Includes energy costs 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 2004, 2005 and 2006 cents per kwh, of 9.07, 7.99 and 10.41 respectively, for CDWR.)

CCGT = Combined-cycle gas turbine

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SCE Consolidated Statements of Cash Flows

<i>In millions</i>	<i>Year Ended December 31,</i>	2006	2005	2004
Cash flows from operating activities:				
Net income		\$ 827	\$ 749	\$ 921
Adjustments to reconcile to net cash provided by operating activities:				
Depreciation, decommissioning and amortization		1,026	915	860
Loss on impairment of nuclear decommissioning trusts		54	—	—
Other amortization		79	96	90
Minority interest		275	334	280
Deferred income taxes and investment tax credits		(358)	34	514
Regulatory assets — long-term		92	387	442
Regulatory liabilities — long-term		18	(168)	(69)
Derivative assets — long-term		25	(42)	—
Derivative liabilities — long-term		(24)	97	4
Other assets		(119)	88	(44)
Other liabilities		341	(25)	14
Margin and collateral deposits — net of collateral received		(24)	70	(33)
Receivables and accrued unbilled revenue		51	(202)	(9)
Derivative assets — short-term		181	(211)	(23)
Derivative liabilities — short-term		12	74	13
Inventory and other current assets		22	(66)	13
Regulatory assets — short-term		(18)	17	(254)
Regulatory liabilities — short-term		318	192	(169)
Accrued interest and taxes		(41)	(126)	(111)
Accounts payable and other current liabilities		(131)	177	(165)
Net cash provided by operating activities		2,606	2,390	2,274
Cash flows from financing activities:				
Long-term debt issued		900	1000	1,775
Long-term debt issuance costs		(24)	(20)	(28)
Long-term debt repaid		(352)	(1,040)	(966)
Bonds remarketed — net		—	—	350
Issuance of preference stock		196	591	—
Redemption of preferred stock		—	(148)	(2)
Rate reduction notes repaid		(246)	(246)	(246)
Short-term debt financing — net		—	(88)	(112)
Change in book overdrafts		(118)	25	43
Shares purchased for stock-based compensation		(103)	(115)	(60)
Proceeds from stock option exercises		45	53	29
Excess tax benefits related to stock option exercises		17	—	—
Minority interest		(322)	(345)	(290)
Dividends paid		(300)	(234)	(756)
Net cash used by financing activities		(307)	(567)	(263)
Cash flows from investing activities:				
Capital expenditures		(2,226)	(1,808)	(1,678)
Acquisition costs related to nonutility generation plant		—	—	(285)
Proceeds from nuclear decommissioning trust sales		3,010	2,067	2,416
Purchases of nuclear decommissioning trust investments		(3,150)	(2,159)	(2,525)
Customer advances for construction and other investments		7	98	9
Net cash used by investing activities		(2,359)	(1,802)	(2,063)
Effect of consolidation of variable interest entities				
		—	—	79
Net increase (decrease) in cash and equivalents		(60)	21	27
Cash and equivalents, beginning of year		143	122	95
Cash and equivalents, end of year		\$ 83	\$ 143	\$ 122

SCE Consolidated Statements of Retained Earnings

<i>In millions</i>	<i>Year Ended December 31,</i>	2006	2005	2004	2003	2002	2001
Balance at beginning of year		\$ 2,417	\$ 2,020	\$ 1,868	\$ 1,892	\$ 664	\$ (1,722)
Net income		827	749	921	932	1,247	2,408
Dividends declared on common stock		(240)	(285)	(750)	(945)	—	—
Dividends declared on preferred and preference stock		(51)	(24)	(6)	(10)	(19)	(22)
Shares purchased for stock-based compensation		(88)	(95)	(43)	(4)	—	—
Proceeds from stock option exercises and other		45	52	30	3	—	—
Balance at end of year		\$ 2,910	\$ 2,417	\$ 2,020	\$ 1,868	\$ 1,892	\$ 664

SCE Kilowatt-Hour Sales¹

<i>Year Ended December 31,</i>	2006	2005	2004
Class of service — millions of kWh:			
Residential	30,194	28,889	27,983
Commercial	40,865	39,451	38,180
Industrial	10,434	10,738	10,953
Public Authorities	6,038	6,037	6,106
Agricultural and other	1,198	1,150	1,272
Resale	7,417	14,727	12,779
Total kilowatt-hour sales	96,146	100,992	97,273
Class of service — percent:			
Residential	31.4%	28.6%	28.7%
Commercial	42.5	39.1	39.3
Industrial	10.9	10.6	11.3
Public Authorities	6.3	6.0	6.3
Agricultural	1.2	1.1	1.3
Resale	7.7	14.6	13.1
Total	100.0%	100.0%	100.0%

¹ Includes direct access customers.

SCE Customers

<i>Year Ended December 31,</i>	2006	2005	2004	2003	2002	2001
Customers:						
Residential	4,205,495	4,146,123	4,086,531	4,030,473	3,977,245	3,931,414
Commercial	523,304	510,626	495,584	481,509	467,976	450,102
Industrial	14,289	15,118	17,380	18,693	19,200	21,765
Agricultural	22,140	22,203	22,251	22,722	23,019	23,573
Public authorities	47,166	46,885	46,749	46,726	46,684	47,097
Railroads and railways	58	55	50	47	43	46
Interdepartmental	22	24	24	20	11	8
Total ultimate customers	4,812,474	4,741,034	4,668,569	4,600,190	4,534,178	4,474,005

SCE Operating Revenue¹

<i>In millions Year Ended December 31,</i>	2006	2005	2004
Class of service:			
Residential	\$ 3,859	\$ 3,046	\$ 2,644
Commercial	4,228	3,596	3,187
Industrial	750	643	579
Public authorities	579	505	454
Agricultural	110	91	90
Other	7	7	5
Resale	370	832	577
Sales of electric energy	9,903	8,720	7,536
Other operating revenue	432	411	396
Deferred revenue ²	(409)	(93)	231
Revenue from variable interest entities	386	462	285
Total operating revenue	\$ 10,312	\$ 9,500	\$ 8,448
Class of service — percent:			
Residential	37.4%	32.1%	31.3%
Commercial	41.0	37.8	37.7
Industrial	7.3	6.8	6.8
Public authorities	5.6	5.3	5.4
Agricultural	1.0	1.0	1.1
Other	0.1	0.1	0.1
Resale	3.6	8.7	6.8
Sales of electric energy	96.0	91.8	89.2
Other operating revenue	4.2	4.3	4.7
Deferred revenue ²	(3.9)	(1.0)	2.7
Revenue from variable interest entities	3.7	4.9	3.4
Total	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

<i>In millions</i>	<i>Year Ended December 31,</i>	2006 vs. 2005	2005 vs. 2004
Operating revenue			
Rate changes (including unbilled)		\$ 1,441	\$ 517
Sales volume changes (including unbilled)		311	410
Balancing account overcollections		(422)	(324)
Sales for resale		(463)	256
SCE's VIE's		(75)	177
Other (including intercompany transactions)		20	16
Total		\$ 812	\$ 1,052

SCE Generating Capacity Resources as of December 31, 2006 (Summer Effective Rating)

<i>Plant</i>	<i>Location</i>	<i>No. of Units</i>	<i>Entered Operation</i>	<i>Ownership Interest</i>	<i>Type</i>	<i>SCE-Owned Total Capacity (Megawatts)</i>
Gas and oil (isolated diesel system on Catalina Island):						
Pebbly Beach	Los Angeles, CA	7	1958–1995	100%	Diesel	9
Coal:						
Four Corners ¹	San Juan, NM	2	1969–1970	48%	Boiler	710
Off-System Losses ²						(22)
Subtotal		2				688
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		5				2,294
Gas-fired CCGT:						
Mountainview	San Bernardino, CA	2	2005	100%	CCGT	969
Total thermal generation		16				3,960
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		76				1,153
Total SCE-owned generation		92				5,113

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 PWR = Pressurized water reactor

<i>Plant</i>	<i>Seller</i>	<i>Initial Year of Purchase Under Current Contract</i>	<i>Point of Delivery</i>	<i>Total Capacity (Megawatts)</i>
Purchases (other utilities):				
System (firm purchase/interchange):				
Hoover — SCE	Western Area Power Admin.	1987	Mead substation	461
MWD Hydro (4 plants)	MWD	1979	Various	29
Off-System Losses				—
Subtotal				490
Total system (firm purchase/interchange):				
Other area resources:				
MWD, Hoover to SCE	Metropolitan Water District of So. Cal.	1987	Hoover plant	247
MWD, Parker to SCE	Metropolitan Water District of So. Cal.	1987	Hoover plant	60
USDOE, Parker/Davis	Department of Defense Edwards AFB	1988	Blythe substation	18
USDOE, Parker/Davis	Department of Defense March AFB	1991	Blythe substation	5
Subtotal				330
Total other utility purchases				820
Purchases: other power producers				
Cogeneration				1,720
Biomass				156
Small hydro				40
Wind				184
Geothermal				869
Solar				355
Subtotal				3,324
Total purchases/exchanges				4,144
Total generation capacity resources ⁴				9,257

⁴ Includes isolated resources.

