SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

/X/ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1994

OR

/ / Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ________________ to _________________

Commission File Number 1-9936

SCEcorp

(Exact name of registrant as specified in its charter)

CALIFORNIA	95-4137452
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2244 Walnut Grove Avenue (P.O. Box 999) Rosemead, California (Address of principal executive offices)	91770 (Zip Code)

818-302-2222
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at May 9, 1994
Common Stock, no par value	447,798,244

SCEcorp

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PART I--FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME
In thousands, except per-share amounts

	3 Months Ended March 31, 1994	3 Months Ended March 31, 1993
	(Unaudited)	
Electric utility revenue	$1,676,679	$1,700,971
Diversified operations	52,067	83,990
Total operating revenue	1,728,746	1,784,961
Fuel	192,352	214,803
Purchased power	489,515	460,849
Provisions for regulatory adjustment clauses -- net	(8,906)	22,238
Other operating expenses	321,920	340,302
Maintenance	84,176	90,601
Depreciation and decommissioning	235,922	227,261
Income taxes	90,828	75,215
Property and other taxes	54,557	61,188
Total operating expenses	1,460,364	1,492,457

Operating income	268,382	292,504
Provision for rate phase-in plan	(32,646)	(33,350)
Allowance for equity funds used during construction	3,924	5,016
Other nonoperating income -- net	31,797	24,202
Total other income (deductions) -- net	3,075	(4,132)
Income before interest and other expenses	271,457	288,372
Interest on long-term debt	125,082	127,073
Other interest expense	18,393	13,479
Allowance for borrowed funds used during construction	(4,090)	(4,002)
Capitalized interest	(10,309)	(7,524)
Dividends on subsidiary preferred stock	10,020	10,471
Total interest and other expenses -- net	139,096	139,497
Net income	$ 132,361	$ 148,875
Weighted-average shares of common stock outstanding	447,799	447,737
Earnings per share	$ .30	$.33
Dividends declared per common stock	$.355	$.35

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

SCEcorp

CONSOLIDATED BALANCE SHEETS
In thousands

	March 31, 1994 (Unaudited)	December 31, 1993
ASSETS		
Utility plant, at original cost	$18,602,311	$18,436,134
Less -- accumulated provision for depreciation and decommissioning	7,321,831	7,138,289
	11,280,480	11,297,845
Construction work in progress	894,403	857,225
Nuclear fuel, at amortized cost	136,791	148,012
Total utility plant	12,311,674	12,303,082
Nonutility property -- less accumulated provision for depreciation of $77,884 and $73,169 at respective dates	1,286,446	1,276,471
Nuclear decommissioning trusts	839,133	788,575
Investments in partnerships and unconsolidated subsidiaries	1,215,657	1,162,452
Investments in leveraged leases	499,051	497,469
Other investments	21,103	20,577
Total other property and investments	3,861,390	3,745,544
Cash and equivalents	431,579	420,510
Receivables, including unbilled revenue, less allowances of $17,842 and $18,669 for uncollectible accounts at respective dates	809,686	880,758
Fuel inventory	120,789	120,859
Materials and supplies, at average cost	107,468	104,092
Accumulated deferred income taxes -- net	171,196	204,119
Prepayments and other current assets	72,731	117,758
Total current assets	1,713,449	1,848,096
Unamortized debt issuance and reacquisition expense	377,149	381,781
Rate phase-in plan	334,480	364,209
Unamortized nuclear plant -- net	248,305	273,837
Income tax-related deferred charges	1,845,357	2,016,194
Other deferred charges	490,505	445,799
Total deferred charges	3,295,796	3,481,820
Total assets	$21,182,309	$21,378,542

