

EXHIBIT INDEX

Exhibit Number	Description
3.1	Restated Articles of Incorporation of Edison International, effective December 19, 2006 (File No. 1-9936, filed as Exhibit 3.1 to Edison International's Form 10-K for the year ended December 31, 2006)*
3.2	Amended Bylaws of Edison International, as Adopted by the Board of Directors effective December 11, 2008 (File No. 1-9936, filed as Exhibit 3.2 to Edison International's Form 10-K for the year ended December 31, 2008)*
Edison International	
4.1	Senior Indenture, dated September 28, 1999 (File No. 1-9936, filed as Exhibit 4.1 to Edison International's Form 10-Q for the quarter ended September 30, 1999)*
Southern California Edison Company	
4.2	Southern California Edison Company First Mortgage Bond Trust Indenture, dated as of October 1, 1923 (Registration No. 2-1369)*
4.3	Supplemental Indenture, dated as of March 1, 1927 (Registration No. 2-1369)*
4.4	Third Supplemental Indenture, dated as of June 24, 1935 (Registration No. 2-1602)*
4.5	Fourth Supplemental Indenture, dated as of September 1, 1935 (Registration No. 2-4522)*
4.6	Fifth Supplemental Indenture, dated as of August 15, 1939 (Registration No. 2-4522)*
4.7	Sixth Supplemental Indenture, dated as of September 1, 1940 (Registration No. 2-4522)*
4.8	Eighth Supplemental Indenture, dated as of August 15, 1948 (Registration No. 2-7610)*
4.9	Twenty-Fourth Supplemental Indenture, dated as of February 15, 1964 (Registration No. 2-22056)*
4.10	Eighty-Eighth Supplemental Indenture, dated as of July 15, 1992 (File No. 1-2313, Form 8-K dated July 22, 1992)*
4.11	Indenture, dated as of January 15, 1993 (File No. 1-2313, Form 8-K dated January 28, 1993)*
Edison Mission Energy	
4.12	Indenture, dated as of May 7, 2007, among Edison Mission Energy and Wells Fargo Bank, National Association as Trustee (File No. 333-68630, filed as Exhibit 4.1 to Edison Mission Energy's Form 8-K dated May 7, 2007 and filed on May 10, 2007)*

- 4.12.1 First Supplemental Indenture, dated as of May 7, 2007, among Edison Mission Energy and Wells Fargo Bank, National Association as Trustee (File No. 333-68630, filed as Exhibit 4.1.1 to Edison Mission Energy's Form 8-K dated May 7, 2007 and filed on May 10, 2007)*
- 4.12.2 Second Supplemental Indenture, dated as of May 7, 2007, among Edison Mission Energy and Wells Fargo Bank, National Association as Trustee (File No. 333-68630, filed as Exhibit 4.1.2 to Edison Mission Energy's Form 8-K dated May 7, 2007 and filed on May 10, 2007)*

Exhibit Number	Description
4.12.3	Third Supplemental Indenture, dated as of May 7, 2007, among Edison Mission Energy and Wells Fargo Bank, National Association as Trustee (File No. 333-68630, filed as Exhibit 4.1.3 to Edison Mission Energy's Form 8-K dated May 7, 2007 and filed on May 10, 2007)*
4.12.4	Indenture, dated as of June 6, 2006, among Edison Mission Energy and Wells Fargo Bank, National Association as Trustee (File No. 333-68630, filed as Exhibit 4.1 to Edison Mission Energy's Form 8-K dated June 6, 2006 and filed on June 8, 2006)*
4.12.5	First Supplemental Indenture, dated as of June 6, 2006, among Edison Mission Energy and Wells Fargo Bank, National Association as Trustee, supplementing the Indenture, dated as of June 6, 2006 (File No. 333-68630, filed as Exhibit 4.1.1 to Edison Mission Energy's Form 8-K dated June 6, 2006 and filed on June 8, 2006)*
4.12.6	Second Supplemental Indenture, dated as of June 6, 2006, among Edison Mission Energy and Wells Fargo Bank, National Association as Trustee, supplementing the Indenture, dated as of June 6, 2006 (File No. 333-68630, filed as Exhibit 4.1.2 to Edison Mission Energy's Form 8-K dated June 6, 2006 and filed on June 8, 2006)*
4.13	Guarantee, dated as of August 17, 2000, made by Edison Mission Energy, as Guarantor in favor of Powerton Trust I, as Owner Lessor (File No. 333-59348-01, filed as Exhibit 4.9 to Edison Mission Energy's and Midwest Generation, LLC's Registration Statement on Form S-4 to the SEC on April 20, 2001)*
4.13.1	Schedule identifying substantially identical agreement to Guarantee constituting Exhibit 4.13 hereto (File No. 333-59348-01, filed as Exhibit 4.9.1 to Edison Mission Energy's and Midwest Generation, LLC's Registration Statement on Form S-4 to the SEC on April 20, 2001)*
4.14	Guarantee, dated as of August 17, 2000, made by Edison Mission Energy, as Guarantor in favor of Joliet Trust I, as Owner Lessor (File No. 333-59348-01, filed as Exhibit 4.10 to Edison Mission Energy's and Midwest Generation, LLC's Registration Statement on Form S-4 to the SEC on April 20, 2001)*
4.14.1	Schedule identifying substantially identical agreement to Guarantee constituting Exhibit 4.14 hereto (File No. 333-59348-01, filed as

Exhibit 4.10.1 to Edison Mission Energy's and Midwest Generation, LLC's Registration Statement on Form S-4 to the SEC on April 20, 2001)*