SCE Operating Statistics

Year Ended December 31,	2006		2005		2004		2003		2002		2001	
	MW	%	MW	%	MW	%	MW	%	MW	%	MW	%
SCE generating capacity resources (MW):												
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	24.8	2,215	21.0	2,215	22.2	2,204	22.6	2,204	22.6	2,204	22.5
Coal	688	7.4	1,573	14.9	1,573	15.4	1,573	16.1	1,573	16.1	1,573	16.0
Hydro	1,153	12.4	1,153	11.0	1,153	11.3	1,153	12.0	1,173	12.0	1,173	12.0
Gas-fired CCGT	969	10.5	484	4.6	—	—	—	—	—	—	—	—
Purchases:												
Other utilities ¹	820	8.9	1,667	15.8	1,667	16.3	1,667	17.0	1,667	17.0	1,667	17.0
Other power producers:												
Cogeneration	1,720	18.6	1,730	16.4	1,724	16.9	1,725	17.7	1,724	17.7	1,761	18.0
Biomass	156	1.7	179	1.7	203	2.0	185	1.9	188	1.9	188	1.9
Small hydro	40	0.4	34	0.3	42	0.4	25	0.3	25	0.3	25	0.2
Wind	184	2.0	231	2.2	270	2.7	67	1.8	173	1.8	173	1.8
Geothermal	869	9.4	901	8.6	939	9.2	900	6.9	677	6.9	675	6.9
Solar	355	3.8	360	3.4	360	3.5	353	3.6	354	3.6	354	3.6
Total	9,257	100%	10,536	100%	10,155	100%	9,861	100%	9,767	100%	9,802	100%
SCE total energy requirement (millions of kWh):												
SCE owned:												
Nuclear	13,979	16.9	17,886	22.7	15,724	20.0	18,255	23.7	18,421	25.7	15,916	19.1
Coal	5,631	6.8	11,237	14.3	10,789	13.7	10,984	14.2	10,345	14.5	11,164	13.4
Hydro	5,038	6.1	5,089	6.5	3,525	4.5	3,990	5.2	3,611	5.0	3,048	3.6
Oil (Catalina)	32	—	31	—	31	—	30	—	27	—	29	—
Gas-fired CCGT ²	4,933	6.0	327	0.4	—	—	—	—	—	—	—	—
Purchased power ³												
PX purchases — net ⁴	—	—	—	—	—	—	—	—	(51)	(0.1)	2,213	2.6
Firm ⁵	13,108	15.8	12,234	15.5	8,346	10.6	7,110	9.3	2,263	3.2	3,672	4.4
Economy/other ⁶	(95)	(0.1)	(293)	(0.4)	(1,806)	(2.3)	(1,292)	(1.7)	(1,914)	(2.7)	(564)	(0.7)
Other power producers ³												
Biomass	1,428	1.7	1,371	1.7	1,467	1.9	1,391	1.8	1,482	2.1	1,658	2.0
Cogeneration	12,486	15.1	13,529	17.2	13,830	17.6	13,837	17.9	13,668	19.1	13,785	16.5
Geothermal	7,484	9.0	7,855	10.0	7,862	10.0	7,070	9.2	6,041	8.4	6,248	7.5
Small hydro	352	0.4	320	0.4	243	0.3	239	0.3	229	0.3	247	0.3
Solar	612	0.7	610	0.8	741	0.9	759	1.0	881	1.2	832	1.0
Wind	2,226	2.7	2,229	2.8	2,376	3.0	2,341	3.0	2,624	3.7	2,472	3.0
CDWR/ISO ³ :	15,614	18.9	6,347	8.1	15,610	19.8	12,444	16.1	14,036	19.6	22,775	27.3
Total ⁷	82,828	100.0%	78,772	100%	78,738	100%	77,158	100%	71,663	100%	83,495	100%
Area peak demand (MW)	22,889		21,934		20,762		20,136		18,821		17,890	
Annual area system load factor (%)	52.7		52.3		55.1		55.1		57.6		60.3	

¹ Includes system and unit purchases and net interchange. Excludes public power utilities.

² CCGT = Combined-cycle gas turbine

³ Calculated consistent with the accrual basis of accounting.

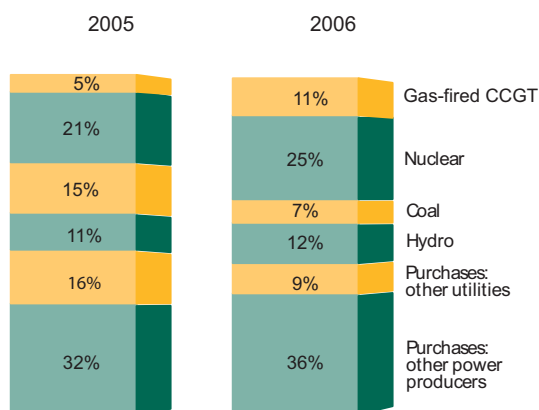
⁴ Net purchases represent energy purchases from the PX in excess of energy sales to the PX. Includes lagged PX/ISO settlement agreement.

⁵ Includes bilateral and long term contracts.

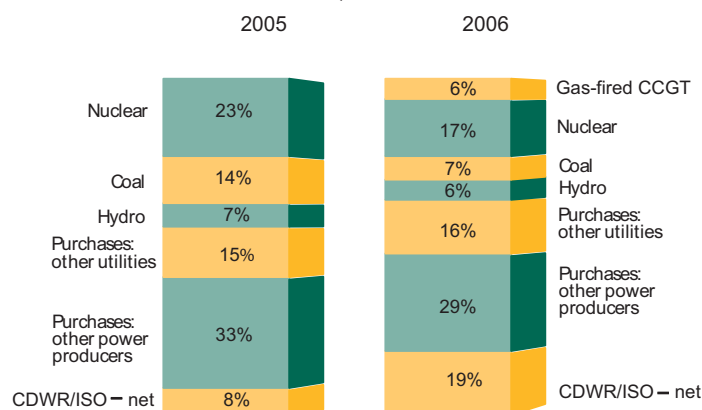
⁶ Includes economy energy, exchange energy, fringe energy and net interchange.

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

SCE GENERATING CAPACITY RESOURCE MIX



SCE TOTAL ENERGY REQUIREMENT



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

<i>In millions</i>	Electric Utility	VIEs	Eliminations	SCE
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 shareholder's equity	\$ 25,642	\$ 563	\$ (95)	\$ 26,110
Balance sheet items as of December 31, 2005:				
Cash	\$ 23	\$ 120	\$ —	\$ 143
Accounts receivable-net	794	174	(119)	849
Inventory	202	18	—	220
Other current assets	88	4	—	92
Nonutility property-net of depreciation	741	345	—	1,086
Other long-term assets	493	10	—	503
Total assets	24,151	671	(119)	24,703
Accounts payable	813	204	(119)	898
Other current liabilities	721	2	—	723
Long-term debt	4,615	54	—	4,669
Asset retirement obligations	2,608	13	—	2,621
Minority interest	—	398	—	398
Total liabilities and shareholder's equity	\$ 24,151	\$ 671	\$ (119)	\$ 24,703

Line Items With Variable Interest Entities Activity on SCE's Consolidated Income Statements

<i>In millions</i>	Electric Utility	VIEs	Eliminations ¹	SCE
Income statement items for the year-ended December 31, 2006				
Operating revenue	\$ 9,926	\$ 1,137	\$ (751)	\$ 10,312
Fuel	389	723	—	1,112
Purchased power	4,160	—	(751)	3,409
Other operation and maintenance	2,575	103	—	2,678
Depreciation, decommissioning and amortization	990	36	—	1,026
Total operating expenses	8,344	862	(751)	8,455
Operating income	1,582	275	—	1,857
Interest income	58	—	—	58
Interest income — net of amounts capitalized	400	—	—	400
Income tax expense	438	—	—	438
Minority interest	—	275	—	275
Net Income	\$ 827	\$ —	\$ —	\$ 827
Income statement items for the year-ended December 31, 2005				
Operating revenue	\$ 9,038	\$ 1,397	\$ (935)	\$ 9,500
Fuel	269	924	—	1,193
Purchased power	3,557	—	(935)	2,622
Other operation and maintenance	2,421	102	—	2,523
Depreciation, decommissioning and amortization	878	37	—	915
Total operating expenses	7,743	1,063	(935)	7,871
Operating income	1,295	334	—	1,629
Interest income	44	—	—	44
Interest expense — net of amounts capitalized	360	—	—	360
Income tax expense	292	—	—	292
Minority interest	—	334	—	334
Net income	\$ 749	\$ —	\$ —	\$ 749