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

SCEcorp

CONSOLIDATED BALANCE SHEETS
In thousands

	March 31, 1994 (Unaudited)	December 31, 1993
CAPITALIZATION AND LIABILITIES		
Common shareholders' equity:		
Common stock (447,799 shares outstanding at each date)	$ 2,691,605	$ 2,691,605
Retained earnings	3,239,364	3,265,976
	5,930,969	5,957,581
Preferred stock:		
Not subject to mandatory redemption	358,755	358,755
Subject to mandatory redemption	275,000	275,000
Long-term debt	6,240,866	6,459,195
Total capitalization	12,805,590	13,050,531
Other long-term liabilities	302,412	266,595
Current portion of long-term debt and redeemable preferred stock	363,746	348,896
Short-term debt	849,122	655,344
Accounts payable	354,648	373,092
Accrued taxes	466,517	410,612
Accrued interest	123,104	101,360
Dividends payable	162,822	162,818
Regulatory balancing accounts -- net	38,824	57,932
Deferred unbilled revenue and other current liabilities	710,429	741,334
Total current liabilities	3,069,212	2,851,388
Accumulated deferred income taxes -- net	3,969,055	4,168,719
Accumulated deferred investment tax credits	448,774	455,574
Customer advances and other deferred credits	587,266	585,735
Total deferred credits	5,005,095	5,210,028
Commitments and contingencies (Notes 1 and 2)		
Total capitalization and liabilities	$21,182,309	$21,378,542

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

SCEcorp

CONSOLIDATED STATEMENTS OF CASH FLOWS
In thousands

	3 Months Ended March 31, 1994 (Unaudited)	1993
Cash flows from operating activities:		

Net income	$ 132,361	$ 148,875
Adjustments for noncash items:		
Depreciation and decommissioning	235,922	227,261
Amortization	29,189	31,687
Rate phase-in plan	29,729	29,373
Deferred income taxes and investment tax credits	909	(7,469)
Equity in income from partnerships and unconsolidated subsidiaries	(3,394)	(18,608)
Other long-term liabilities	35,817	(114,870)
Other -- net	(45,817)	10,043
Changes in working capital components:		
Receivables	72,190	44,391
Regulatory balancing accounts	(19,108)	25,439
Fuel inventory, materials and supplies	(3,306)	(7,823)
Prepayments and other current assets	47,325	68,823
Accrued interest and taxes	73,306	96,038
Accounts payable and other current liabilities	(49,361)	127,854
Distributions from partnerships and unconsolidated subsidiaries	11,846	22,112
Net cash provided by operating activities	547,608	683,126
Cash flows from financing activities:		
Issuances of long-term debt	45,999	919,074
Repayment of long-term debt	(213,762)	(1,098,950)
Nuclear fuel financing -- net	(1,457)	(21,383)
Proceeds from sales of common stock	--	141
Short-term debt financings -- net	141,158	(94,205)
Dividends paid	(158,969)	(156,708)
Net cash used by financing activities	(187,031)	(452,031)
Cash flows from investing activities:		
Additions to property and plant	(277,903)	(248,463)
Nuclear decommissioning trusts	(50,558)	(36,605)
Investments in partnerships and unconsolidated subsidiaries	(70,359)	(99,450)
Other -- net	49,312	(7,977)
Net cash used by investing activities	(349,508)	(392,495)
Net increase (decrease) in cash and equivalents	11,069	(161,400)
Cash and equivalents, beginning of period	420,510	496,338
Cash and equivalents, end of period	$ 431,579	$ 334,938

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

SCEcorp

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Management's Statement

In the opinion of management, all adjustments necessary to present a fair statement of the financial position and results of operations for the periods covered by this report, including recurring accruals, have been made.

SCEcorp's significant accounting policies were described in Note 1 of "Notes to Consolidated Financial Statements" included in its 1993 Annual Report on Form 10-K filed with the Securities and Exchange Commission. SCEcorp follows the same accounting policies for interim reporting purposes. This quarterly report should be read in conjunction with SCEcorp's 1993 Annual Report.

Certain prior-period reclassifications have been made to conform to the March 31, 1994, financial statement presentation.

Note 1. Regulatory Matters

Mohave Outage Review

In 1986, the California Public Utilities Commission (CPUC) began investigating a 1985 steam-pipe rupture at the Mohave Generating Station.

Edison, plant operator and 56% owner, incurred costs of approximately $90 million, after insurance recoveries, to repair damage and provide replacement power during the six-month outage. In 1991, the CPUC's Division of Ratepayer Advocates (DRA) alleged that Edison contributed to the piping failure by imprudently operating the plant and recommended the disallowance of all accident-related expenditures. Edison believes the accident was caused by a manufacturing defect in a seam weld and filed testimony contesting the allegations. A CPUC decision issued on March 9, 1994, agreed with the DRA's allegations and ordered a second phase of this proceeding to quantify the disallowance. The probable effect on net income cannot be determined at this time, but SCEcorp believes it will not materially affect its financial position.