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

<i>In millions</i>	<i>December 31,</i>	2006	2005
Current:			
Regulatory balancing accounts		\$ 128	\$ 355
Rate reduction notes — transition cost deferral		219	—
Direct access procurement charges		63	113
Energy derivatives		88	—
Purchased-power settlements		31	53
Other		25	15
		554	536
Long-term:			
Flow-through taxes — net		1,023	1,066
Rate reduction notes — transition cost deferral		—	465
Unamortized nuclear investment — net		435	487
Nuclear-related Asset Retirement Obligation (ARO) investment — net		317	292
Unamortized coal plant investment — net		102	97
Unamortized loss on reacquired debt		318	323
Direct access procurement charges		—	40
SFAS No. 158 pensions and other postretirement benefits		303	—
Energy derivatives		145	58
Environmental remediation		77	56
Purchased-power settlements		8	39
Other		90	90
		2,818	3,013
Total regulatory assets		\$ 3,372	\$ 3,549

Regulatory Liabilities

<i>In millions</i>	<i>December 31,</i>	2006	2005
Current:			
Regulatory balancing accounts		\$ 912	\$ 370
Direct access procurement charges		63	113
Energy derivatives		7	136
Other		18	62
		1,000	681
Long-term:			
ARO		732	584
Costs of removal		2,158	2,110
SFAS No. 158 pensions and other postretirement benefits		145	—
Direct access procurement charges		—	39
Energy derivatives		27	—
Employee benefit plans		78	229
		3,140	2,962
Total regulatory liabilities		\$ 4,140	\$ 3,643

Balancing Accounts (Unaudited) ¹

<i>In millions</i>	<i>December 31,</i>	Cumulative Over/(Under) Collections	
		2006	2005
Assets			
Current:			
Base Rate Performance		\$ (73)	\$ (69)
Catastrophic Event		(48)	(187)
Transmission Revenue		(28)	(10)
Reliability Service		(24)	(125)
Transmission access charge		(27)	(18)
Other — net		72	54
Total		\$ (128)	\$ (355)
Liabilities			
Current:			
Base Revenue Requirement		\$ 100	\$ 130
Energy Settlements		62	(8)
Safety and Reliability Performance Incentive Mechanism		2	2
Public Purpose Program Adjustment		207	77
Generation Revenue		538	94
Other Distribution Adjustment		—	72
Other — net		3	3
Total		\$ 912	\$ 370
Total balancing accounts — net		\$ 784	\$ 15

¹ Includes interest.

SCE System Rate Base¹

<i>In millions</i>	<i>December 31,</i>	2006 ²	2005 ²	2004	2003	2002	2001
Fixed capital:							
Plant in service		\$ 25,252	\$ 23,661	\$ 22,755	\$ 22,064	\$ 21,502	\$ 21,043
Property held for future use		11	4	4	3	5	3
Total fixed capital		25,263	23,665	22,759	22,067	21,507	21,046
Adjustments		(87)	(68)	(51)	(44)	35	40
Working capital		(101)	110	98	93	180	118
Reserves:							
Depreciation		(12,640)	(12,416)	(12,175)	(11,816)	(11,797)	(11,507)
Accumulated deferred income taxes		(1,496)	(1,413)	(1,128)	(1,050)	(574)	(611)
Other		(103)	(98)	(95)	(90)	(250)	(236)
Total reserves		(14,239)	(13,927)	(13,398)	(12,956)	(12,621)	(12,354)
System rate base²		\$ 10,836	\$ 9,780	\$ 9,408	\$ 9,160	\$ 9,101	\$ 8,850

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

² Includes Mountainview.

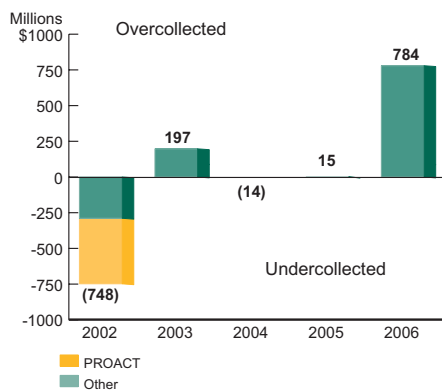
Detail of SCE Utility Plant — Net

<i>In millions</i>	<i>December 31,</i>	2006	2005
Generation:			
Nuclear ¹		\$ 643	\$ 631
Hydro		479	466
Steam		73	100
Mohave regulatory asset		102	97
Generation general and intangible		54	49
Generation-related transmission		54	19
Other		30	26
Total generation		1,435	1,388
Distribution		9,002	8,417
Transmission		3,410	3,167
T&D general and intangible		910	971
Gas and water (Catalina)		15	8
Construction work in progress		1,501 ¹	956
Nuclear fuel		177	146
Total utility plant — net (unadjusted)		16,450	15,053
Less: amounts classified as regulatory assets ² :			
Nuclear regulatory asset		435	487
Mohave regulatory asset		102	97
Total utility plant — net — as shown in Annual Report		\$ 15,913	\$ 14,469

¹ Includes nuclear plant and regulatory asset.

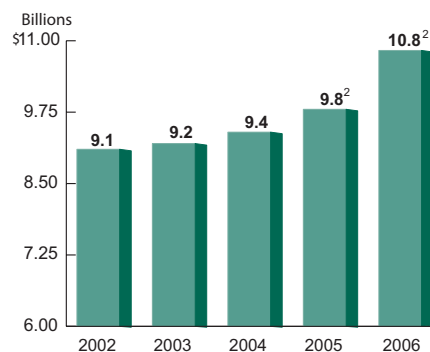
² Nuclear plant assets and related depreciation were reclassified as regulatory assets in 1998. A portion of the Mohave plant and depreciation were reclassified as a regulatory asset in 2002. In 2005, all Mohave plant assets and related depreciation were reclassified as regulatory assets.

**SOUTHERN CALIFORNIA EDISON
BALANCING ACCOUNTS - NET¹**



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

**SOUTHERN CALIFORNIA EDISON
SYSTEM RATE BASE¹**



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

² Includes investment in Mountainview.

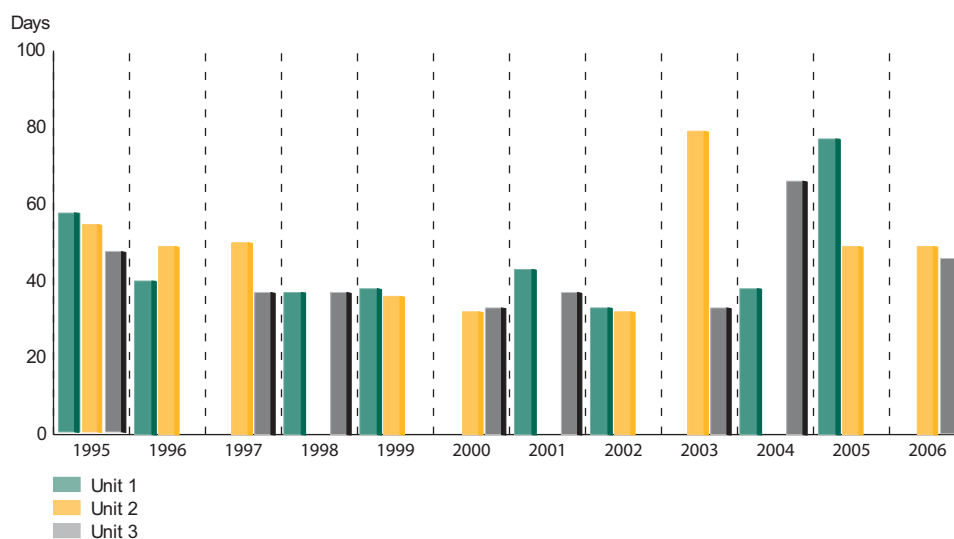
Palo Verde Plant Facts

	Unit 1	Unit 2	Unit 3
Commercial operation	02/01/86	09/19/86	01/20/88
Net plant capacity (MW) ¹	1,311 ²	1,314	1,247
2006 net generation (MWh) ¹	4,868,234	9,808,171	9,335,825
2006 capacity factor (CF) (%)	42.3	85.2	85.5
Lifetime net CF through 2006 (%)	74.8	80.7	83.6
Last refueling outage	10/08/05–12/24/05	09/30/06–11/14/06	04/01/06–05/12/06
Last refueling outage days	77	45	42

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.

Palo Verde Refueling History



Palo Verde Annual Capacity Factors

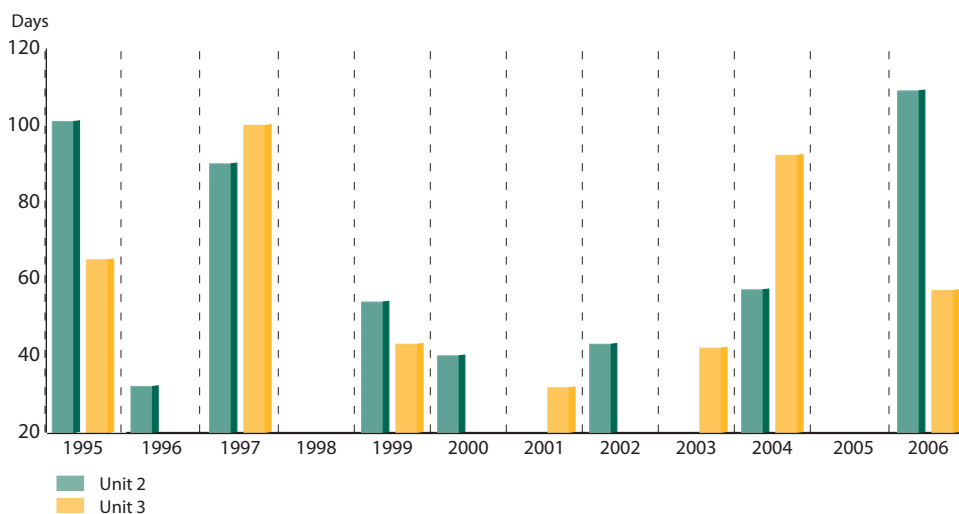
Year	Unit 1	Unit 2	Unit 3
1996	81%	87%	100%
1997	99%	86%	87%
1998	88%	102%	88%
1999	89%	90%	100%
2000	100%	87%	90%
2001	88%	93%	84%
2002	89%	92%	102%
2003	97%	78%	87%
2004	85%	91%	75%
2005	66%	82%	84%
2006	42%	85%	86%

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
2006 net generation (MWh) ¹	6,705,577	6,814,599
2006 net capacity factor (CF) (%)	72.0	72.0
Lifetime net CF through 2006 (%)	81.0	80.2
Last refueling outage	01/03/06–04/22/06	10/16/06–12/12/06
Last refueling outage days	109	57

¹ Capacity and generation are reported at the 100% level for each unit. SCE's share was 75.05%. Effective December 29, 2006, SCE's share increased to 78.21%.

San Onofre Refueling History



San Onofre Annual Capacity Factors

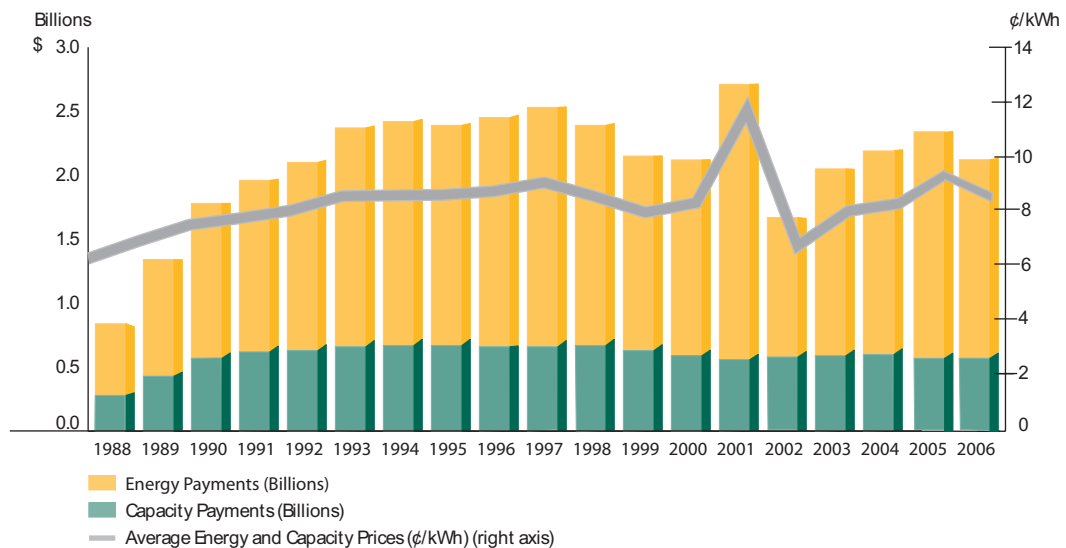
Year	Unit 2	Unit 3
1995	69%	79%
1996	91%	93%
1997	71%	72%
1998	90%	96%
1999	88%	89%
2000	91%	102%
2001	101%	60%
2002	91%	101%
2003	104%	91%
2004	86%	74%
2005	95%	100%
2006	72%	72%

Jointly Owned Utility Projects

As of December 31, 2006

<i>In millions</i>	<i>Investment in Facility</i>	<i>Accumulated Depreciation and Amortization</i>	<i>Ownership Interest</i>
Transmission systems:			
Eldorado	\$ 72	\$ 11	60%
Pacific Intertie	308	92	50%
Generating stations:			
Four Corners Units 4 and 5 (coal)	506	421	48%
Mohave (coal)	352	279	56%
Palo Verde (nuclear)	1,746	1,477	16%
San Onofre (nuclear)	4,612	3,971	78%
Total	\$ 7,596	\$ 6,251	

Cogeneration and Renewable Payments (1988–2006)



Cogeneration and Renewable Resources

Year Ended December 31, 2006

	<i>On-Line Projects</i>	<i>On-Line Dedicated Capacity¹ MW</i>	<i>Energy Deliveries GWh</i>	<i>Energy and Capacity Payments (Millions)</i>	<i>Average Prices for Energy and Capacity Payments ¢/kWh</i>
Biomass	26	194	1,429	\$ 121	8.47
Cogeneration	73	1,839	12,564	1,169	9.30
Geothermal	20	881	7,630	546	7.16
Small Hydro	34	94	348	22	6.32
Solar	10	354	613	100	16.31
Wind	62	1,025	2,233	159	7.12
Total	225	4,387	24,817	\$ 2,117	8.53

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 March 1, 2007:

		<i>Age</i>	<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).	65	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).	52	2005	January 1, 2011
John Bohn	Republican, a former Chairman of Global Net 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.	67	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.	46	2006	January 1, 2009
Timothy Alan Simon ¹	Republican, served in the Office of the Governor. Former General Counsel for Global Crown Capital, LLC. From 2002 to 2005, Simon was Vice President and Chief Compliance Officer for Preferred Trade, Inc. Prior to that, he was a consultant to Barclays Global Investors.	51	2007	February 15, 2013

¹ Senate confirmation required

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.

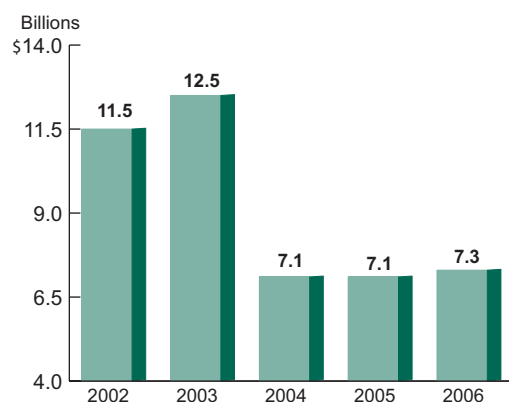
COMPETITIVE BUSINESSES

Mission Energy Holding Company

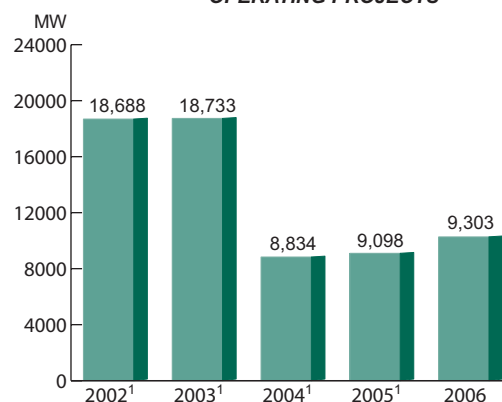
Mission Energy Holding Company is the parent company of Edison Mission Energy (EME). EME is an independent power producer engaged in the business of developing, acquiring, owning or leasing, operating and selling energy and capacity from independent power production facilities. EME also conducts hedging and energy trading activities in power markets open to competition. As of December 31, 2006, EME's continuing operations consisted of owned or leased interests in 29 operating power plants with an aggregate net physical capacity of 10,473 MW of which EME's capacity pro rata share was 9,303 MW. During 2004 and early 2005, EME sold assets totaling 6,452 MW, which constituted most of its international assets. Based in Irvine, California, MEHC had \$7.3 billion in assets as of December 31, 2006.