Palo Verde Nuclear Generating Station Outage Review

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

During 1992, the CPUC consolidated its reasonableness review of replacement power costs from several Unit 2 outages in 1989 and 1990 with the investigation of Units 1 and 3. The DRA initially recommended a disallowance valued at $169 million, including: $63 million of revenue collected during the outages (including interest); $5 million for capital projects deemed unnecessary; $50 million in replacement power costs; and $51 million in penalties for environmental effects of replacement power and the outages' effect on the regional energy market. Edison filed testimony that its costs were reasonably incurred.

In September 1993, Edison and the DRA agreed to settle these disputes for $38 million (including $29 million for replacement power costs, $2 million

for capital projects and $7 million for interest), subject to CPUC approval. The effect of the settlement has been fully reflected in the financial statements. A CPUC decision is expected in mid-1994.

Research, Development and Demonstration (RD&D) Cost Review

In Edison's 1992 general rate case, the CPUC deferred a decision (pending additional information from Edison) on the recovery of $56 million in capitalized RD&D costs. Edison refiled, requesting that $35 million be included in rate base and $17 million be classified as RD&D expense. Subsequently, additional adjustments of $11 million were recorded. In August 1993, the DRA filed its position on Edison's RD&D capital refiling, recommending further disallowances of about $15 million. Edison is contesting the DRA's recommendation. A CPUC decision is expected in 1994. The probable effect on net income cannot be determined at this time, but SCEcorp believes it will not materially affect its results of operations or financial position.

Resale Rates

Resale revenue related to pending rate proceedings is subject to refund with interest if subsequently disallowed by the Federal Energy Regulatory Commission. SCEcorp believes any refunds from pending rate proceedings will not materially affect its results of operations or financial position.

Note 2. Contingencies

Conservation Expenditures Tax Issue

The Internal Revenue Service (IRS) has challenged how gas and electric utilities deduct energy conservation expenditures. It has taken the position that certain demand-side management (DSM) expenditures should not be treated as a current income tax deduction. The IRS claims that DSM programs create a future benefit by delaying the cost of building additional power plants. The utility industry believes that energy conservation expenditures constitute ordinary and necessary business expenses, which, under current provisions of the Internal Revenue Code, are deductible in the year incurred or accrued. Federal legislation has been introduced, which, if adopted, will clarify that DSM expenditures currently are deductible under existing tax code provisions. SCEcorp believes the IRS' position is contrary to the nation's energy and environmental policy goals and will continue to take steps to vigorously defend its position.

In March 1994, the CPUC approved Edison's request to establish a memorandum account to track the prospective income tax effect that would result if a change in the method of deducting these expenditures were imposed. Such amounts would be recovered through customer rates, subject to reasonableness reviews. The probable effect on net income of the outcome of this matter cannot be determined at this time.

Environmental Protection

SCEcorp is subject to numerous legislative and regulatory environmental-protection requirements. To meet these requirements, SCEcorp will continue to incur substantial costs to operate existing facilities,

construct and operate new facilities, and mitigate or remove the effect of past operations on the environment.

SCEcorp has identified 45 sites for which it is, or may be, responsible for remediation under environmental laws. SCEcorp is participating in investigations and cleanups at a number of these sites and has recorded a $60 million liability for its estimated minimum costs to clean up several sites. Additional costs may be incurred as progress is made in determining the magnitude of required remedial actions, as SCEcorp's share of these costs in proportion to other responsible parties is determined, and as additional investigations and cleanups are performed.

On May 4, 1994, the CPUC approved an incentive mechanism for rate recovery of certain environmental cleanup costs. This mechanism allows Edison to recover 90% of cleanup costs through customer rates. Shareholders will fund the remaining 10%, with the opportunity to recover these costs through insurance. Accordingly, Edison has recorded a regulatory asset representing 90% of the estimated minimum costs to remediate sites covered by this mechanism.

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

Nuclear Insurance

Federal law limits public liability claims from a nuclear incident to $9.3 billion. Edison and other owners of San Onofre Nuclear Generating Station and Palo Verde have purchased the maximum private primary insurance available ($200 million). The balance is covered by the industry's retrospective rating plan that uses deferred premium charges. Federal regulations require this secondary level of financial protection. Insurance for San Onofre Unit 1 remains in effect pending Nuclear Regulatory Commission approval to discontinue the coverage. The maximum deferred premium for each nuclear incident is $79 million per reactor, but not more than $10 million per reactor may be charged in any one year for each incident. Based on its ownership interests, Edison could be required to pay a maximum of $218 million per nuclear incident. However, it would have to pay no more than $28 million per incident in any one year. Such amounts include a 5% surcharge if additional funds are needed to satisfy public liability claims and are subject to adjustment for inflation.