Highlights

**MISSION ENERGY HOLDING COMPANY
TOTAL ASSETS**



**OWNED SHARE OF
OPERATING PROJECTS**



¹ Not restated for discontinued operations or wind transfer

Quarterly Financial Data (Unaudited)

2006 (In millions)	First	Second	Third ¹	Fourth	Total
Operating revenues	\$ 514	\$ 463	\$ 706	\$ 556	\$ 2,239
Operating income	131	53	286	152	622
Income (loss) from continuing operations	58	(60) ²	179	69	246
Discontinued operations, net	73	4	(2)	23	98
Income (loss) before accounting change	131	(56)	177	92	344
Net income (loss)	131	(56)	177	92	344
2005 (In millions)	First	Second	Third ¹	Fourth	Total
Operating revenues	\$ 517	\$ 422	\$ 680	\$ 646	\$ 2,265
Operating income	125	18	277	263	683
Income from continuing operations	27	2	155 ³	148	332
Discontinued operations, net	7	21	27	(26)	29
Income before accounting change	34	23	182	122	361
Net income	34	23	182	121	360

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 \$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.

³ Reflects a \$55 million pre-tax (\$34 million, after tax) impairment loss on equity method investment related to the March Point project.

Mission Energy Holding Company Plant List

EME OPERATING POWER PLANTS

No.	Plant 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	12/99	100%	5,918	5,918	Illinois
7	Homer City ¹	E	Coal	03/99	100%	1,884	1,884	Pennsylvania
Contracted power plants								
Big 4 Projects								
8	Kern River ¹	Q	Natural Gas	08/85	50%	300	150	California
9	Midway-Sunset ¹	Q	Natural Gas	05/89	50%	225	113	California
10	Sycamore ¹	Q	Natural Gas	01/88	50%	300	150	California
11	Watson	Q	Natural Gas	04/88	49%	385	189	California
Westside Projects								
12	Coalinga ¹	Q	Natural Gas	11/91	50%	38	19	California
13	Mid-Set ¹	Q	Natural Gas	05/89	50%	38	19	California
14	Salinas River ¹	Q	Natural Gas	11/91	50%	38	19	California
15	Sargent Canyon ¹	Q	Natural Gas	11/91	50%	38	19	California
Wind Projects								
16	Bingham Lake	Q	Wind	04/06	99%	15	15	Minnesota
17	Eastridge	E	Wind	04/06	99%	10	10	Minnesota
18	Lakota Ridge	Q/E	Wind	04/06	75%	11	8	Minnesota
19	San Juan Mesa ¹	E	Wind	12/05	75%	120	90	New Mexico
20	Shaokatan Hills	Q/E	Wind	04/06	75%	12	9	Minnesota
21	Storm Lake 1	E	Wind	04/06	100%	109	109	Iowa
22	West Pipestone	Q/E	Wind	04/06	99%	8	8	Minnesota
23	Westridge	Q/E	Wind	04/06	97%	17	17	Minnesota
24	Woodstock Hills	Q/E	Wind	04/06	75%	10	8	Minnesota
25	American Bituminous ¹	Q	Waste Coal	04/93	50%	80	40	West Virginia
26	Huntington	Q	Biomass	04/06	38%	25	9	New York
27	March Point	Q	Natural Gas	11/91, 01/93	50%	140	70	Washington
28	Sunrise ¹	E	Natural Gas	06/01,06/03	50%	572	286	California
Total Domestic Plants ²						10,293	9,159	
International								
29	Doga ¹		Natural Gas	05/99	80%	180	144	Turkey
Total Operating Plants						10,473	9,303	

Q= Qualifying Facility

E = Exempt Wholesale Generation

¹ Plant is operated under contract by an EME operations and maintenance subsidiary (partially owned plants) or plant is operated directly by an EME subsidiary (wholly owned plants).

² In January 2006, EME completed the purchase of development rights for a 161-MW wind project in Texas, which EME refers to as the Wildorado project. During the third quarter of 2006, EME released for construction four wind projects totaling 181 MW.

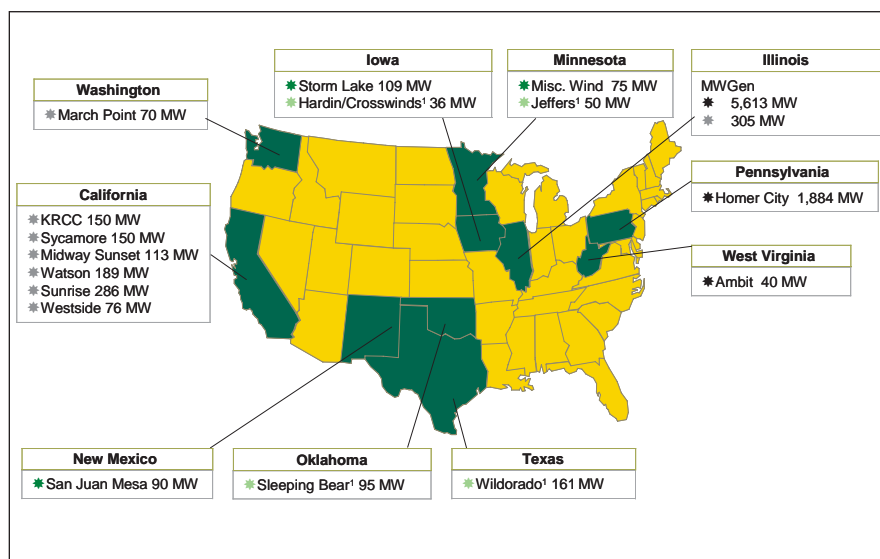
ILLINOIS PLANTS INCLUDE THE FOLLOWING OPERATING PLANTS OR SITES

	<u>Location</u>	<u>Leased/Owned</u>	<u>Fuel</u>	<u>Megawatts</u>
Electric Generating Facilities				
Crawford Station	Chicago, Illinois	Owned	Coal	542
Fisk Station	Chicago, Illinois	Owned	Coal	326
Joliet Unit 6	Joliet, Illinois	Owned	Coal	290
Joliet Units 7 and 8	Joliet, Illinois	Leased	Coal	1,044
Powerton Station	Pekin, Illinois	Leased	Coal	1,538
Waukegan Station	Waukegan, Illinois	Owned	Coal	781 ¹
Will County Station	Romeoville, Illinois	Owned	Coal	1,092 ²
Peaking Units				
Fisk	Chicago, Illinois	Owned	Oil/gas	197
Waukegan	Waukegan, Illinois	Owned	Oil/gas	108
Total				5,918

¹ The Waukegan Station is comprised of Units 6, 7 and 8. Midwest Generation has agreed with the Illinois EPA to shut down permanently Waukegan Station Unit 6 (100 MW) on or before December 31, 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.

Mission Energy Holding Company Project Summary



	EME Pro Rata Share	%
Number of plants		
29 Operating plants	9,303	
5 Under construction	342	
*Coal	7,537 MW	78%
*Natural gas	1,339 MW	14%
*Wind - operating	274 MW	3%
*Wind -under construction	342 MW	3%
Other ¹	153 MW	2%

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

¹ Under construction

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

<i>In millions</i>	<i>Year Ended December 31,</i>	2006	2005	2004
(Earnings/Losses)¹				
Consolidated operations				
Illinois Plants		\$ 459	\$ 547	\$ (881)
Homer City		156	74	77
Energy trading ²		130	195	23
Doga ³		—	—	6
San Juan Mesa		7	—	—
Gain on sale of assets		4	—	—
Storm Lake		5	2	8
Other		—	(1)	4
Unconsolidated affiliates				
Big 4 projects		132	158	142
Sunrise		34	29	28
March Point		—	9	17
Impairment loss on equity method investment		—	(55)	—
Doga		1	7	1
Other		12	13	12
		940	978	(563)
MEHC and EME corporate interest income		82	55	6
MEHC and EME corporate interest expense		(367)	(383)	(441)
MEHC and EME corporate administrative and general		(113)	(126)	(150)
Gain on sale of investments		—	—	43
Loss on early extinguishment of debt		(146)	(24)	—
Other Income (expense), net		10	(4)	(13)
Project earnings (losses)		406	496	(1,118)
Less: Production tax credits		(16)	(8)	(7)
Income (loss) from continuing operations before income taxes and minority interest		\$ 390	\$ 488	\$ (1,125)

¹ Project earnings are equal to income from continuing operations before income taxes, except for production tax credits. Accordingly, project earnings for the wind projects include \$16 million, \$8 million and \$7 million of production tax credits for the years ended December 31, 2006, 2005 and 2004, 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 associated with the purchase and sale of contracts for electricity, fuels and transmission. The overhead cost of energy trading is included in administrative and general expenses.

³ Income before taxes of Doga represents both EME's 80% ownership interest and the ownership interests of minority interest holders on a calendar year basis. The interests of minority shareholders in the after-tax earnings of Doga are reflected in a separate line item in the consolidated statements of income.

Mission Energy Holding Company Consolidated Statements of Income

<i>In millions</i>	<i>Year Ended December 31,</i>	2006	2005	2004
Operating revenues		\$ 2,239	\$ 2,265	\$ 1,653
Operating expenses				
Fuel		645	617	619
Plant operations		511	493	495
Plant operating leases		176	177	186
Depreciation and amortization		144	134	152
Loss on lease termination, asset impairment and other charges		—	7	989
Administrative and general		141	154	151
Total operating expenses		1,617	1,582	2,592
Operating income (loss)		622	683	(939)
Other income (expense)				
Equity in income from unconsolidated affiliates		186	229	218
Impairment loss on equity method investment		—	(55)	—
Gain on sale of investments		—	—	43
Interest income		98	62	10
Interest expense		(393)	(414)	(456)
Loss on early extinguishment of debt		(146)	(24)	—
Other income (expense), net		23	7	(1)
Total other income (expense)		(232)	(195)	(186)
Income (loss) from continuing operations before income taxes and minority interest		390	488	(1,125)
Provision (benefit) for income taxes		145	156	(468)
Minority interest		1	—	(1)
Income (Loss) from continuing operations		246	332	(658)
Income from operations of discontinued subsidiaries (including gain on disposal of \$533 million in 2004), net of tax		98	29	690
Income before accounting change		344	361	32
Cumulative effect of change in accounting, net of tax		—	(1)	—
Net income		\$ 344	\$ 360	\$ 32

Historical Distributions Received by Edison Mission Energy

<i>In millions</i>	<i>Year Ended December 31,</i>	2006	2005	2004
Distributions from Consolidated Operating Projects:				
Edison Mission Midwest Holdings (Illinois Plants)		\$ 542¹	\$ 330 ²	\$ 88
EME Homer City Generation L.P. (Homer City facilities)		—	86	61
Holding company for Storm Lake project		11	—	—
Holding companies of other consolidated operating projects		5	1	1
Distributions from Unconsolidated Operating Projects:				
Edison Mission Energy Funding Corp. (Big 4 Projects) ³		116	122	108
Sunrise Power Company		22	20	19
Holding company for Doga project		—	17	15
Holding companies for Westside projects		16	17	18
Holding companies for other unconsolidated operating projects		1	5	3
Total distributions		\$ 713	\$ 598	\$ 313

¹ Subsequent to December 31, 2006, Edison Mission Midwest Holdings made an additional distribution of \$117 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.

Mission Energy Holding Company Consolidated Balance Sheets

<i>In millions</i>	<i>December 31,</i>	2006	2005
Assets			
Current Assets			
Cash and cash equivalents		\$ 1,241	\$ 1,197
Short-term investments		558	183
Accounts receivable–trade		178	337
Accounts receivable–affiliates		52	19
Inventory		158	120
Derivative assets		272	78
Margin and collateral deposits		69	561
Deferred taxes		—	155
Prepaid expenses and other		96	69
Total current assets		2,624	2,719
Investments in unconsolidated affiliates		367	405
Property, plant and equipment		4,272	3,856
Less accumulated depreciation and amortization		981	844
Net property, plant and equipment		3,291	3,012
Other assets			
Deferred financing costs		49	50
Long-term derivative assets		114	90
Restricted cash		91	105
Rent payments in excess of levelized rent expense under plant operating leases		556	395
Long-term margin and collateral deposits		4	137
Other long-term assets		187	161
Total other assets		1,001	938
Total assets		\$ 7,283	\$ 7,074
Liabilities and shareholder's equity			
Current liabilities			
Accounts payable		\$ 69	\$ 64
Accounts payable–affiliates		6	32
Accrued liabilities		270	207
Derivative liabilities		82	418
Interest payable		78	101
Deferred taxes		59	—
Current maturities of long-term obligations		132	74
Total current liabilities		696	896
Long-term obligations net of current maturities		3,830	4,122
Deferred taxes and tax credits		351	232
Deferred revenues		61	55
Long-term Derivative liabilities		9	83
Other long-term liabilities		523	543
Total liabilities		5,470	5,931
Minority interest		47	29
Shareholder's equity			
Common stock, par value \$0.01 per share; 1,000 shares authorized; 1000 shares issued and outstanding as of December 31, 2006 and 2005		—	—
Additional paid-in capital		2,244	2,248
Accumulated deficit		(579)	(923)
Accumulated other comprehensive income (loss)		101	(211)
Total shareholder's equity		1,766	1,114
Total liabilities and shareholder's equity		\$ 7,283	\$ 7,074

Mission Energy Holding Company Consolidated Statements of Cash Flows

<i>In millions</i>	<i>Year Ended December 31,</i>	2006	2005	2004
Cash flows from operating activities				
Net income		\$ 344	\$ 360	\$ 32
Less: Income from discontinued operations		(98)	(29)	(690)
Income (loss) from continuing operations, net		246	331	(658)
Adjustments to reconcile income (loss) to net cash provided by (used in) operating activities:				
Equity in income from unconsolidated affiliates		(183)	(227)	(215)
Distributions from unconsolidated affiliates		170	222	228
Depreciation and amortization		164	147	158
Minority interest		—	—	1
Deferred taxes and tax credits		98	(76)	(21)
Gain on sale of investments		—	—	(43)
Loss on early extinguishment of debt		146	24	—
Impairment charges		—	62	35
Cumulative effect of change in accounting, net of tax		—	1	—
Changes in operating assets and liabilities:				
Decrease (increase) in margin and collateral deposits		625	(656)	(30)
Decrease (increase) in accounts receivable		126	(77)	(91)
Decrease (increase) in inventory		(38)	(13)	11
Decrease (increase) in prepaid expenses and other		(26)	13	15
Increase in rent payments in excess of levelized rent expense		(161)	(117)	(59)
Increase in accounts payable and accrued liabilities		—	8	87
Increase (decrease) in interest payable		(23)	(11)	8
Decrease (increase) in derivative assets and liabilities		(72)	41	13
Other operating—assets		(1)	4	23
Other operating—liabilities		(5)	61	62
		1,066	(263)	(476)
Operating cash flow from discontinued operations		94	20	(434)
Net cash provided by (used in) operating activities		1,160	(243)	(910)
Cash flows from financing activities				
Borrowings on long-term debt		1,450	330	1,795
Payments on long-term debt agreements		(1,683)	(997)	(1,806)
Cash contributions from parent		—	—	3
Cash dividends to parent		—	(7)	—
Payments to affiliates related to stock-based awards		(27)	(18)	(5)
Excess tax benefits related to stock option exercises		7	—	—
Premium paid on extinguishment of debt and financing costs		(157)	(17)	(34)
		(410)	(709)	(47)
Financing cash flow from discontinued operations		—	—	(144)
Net cash used in financing activities		(410)	(709)	(191)
Cash flows from investing activities				
Capital expenditures		(310)	(61)	(55)
Proceeds from return of capital		41	—	—
Purchase of interest from acquired companies		(18)	(154)	—
Proceeds from sale of interest in projects		43	—	118
Proceeds from sale of discontinued operations		—	124	2,740
Purchase of short-term investments		(512)	(183)	(301)
Maturities and sales of short-term investments		137	140	181
Decrease in restricted cash		14	41	31
Investments in other assets		(101)	(41)	(6)
		(706)	(134)	2,708
Investing cash flow from discontinued operations		—	5	18
Net cash provided by (used in) investing activities		(706)	(129)	2,726
Effect of exchange rate changes on cash		—	—	50
Effect of consolidation of variable interest entities on cash		—	3	1
Effect on cash of deconsolidation of subsidiary		—	—	(34)
Net increase (decrease) in cash and cash equivalents		44	(1,078)	1,642
Cash and cash equivalents at beginning of period		1,197	2,276	634
Cash and cash equivalents at end of period		1,241	1,198	2,276
Cash and cash equivalents classified as part of discontinued operations		—	(1)	(2)
Cash and cash equivalents of continuing operations		\$ 1,241	\$ 1,197	\$ 2,274