Property damage insurance covers losses up to $500 million, including decontamination costs, at San Onofre and Palo Verde. Decontamination liability and property damage coverage exceeding the primary $500 million also has been purchased in amounts greater than federal requirements. Additional insurance covers part of replacement power expenses during an accident-related nuclear unit outage. These policies are issued primarily by mutual insurance companies owned by utilities with nuclear facilities. If losses at any nuclear facility covered by the arrangement were to exceed the accumulated funds for these insurance programs, Edison could be assessed retrospective premium adjustments of up to $34 million per year. Insurance premiums are charged to operating expense.

Palo Verde Nuclear Generating Station

After a March 1993 steam tube rupture occurred at one of the three Palo Verde units, an investigation revealed cracking in additional steam

generator tubes. Arizona Public Service (APS), operator of Palo Verde, reduced power at all three units to 85% in late 1993 in order to prevent further tube degradation until investigations are completed. In April 1994, some cracking was found at a second unit. APS expects inspections to be completed on this unit by June 1994. At that time, the unit is expected to be restarted at 86% power; however, all three units may be removed from service for mid-cycle inspections in late 1994. APS is considering several remedial actions that would allow the units to be operated at lower temperatures without appreciably reducing their power output. APS cannot currently predict when one or more of the units will be returned to full power.

Note 3. Decommissioning

Decommissioning of Edison's nuclear generating facilities is expected to cost an estimated $1.1 billion in current-year dollars (based on site-specific studies performed in 1990 for San Onofre and 1989 for Palo Verde). Decommissioning costs are accrued and recovered in rates over the useful life of the nuclear facility through charges to depreciation expense. Amounts collected from customers are placed in trusts, which, together with accumulated earnings, will be utilized solely for decommissioning. These amounts are invested in high-grade securities and reported at market value in accordance with a new accounting standard for certain debt and equity securities implemented in January 1994. These investments are classified as available-for-sale.

Edison expects to decommission its nuclear facilities by prompt removal or decontamination at the end of their useful lives. Decommissioning at San Onofre and Palo Verde is scheduled to begin in 2013 and 2024, respectively. San Onofre Unit 1, which shut down in 1992, will be decommissioned with the other San Onofre units. The estimated costs to decommission Unit 1 have been recorded as a liability.

Decommissioning expense was $35 million and $139 million for the three and twelve months ended March 31, 1994, respectively, and $37 million and $134 million for the three and twelve months ended March 31, 1993, respectively. The accumulated balance of these costs ($831 million at March 31, 1994, $797 million at December 31, 1993, and $692 million at March 31, 1993) approximates amounts funded. The market value of the trusts (based on quoted market prices) was $839 million, $853 million and

$733 million at March 31, 1994, December 31, 1993, and March 31, 1993, respectively. Net earnings on these funds, included as a component of depreciation expense, were $11 million and $43 million for the three and twelve months ended March 31, 1994, respectively, and $13 million and $38 million for the three and twelve months ended March 31, 1993, respectively. Approximately 87% of the trust fund contributions were tax-deductible.

In its 1995 general rate case filing, Edison requested to revise its authorized decommissioning costs based on updated site-specific studies (1993 for San Onofre and 1992 for Palo Verde), and adjustments to its authorized escalation rates and after-tax rate of return on the trust funds. If approved by the CPUC, current fund contribution levels would be virtually unchanged. A CPUC decision is expected in late 1994. Edison believes the amounts collected in rates are adequate to meet estimated decommissioning.

SCEcorp

Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition

RESULTS OF OPERATIONS

First Quarter 1994 vs. First Quarter 1993

Earnings

SCEcorp's earnings per share for the first quarter of 1994 were 30 cents, compared with 33 cents in the first quarter of 1993. Southern California Edison Company's earnings were 29 cents per share, down 1 cent from 1993, primarily due to a lower authorized return on common equity. The Mission companies' earnings of 1 cent per share, down 2 cents from 1993, reflect lower operating revenue at Mission Energy. Mission Energy discontinued recording earnings from five geothermal projects in late 1993 due to the reduced value of its investments, and will continue to forgo recording earnings through the 10th year of each contract. This will not affect the expected cash flow from each contract, but will significantly impact Mission Energy's earnings for 1994 and possibly beyond. Additionally, first quarter 1993 earnings reflect the one-time benefit of implementing a new accounting standard for income taxes.

All per-share amounts have been restated to reflect the two-for-one common stock split effective June 1, 1993.

Operating Revenue

Electric utility revenue decreased, mostly due to a 3% decrease in Edison's sales volume, partially offset by a 1% increase in average rates. Retail rates which result in over 98% of electric revenue, are regulated by the California Public Utilities Commission (CPUC). Wholesale rates are regulated by the Federal Energy Regulatory Commission. Revenue from diversified operations decreased 38%, mainly due to Mission Land's first quarter 1993 cumulative adjustment to consolidate partnerships previously accounted for under the equity method and Mission Energy's previously discussed geothermal projects.

Operating Expenses

Fuel expense decreased 10%, primarily due to a 7% decrease in Edison's power generation and lower average fuel costs.

Purchased-power expense increased, due to a greater volume of federally required purchases by Edison from nonutility generators. These purchases were made under contracts with CPUC-mandated pricing, which generally exceed those for other sources.

The provisions for regulatory adjustment clauses minimize rate fluctuations by adjusting for differences between estimated and actual kilowatt-hour sales or energy costs. These differences are accumulated in balancing accounts for subsequent rate adjustment. Prior-period rate adjustments are also reflected in these provisions. The decrease in the provision was mostly due to authorized estimates exceeding Edison's actual kilowatt-hour sales.

Income tax expense increased 21%, mainly due to the benefit in 1993 from implementing a new accounting standard for income taxes.

Other Income and Deductions

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

Interest Expense

Other interest expense increased 36%, primarily due to regulatory balancing account adjustments made in the first quarter of 1993 to reflect Edison's CPUC-approved purchased-power settlement.

Capitalized interest increased 37%, mainly due to increased construction activity at Mission Energy.

FINANCIAL CONDITION

SCEcorp's liquidity is primarily affected by debt maturities, dividend payments and capital expenditures. Although SCEcorp is committed to a strong dividend, recent CPUC decisions (see Regulatory Matters) may affect its ability to raise or retain current dividend levels. Capital resources include cash from operations and external financings.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled $548 million in the first quarter of 1994 and $683 million in the first quarter of 1993. SCEcorp continues to meet most of its capital requirements with cash from operations.

Cash Flows from Financing Activities

Edison's short-term debt is used to finance fuel inventories, balancing account undercollections and general cash requirements. The Mission companies' short-term debt is used mainly for construction projects until long-term construction or project loans are secured. Long-term debt is used mainly to finance capital expenditures. Edison's external financings are influenced by market conditions and other factors, including limitations imposed by its articles of incorporation and trust indenture. As of March 31, 1994, Edison could issue approximately $6.1 billion of additional first and refunding mortgage bonds and $3.9 billion of preferred stock at current interest and dividend rates.

SCEcorp has lines of credit of $1.9 billion - $1.4 billion for short-term debt and $500 million for the long-term refinancing of Edison's variable-rate pollution-control bonds. Of the $1.4 billion for short-term debt, the Mission companies have $600 million to finance general cash requirements.

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

Cash Flows from Investing Activities

The primary uses of cash for investing activities are additions to property and plant, the Mission companies' investments and Edison's contributions to nuclear decommissioning trusts. Decommissioning costs are accrued and recovered in rates over the useful life of each nuclear generating facility through charges to depreciation expense. Edison expects to spend approximately $7.9 billion to decommission its nuclear facilities, primarily between 2013-2035. This estimate is based on Edison's current-dollar decommissioning costs ($1.1 billion), using a 7.7% escalation rate and an earnings assumption on trust funds ranging from 5.25% to 6.0%. These amounts are expected to be funded from independent decommissioning trusts (see Notes to Consolidated Financing Statements). Edison contributes approximately $96 million per year to decommissioning trusts. Trusts contributions will continue until decommissioning begins. Cash used for the Mission companies' investing activities was $51 million for the first three months of 1994.

Capital Requirements

SCEcorp's projected capital requirements for the years 1994 through 1998 are:

	1994	1995	1996	1997	1998
			(In millions)		
Construction expenditures	$1,310	$1,327	$1,168	$1,143	$1,355
Maturities of long-term debt	136	264	290	566	520
Total	$1,446	$1,591	$1,458	$1,709	$1,875

REGULATORY MATTERS

The CPUC increased Edison's authorized revenue by $232 million, or 3.2%, for 1994. The increase includes a $275 million increase for fuel and related costs and an $82 million increase for higher operating costs, partially offset by a $108 million decrease for the lower costs of debt and equity.