Mission Energy Holding Company Supplemental Statements of Cash Flows Information

<i>In millions</i>	<i>Year Ended December 31,</i>	2006	2005	2004
Cash paid (received)				
Interest (net of amount capitalized)		\$ 405	\$ 423	\$ 452
Income taxes		129	61	(16)
Cash payments under plant operating leases		337	293	240
Details of assets acquired				
Fair value of assets acquired		\$ 29	\$ 154	\$ —
Liabilities assumed		—	—	—
Net assets acquired		\$ 29	\$ 154	\$ —
Non-cash activities from consolidation of variable interest entities				
Assets		\$ 18	\$ 37	\$ —
Liabilities		4	27	—
Non-cash activities from de-consolidation of variable interest entity				
Assets		\$ —	\$ —	\$ 220
Liabilities		—	—	254

Note: During the year ended December 31, 2006, EME accrued \$11 million in connection with the purchase price of the Wildorado wind project due upon completion of construction. In addition, MEHC 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, MEHC 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.

During the year ended December 31, 2004, EME declared a dividend payable to MEHC totaling \$305 million.

Mission Energy Holding Company Contractual Obligations

<i>In millions</i>	<i>As of December 31, 2006</i>	Payments Due by Period				Total
		2007	2008-2009	2010-2011	Thereafter	
MEHC only long-term debt ¹		\$ 108	\$ 908	\$ —	\$ —	\$ 1,016
EME's long-term debt ¹		375	1,089	716	2,512	4,692
EME's operating lease obligations		360	713	664	2,670	4,407
EME's purchase obligations:						
Capital improvements		186	—	—	—	186
Turbine commitments		463	26	—	—	489
Fuel supply contracts		365	239	71	10	685
Gas transportation agreements		8	16	16	52	92
Coal transportation		220	159	76	—	455
Other contractual obligations		11	22	10	—	43
EME's employee benefit plan contribution ²		15	—	—	—	15
Total contractual obligations		\$ 2,111	\$ 3,172	\$ 1,553	\$ 5,244	\$ 12,080

¹ Table assumes long-term debt is held to maturity, except the Midwest Generation senior secured notes which are assumed to be held until 2014. 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 2007 are not available.

Key Ratios of MEHC's and EME's Principal Subsidiaries Affecting Dividends

Subsidiary	<i>Year Ended December 31, 2006</i>	Financial Ratio	Covenant	Actual
Mission Energy Holding Company		Interest Coverage Ratio	Greater than 2.0 to 1	2.79 to 1
Midwest Generation, LLC (Illinois Plants)		Interest Coverage Ratio	Greater than or equal to 1.40 to 1	5.14 to 1
Midwest Generation, LLC (Illinois Plants)		Secured Leverage Ratio	Less than or equal to 7.25 to 1	2.17 to 1
EME Homer City Generation L.P. (Homer City facilities)		Senior Rent Service Coverage Ratio	Greater than 1.7 to 1	2.32 to 1 ¹

¹ The senior rent service coverage ratio is determined by dividing net operating cash flow by senior rent. Net operating cash flow represents revenues less operating expenses as defined in the sale-leaseback documents. Revenue during the twelve months ended December 31, 2006 includes \$15.5 million from an advance payment from EMMT against future deliveries of power to it under its trading arrangements with EME Homer City.

Illinois Plants and Homer City Forward Month-End 24-Hour Energy Prices¹

Date	2007		2008	
	At Northern Illinois ²	At PJM West ³	At Northern Illinois ²	At PJM West ³
January 31, 2006	\$ 51.25	\$ 70.89	\$ 49.01	\$ 67.69
February 28, 2006	45.61	62.16	44.74	60.09
March 31, 2006	48.61	66.79	48.58	64.37
April 30, 2006	51.38	70.11	49.88	68.07
May 31, 2006	44.92	63.22	44.89	61.33
June 30, 2006	45.49	63.80	45.10	62.58
July 31, 2006	48.93	67.66	47.67	64.26
August 31, 2006	48.68	65.23	48.40	63.17
September 30, 2006	44.31	57.61	45.09	58.25
October 31, 2006	44.44	57.97	45.63	59.31
November 30, 2006	46.35	61.26	46.66	61.83
December 31, 2006	41.00	52.13	45.14	59.13

¹ This table sets forth the forward month-end market prices for energy per megawatt-hour for the calendar year 2007 and calendar year 2008 “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 2006. 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 Generation¹

Year Ended December 31,	2006	2005	2004
Generation (in GWh)			
Merchant	28,898	30,953	17,133
Power purchase agreement	—	—	13,435
Total coal-fired generation	28,898	30,953	30,568
Equivalent availability ¹	79.3%	79.6%	84.4%
Capacity factor ²	58.8%	63.0%	65.3%
Load factor ³	74.1%	79.1%	77.4%
Forced outage rate ⁴	7.9%	7.8%	5.4%
Average realized energy price/MWh ⁵			
Merchant	\$ 46.19	\$ 45.55	\$ 31.20
Power purchase agreement	—	—	\$ 17.60
Total coal-fired generation ⁶	\$ 46.19	\$ 45.55	\$ 25.22
Capacity revenue only (in millions)	\$ 24	\$ 27	\$ 289
Average fuel costs/MWh	\$ 13.19	\$ 12.40	\$ 11.60

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 MW) and the number of hours in the period.

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

⁴ Midwest Generation 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. Revenue related to capacity sales are excluded from the calculation of average realized energy price.

⁶ The average realized energy price in 2004 represented an average, weighted by generation, of energy prices earned by the merchant coal plants and energy prices earned under the power purchase agreements with Exelon Generation. Due to the structure of the power purchase agreements with Exelon Generation (with higher capacity prices and lower energy prices), the composite data in 2004 is not directly comparable to 2005 and 2006 merchant energy prices.

Illinois Coal Requirements Under Contract

At December 31, 2006	2007	2008	2009	2010
Amount of coal under contract in millions of tons ¹	17.2	5.8	5.8	5.8

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, 2006 Hedge Position

	2007	2008	2009
Energy only contracts¹			
Megawatt-hours	16,323,600	10,854,400	2,048,000
Average price/MWh ²	\$ 48.39	\$ 61.33	\$ 60.00
Load requirements services contracts			
Estimated megawatt-hours ³	8,522,380	6,209,315	1,805,456
Average price/MWh ⁴	\$ 64.13	\$ 64.01	\$ 63.65
Total estimated megawatt-hours	24,845,980	17,063,715	3,853,456

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, 2006 is not directly comparable to the 24-hour Northern Illinois Hub prices set forth above.

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

<i>Year ended December 31,</i>	2006	2005	2004
Generation (in GWh)	12,286	13,637	13,292
Equivalent availability ¹	81.9%	85.2%	85.1%
Capacity factor ²	74.3%	82.4%	80.1%
Load factor ³	90.7%	96.7%	94.1%
Forced outage rate ⁴	13.5%	4.8%	5.3%
Average realized energy price/MWh ⁵	\$ 48.02	\$ 45.05	\$ 35.93
Capacity revenue only (in millions)	\$ 16	\$ 18	\$ 28
Average fuel costs/MWh	\$ 23.05	\$ 21.08	\$ 16.15

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 MW) 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 MW) and the number of hours in the period.

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

⁴ EME 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 December 31, 2006 Hedge Position

	2007	2008	2009
Megawatt-hours	7,590,000	7,232,000	2,048,000
Average price/MWh ¹	64.35	\$ 60.85	\$ 71.05

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, 2006 is not directly comparable to the 24-hour PJM West Hub prices.

Homer City Coal Requirements Under Contract

<i>At December 31, 2006</i>	2007	2008	2009
Amount of coal under contract in millions of tons ¹	5.2	2.1	0.8

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.