In its 1994 cost-of-capital decision, the CPUC approved Edison's request to increase its equity ratio from 46% to 47.25%. The increase reflects the CPUC's recognition of Edison's need to reduce debt to levels more in line with other utilities and the competitive environment. The CPUC also authorized Edison an 11.0% return on common equity for 1994. Authorized return on common equity was 11.8% for 1993. This decision is expected to reduce 1994 earnings by approximately 6 cents per share.

The CPUC is reviewing Edison's costs (approximately $90 million) related to a 1985 steam-pipe rupture at the Mohave Generating Station. On March 9, 1994, a CPUC decision stated that Edison had contributed to the piping failure by imprudently operating the plant and recommended the disallowance of all accident-related expenditures. The CPUC also ordered a second phase of this proceeding to quantify the disallowance. The probable effect on net income cannot be determined at this time, but SCEcorp believes it will not materially affect its financial position.

The CPUC is also reviewing extended outages at Palo Verde. The CPUC's Division of Ratepayer Advocates (DRA) initially recommended a disallowance valued at $169 million. In September 1993, Edison and the DRA agreed to settle these disputes for $38 million, subject to CPUC approval. The effect of the proposed settlement has been fully reflected in the financial statements. A CPUC decision is expected in mid-1994.

In its 1995 general rate case filing, Edison requested a $117 million revenue increase to recover the higher costs of operations (excluding fuel) resulting from inflation and new capital investments. Adjusted for inflation, this increase represents a 7.2% reduction from Edison's 1992 authorized revenue. In addition, Edison filed a proposal for a performance-based rate-making mechanism that would determine most of Edison's revenue (excluding fuel) from 1995-2000 (see Competitive Environment). On March 14, 1994, as a response to the general rate case filing, the DRA recommended that Edison be denied funds to continue operating San Onofre Nuclear Generating Station Units 2 and 3 after 1998, or that an alternative formula of offering a fixed price per kilowatt-hour generated be implemented. Edison believes the continued operation of the nuclear units would benefit its customers by providing reliable and non-polluting energy. Hearings on both matters are currently being conducted. A CPUC decision is expected in late 1994.

COMPETITIVE ENVIRONMENT

Electric utilities operate in a highly regulated environment in which they have an obligation to provide electric service to their customers in return for an exclusive franchise within their service territory. This regulatory environment is changing. The generation sector has experienced competition from nonutility power producers and Edison expects even greater competition in the generation sector over the next decade.

Due to this changing environment, Edison requested in its 1995 general rate case filing a performance-based rate-making mechanism. The filing asks for a revenue-indexing formula that combines operating expenses and capital-related costs into a single index. This is a departure from the traditional utility model that links potential earnings levels with capital investment. It would provide stronger incentives for efficient utility operations and investment and allow for a better alignment of customer and shareholder interests.

On April 20, 1994, the CPUC issued a proposal for restructuring California's electric utility industry. Under the proposal, large electric customers would have the option for "direct access" to a range of generation providers, including utilities, beginning in 1996. As proposed, eligibility would expand gradually, until all customers have the option for direct access to this competitive generation market beginning in 2002. Edison would continue to provide transmission and distribution service to all customers in its service territory. Performance-based regulation would replace traditional cost-of-service regulation for all transmission and distribution services. The proposal also states that utilities should be entitled to recover all of their investments in generation developed under traditional cost-of-service regulation even if a portion is uneconomic under current conditions. A hearing on the proposal is currently scheduled for June 1994. The CPUC anticipates issuing a policy statement in August 1994 and initiating a formal investigation on direct-access pricing in September 1994. Edison is currently analyzing the CPUC's proposal; however, until the CPUC establishes more detailed valuation and pricing criteria for its direct-access proposal, Edison cannot predict the effect of the proposal on its results of operations or financial position.

In the event that recovery of costs through rates becomes unlikely or uncertain, whether due to competition or regulatory action, Edison's accounting policies applicable to rate-regulated electric utility operations may no longer apply to all of such operations. The financial effects of discontinuing application of these policies could be significant.

Mission Energy, one of the nation's largest independent power producers, is well positioned to participate in the changing regulatory environment for electric power. Further, international markets present an even greater opportunity for growth and earnings. Mission Energy currently owns 1,861 megawatts of generating capacity, enough power to serve a population of over one million.

ENVIRONMENTAL PROTECTION

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

SCEcorp has identified 45 sites for which it is, or may be, responsible for remediation under environmental laws. SCEcorp is participating in investigations and cleanups at a number of these sites and has recorded a $60 million liability for its estimated minimum costs to clean up several sites. Additional costs may be incurred as progress is made in determining the magnitude of required remedial actions, as SCEcorp's share of these costs in proportion to other responsible parties is determined, and as additional investigations and cleanups are performed. On May 4, 1994, the CPUC approved an incentive mechanism for rate recovery of certain environmental cleanup costs. This mechanism allows Edison to recover 90% of cleanup costs through customer rates. Shareholders will fund the remaining 10%, with the opportunity to recover these costs through insurance. Accordingly, Edison has recorded a regulatory asset representing 90% of the estimated minimum costs to remediate sites covered by this mechanism.

The 1990 federal Clean Air Act requires power producers to have emissions allowances to emit sulfur dioxide. Power companies receive emissions allowances from the federal government and may bank or sell excess allowances. Edison expects to have excess allowances under Phase II of the Clean Air Act (2000 and later). The act also calls for a five-year study of regional haze in the southwestern U.S. In addition, the U.S. Environmental Protection Agency is conducting a study of the effect of air contaminant emissions on visibility in Grand Canyon National Park. The potential effect of these studies on sulfur dioxide emissions regulations for the Mohave Coal Generating Station is unknown.

Edison's projected capital expenditures to protect the environment are $1.3 billion for the 1994-1998 period, mainly for placing overhead distribution lines underground and reducing nitrogen-oxides emissions from gas-fired electric generators. Local regulations may lower Edison's projected capital expenditures (up to $330 million by 1998) to reduce nitrogen-oxides emissions.

The possibility that exposure to electric and magnetic fields (EMF) emanating from power lines, household appliances and other electric sources may result in adverse health effects has received increased attention. The scientific community has not yet reached a consensus on the nature of any health effects of EMF. However, an administrative law judge's proposed decision provides for a rate-recoverable research and public education program conducted by California electric utilities, and authorizes these utilities to take no-cost or low-cost steps to reduce EMF in new electric facilities. Edison is unable to predict when or if the scientific community will be able to reach a consensus on any health effects of EMF, or the effect that such a consensus, if reached, could have on future electric operations.

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

NEW ACCOUNTING STANDARDS

On January 1, 1994, SCEcorp adopted a new accounting standard which requires the accrual of certain postemployment benefits provided to former or inactive employees, prior to retirement. Edison has recorded balance sheet adjustments of $10 million representing the additional liability for these postemployment benefits, and expects to recover these costs in rates. Also, on January 1, 1994, SCEcorp adopted a new accounting standard which requires that certain debt and equity investments be reported at fair value. Accordingly, nuclear decommissioning trusts are now reported at market value. Adoption of these new standards did not have a material effect on results of operations or financial position.

CONTINGENCIES

The Internal Revenue Service (IRS) has challenged how gas and electric utilities deduct energy conservation expenditures. It has taken the position that certain demand-side management (DSM) expenditures should not be treated as a current income tax deduction. The IRS claims that DSM programs create a future benefit by delaying the cost of building additional power plants. The utility industry believes that energy conservation expenditures constitute ordinary and necessary business expenses, which, under current provisions of the Internal Revenue Code, are deductible in the year incurred or accrued. Federal legislation has been introduced, which, if adopted, will clarify that DSM expenditures currently are deductible under existing tax code provisions. SCEcorp believes the IRS' position is contrary to the nation's energy and environmental policy goals and will continue to take steps to vigorously defend its position. The probable effect on net income of the outcome of this matter cannot be determined at this time.

After a March 1993 steam tube rupture occurred at one of the three Palo Verde Nuclear Generating Station units, an investigation revealed cracking in additional steam generator tubes. Arizona Public Service (APS), operator of Palo Verde, reduced power at all three units to 85% in late 1993 in order to prevent further tube degradation until investigations are completed. In April 1994, some cracking was found at a second unit. APS expects inspections to be completed on this unit by June 1994. At that time, the unit is expected to be restarted at 86% power; however, all three units may be removed from service for mid-cycle inspections in late 1994. APS is considering several remedial actions that would allow the units to be operated at lower temperatures without appreciably reducing their power output. APS cannot currently predict when one or more of the units will be returned to full power.