Edison Capital

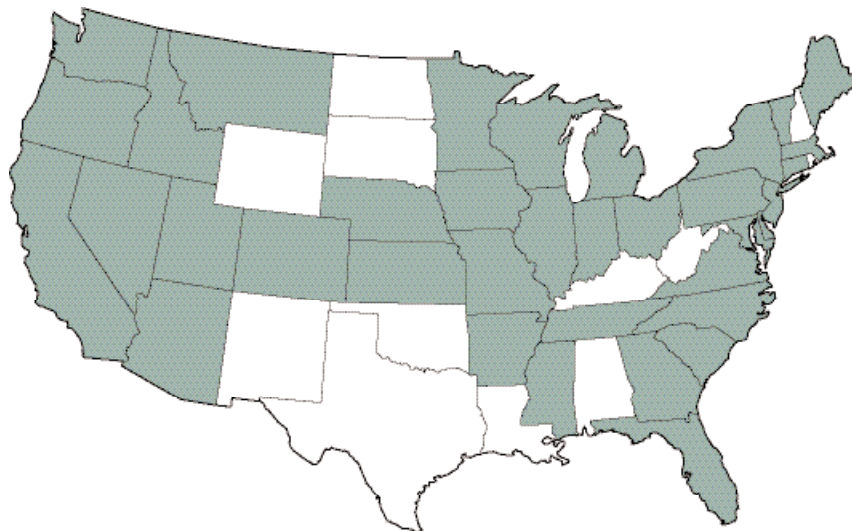
Edison Capital has investments worldwide in energy and infrastructure projects, including power generation, electric transmission and distribution, transportation, and telecommunications. Edison Capital also has investments in affordable housing projects located throughout the United States.

Energy/Infrastructure Projects

<i>Infrastructure Project Name</i>	<i>Country/Region</i>	<i>Project Type</i>	<i>Gen. Capacity (MW)</i>	<i>Lessor Interest/Equity Interest</i>
ESKOM/Majuba	South Africa	Coal Power	4,110	100%
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	60%
AIG - Asia II Fund	Asia	Infrastructure	—	6%
Beaver Valley Unit #2	U.S.	Nuclear Power	836	26%
EPZ/Amercentrale 9	Netherlands	Coal Power	580	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			8,893	

Affordable Housing

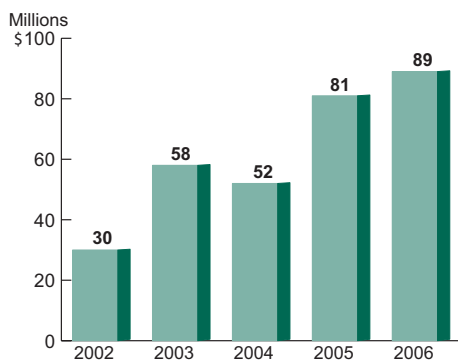
Edison Capital is currently invested in over 335 Affordable Housing projects in 36 states.



Edison Capital Financial Information

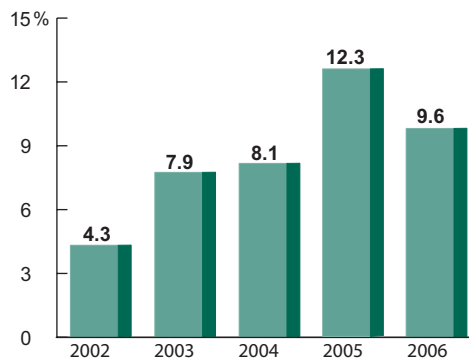
<i>In millions</i>	<i>Year Ended December 31,</i>	2006	2005
Condensed consolidated statements of income			
Lease revenue		\$ 67	\$ 71
Other		6	6
Total operating revenue		73	77
Operating expenses		26	48
Operating income		47	29
Equity in income from unconsolidated entities		30	74
Interest expense		16	22
Other income		39	11
Income before income taxes		100	92
Income tax expense		(11)	(11)
Net income		\$ 89	\$ 81
Condensed consolidated balance sheets			
Current assets		\$ 431	\$ 661
Investments		2,638	2,693
Property, plant, and equipment — net and other		130	22
Total assets		\$ 3,199	\$ 3,376
Current liabilities		\$ 96	\$ 112
Long-term liabilities		2,526	2,581
Total liabilities		2,622	2,693
Minority interest		46	72
Total shareholder's equity		531	611
Total liabilities and shareholder's equity		\$ 3,199	\$ 3,376
Condensed consolidated statements of cash flows			
Cash flows from operating activities:			
Net income		\$ 89	\$ 81
Adjustment for non-cash income statement items		(90)	(58)
Changes in working capital components		63	227
Net cash provided by operating activities		62	250
Cash flows from financing activities:			
Dividend paid to parent		(108)	—
Repayment of debt		(75)	(25)
Other		(53)	5
Net cash used by financing activities		(236)	(20)
Cash flows from investing activities:			
Distributions from partnerships, net of investments		68	140
Restricted cash		—	9
Advance to parent		—	(75)
Net cash provided by investing activities		68	74
Effects of exchange rate changes on cash		—	(1)
Net increase (decrease) in cash and equivalents		(106)	303
Cash and equivalents, beginning of period		481	178
Cash and equivalents, end of period		\$ 375	\$ 481

**EDISON CAPITAL¹
NET INCOME**



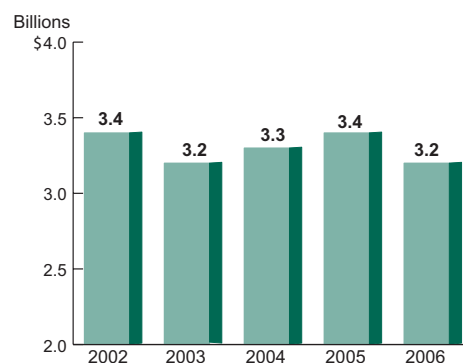
¹ Restated for transfer of wind assets

RETURN ON COMMON EQUITY¹



¹ Restated for transfer of wind assets.

**EDISON CAPITAL¹
TOTAL ASSETS**



¹ Restated for transfer of wind assets.

Management Team¹

Edison International

John E. Bryson

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

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

Barbara E. Mathews

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

Kenneth S. Stewart

Vice President and Chief Ethics and Compliance Officer

Linda G. Sullivan

Vice President and Controller

Diane L. Featherstone

Vice President and General Auditor

Jeffrey L. Barnett

Vice President, Tax

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

Bruce C. Foster

Senior Vice President, Regulatory Operations

Barbara J. Parsky

Senior Vice President, Corporate Communications

Cecil R. House

Senior Vice President
Safety and Operations Support

Ronald L. Litzinger

Senior Vice President,
Transmission and Distribution

Thomas M. Noonan

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Senior Vice President and General Counsel

Pedro J. Pizarro

Senior Vice President, Power Procurement

Richard M. Rosenblum

Senior Vice President, Generation and Chief Nuclear Officer

Mahvash Yazdi

Senior Vice President, Business Integration and Chief Information Officer

Lynda L. Ziegler

Senior Vice President, Customer Service

Robert C. Boada

Vice President and Treasurer

Jeffrey L. Barnett

Vice President, Tax

William L. Bryan

Vice President, Business Customer Division

Ann P. Cohn

Vice President and
Associate General Counsel

Jodi M. Collins

Vice President, Information Technology

Diane L. Featherstone

Vice President and General Auditor

Kevin R. Cini

Vice President, Energy Supply and Management

Harry B. Hutchinson

Vice President, Customer Service Operations

Akbar Jazayeri

Vice President, Revenue and Tariffs

Walter J. Johnston

Vice President, Power Delivery

Brian Katz

Vice President, Nuclear Oversight and Regulatory Affairs

James A. Kelly

Vice President, Engineering and Technical Services

R.W. (Russ) Krieger, Jr.

Vice President, Power Production

Barbara E. Mathews

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

Kevin M. Payne

Vice President, Enterprise Resource Planning

Frank J. Quevedo

Vice President, Equal Opportunity

James T. Reilly

Vice President, Nuclear Engineering and Technical Services

Tommy Ross

Vice President, Public Affairs

Kenneth S. Stewart

Vice President and Chief Ethics and Compliance Officer

Linda G. Sullivan

Vice President and Controller

Raymond W. Waldo

Vice President, Nuclear Generation

Edison Mission Group²

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Chairman of the Board, President and Chief Executive Officer

Guy F. Gorney

Senior Vice President, Coal Generation

Paul Jacob

Senior Vice President, Marketing & Trading

W. James Scilacci

Senior Vice President and Chief Financial Officer

Raymond W. Vickers

Senior Vice President and General Counsel

John P. Finneran, Jr.

Senior Vice President, Business Management

Gerard P. Loughman

Senior Vice President, Development

Jenene J. Wilson

Vice President, Human Resources

¹ As of March 6, 2007.

² Parent company of Edison Mission Energy and Edison Capital.



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