PART II--OTHER INFORMATION

Item 1. Legal Proceedings

Antitrust Matters

Transphase Systems, Inc. filed a lawsuit on May 3, 1993, in the United States District Court for the Central District of California against Edison and San Diego Gas & Electric Company. The complaint alleges that Transphase was competitively disadvantaged because it could not directly access the demand side management funds Edison collects from its ratepayers to fund conservation and demand management activities, and that the utilities willfully acquired and maintain monopoly power in the energy conservation industry. The complaint sought $50 million in damages before trebling. On October 7, 1993, the District Court dismissed the case and denied plaintiffs the opportunity to replead. Transphase appealed to the Ninth Circuit Court of Appeals and oral argument was heard on May 3, 1994. Edison expects a decision in August 1994.

This matter was previously reported under the heading "Antitrust Matters" in Part I, Item 3, of SCEcorp's Annual Report on Form 10-K for the year ended December 31, 1993.

Environmental Litigation

On March 14, 1994, five individuals filed a complaint against Edison and certain other defendants in Orange County Superior Court. Plaintiffs allege, among other things, that certain of the plaintiffs developed cancer as a result of electric magnetic fields emitted from Edison facilities. Plaintiffs request compensatory and punitive damages, although no specific damage amounts are alleged in the complaint. Edison has not yet been served with a copy of the complaint, but believes that the allegations are without merit. Edison intends to vigorously defend itself, if served.

Item 4. Submission of Matters to a Vote of Security Holders

Election of Directors

At SCEcorp's Annual Meeting of Shareholders on April 21, 1994, shareholders elected seventeen nominees to the Board of Directors. The number of broker non-votes for each nominee was 74,205,795. The number of votes cast for and withheld from each Director-nominee were as follows:

Name	Number of Votes	
	For	Withheld
Howard P. Allen	350,604,327	7,592,268
Norman Barker, Jr.	351,354,314	6,842,281
John E. Bryson	350,608,240	7,588,355
Camilla C. Frost	351,407,144	6,789,451
Walter B. Gerken	351,608,204	6,588,391
Joan C. Hanley	351,692,483	6,504,112
Carl F. Huntsinger	351,722,719	6,473,876
Charles D. Miller	351,704,747	6,491,848
Luis G. Nogales	351,307,605	6,888,990
J. J. Pinola	351,552,464	6,644,131
James M. Rosser	351,528,014	6,668,581
Henry T. Segerstrom	351,571,413	6,625,182
E. L. Shannon, Jr.	351,649,111	6,547,484
Robert H. Smith	351,648,771	6,547,824
Daniel M. Tellep	351,679,178	6,517,417
James D. Watkins	351,433,545	6,763,050
Edward Zapanta	351,541,941	6,654,654

Shareholder Proposal

At SCEcorp's Annual Meeting of Shareholders on April 21, 1994, shareholders did not approve a shareholder proposal regarding executive officer and director compensation. The number of affirmative and negative votes, abstentions and broker non-votes with respect to the matter were as follows:

	Affirmative	Negative	Abstentions	Broker Non-Votes
Common Stock	44,329,732	232,171,460	10,817,642	74,205,795

Item 5. Other Information

Construction Program and Capital Expenditures

Construction expenditures for the 1994-1998 period are estimated (as of April 14, 1994, the date of SCEcorp's latest approved budget) as follows:

	1994	1995	1996	1997	1998	Total
			(In millions)			
Electric generating plant	$ 352	$ 326	$ 269	$ 266	$ 499	$1,712
Electric transmission lines and substations	184	133	157	176	254	904
Electric distribution lines and substations	476	548	517	546	552	2,639
Other expenditures	223	208	130	112	92	765
Nonutility expenditures	105	156	138	86	1	486
Total	1,340	1,371	1,211	1,186	1,398	6,506
Less--Allowance for funds used during construction	30	44	43	43	43	203
Funds required for construction expenditures	$1,310	$1,327	$1,168	$1,143	$1,355	$6,303

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: None

(b) Reports on Form 8-K: None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SCEcorp
(Registrant)

By R. K. BUSHEY

R. K. BUSHEY
Vice President and Controller

By W. J. SCILACCI

W. J. SCILACCI
Assistant Treasurer

May 11, 1994