- 4.15 Participation Agreement (T1), dated as of August 17, 2000, by and among, Midwest Generation, LLC, Powerton Trust I, as the Owner Lessor, Wilmington Trust Company, as the Owner Trustee, Powerton Generation I, LLC, as the Owner Participant, Edison Mission Energy, United States Trust Company of New York, as the Lease Indenture Trustee, and United States Trust Company of New York, as the Pass Through Trustees (File No. 333-59348-01, filed as Exhibit 4.12 to Edison Mission Energy's and Midwest Generation, LLC's Registration Statement on Form S-4 to the SEC on April 20, 2001)*
- 4.15.1 Schedule identifying substantially identical agreement to Participation Agreement constituting Exhibit 4.20 hereto (File No. 333-59348-01, filed as Exhibit 4.15.1 to Edison Mission Energy's and Midwest Generation, LLC's Registration Statement on Form S-4 to the SEC on April 20, 2001)*

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Exhibit Number	Description
4.16	Participation Agreement (T1), dated as of August 17, 2000, by and among, Midwest Generation, LLC, Joliet Trust I, as the Owner Lessor, Wilmington Trust Company, as the Owner Trustee, Joliet Generation I, LLC, as the Owner Participant, Edison Mission Energy, United States Trust Company of New York, as the Lease Indenture Trustee and United States Trust Company of New York, as the Pass Through Trustees (File No. 333-59348-01, filed as Exhibit 4.13 to Edison Mission Energy's and Midwest Generation, LLC's Registration Statement on Form S-4 to the SEC on April 20, 2001)*
4.16.1	Schedule identifying substantially identical agreement to Participation Agreement constituting Exhibit 4.16 hereto (File No. 333-59348-01, filed as Exhibit 4.16.1 to Edison Mission Energy's and Midwest Generation, LLC's Registration Statement on Form S-4 to the SEC on April 20, 2001)*
4.17	Indenture, dated as of June 28, 1999, between Edison Mission Energy and The Bank of New York, as Trustee (File No. 333-30748, filed as Exhibit 4.1 to Edison Mission Energy's Registration Statement on Form S-4 to the SEC on February 18, 2000)*
4.17.1	First Supplemental Indenture, dated as of June 28, 1999, to Indenture dated as of June 28, 1999, between Edison Mission Energy and The Bank of New York, as Trustee (File No. 333-30748, filed as Exhibit 4.2 to Edison Mission Energy's Registration Statement on Form S-4 to the SEC on February 18, 2000)*
4.18	Promissory Note (\$499,450,800), dated as of August 24, 2000, by Edison Mission Energy in favor of Midwest Generation, LLC (File No. 000-24890, filed as Exhibit 4.5 to Edison Mission Energy's Form 10-K for the year ended December 31, 2000)*
4.18.1	Schedule identifying substantially identical agreements to Promissory Note constituting Exhibit 4.18 hereto (File No. 000-24890, filed as Exhibit 4.5.1

to Edison Mission Energy's Form 10-K for the year ended December 31, 2000)*

- 4.19 Participation Agreement, dated as of December 7, 2001, among EME Homer City Generation L.P., Homer City OLI LLC, as Facility Lessor and Ground Lessee, Wells Fargo Bank Northwest National Association, General Electric Capital Corporation, The Bank of New York as the Security Agent, The Bank of New York as Lease Indenture Trustee, Homer City Funding LLC and The Bank of New York as Bondholder Trustee (File No. 333-92047-03, filed as to Exhibit 4.4 to the EME Homer City Generation L.P. Form 10-K for the year ended December 31, 2001)*
- 4.19.1 Schedule identifying substantially identical agreements to Participation Agreement constituting Exhibit 4.19 hereto (File No. 333-92047-03, filed as Exhibit 4.4.1 to the EME Homer City Generation L.P. Form 10-K for the year ended December 31, 2001)*
- 4.19.2 Appendix A (Definitions) to the Participation Agreement constituting Exhibit 4.19 thereto (File No. 333-92047-03, filed as Exhibit 4.4.2 to the EME Homer City Generation L.P. Form 10-K for the year ended December 31, 2004)*
- 4.20 Open-End Mortgage, Security Agreement and Assignment of Rents, dated as of December 7, 2001, among Homer City OLI LLC, as the Owner Lessor to The Bank of New York, as Security Agent and Mortgagee (File No. 333-92047-03, filed as Exhibit 4.9 to the EME Homer City Generation L.P. Form 10-K for the year ended December 31, 2001)*

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Exhibit Number	Description
4.20.1	Schedule identifying substantially identical agreements to Open-End Mortgage, Security Agreement and Assignment of Rents constituting Exhibit 4.20 hereto (File No. 333-92047-03, filed as Exhibit 4.9.1 to the EME Homer City Generation L.P. Form 10-K for the year ended December 31, 2003)*

Edison International

- 10.1** Form of 1981 Deferred Compensation Agreement (File No. 1-2313, filed as Exhibit 10.2 to Southern California Edison Company's Form 10-K for the year ended December 31, 1981)*
- 10.2** Form of 1985 Deferred Compensation Agreement for Directors (File No. 1-2313, filed as Exhibit 10.4 to Southern California Edison Company's Form 10-K for the year ended December 31, 1985) *
- 10.3** Form of 1985 Deferred Compensation Agreement for Directors (File No. 1-2313, filed as Exhibit 10.4 to Southern California Edison Company's Form 10-K for the year ended December 31, 1985) *
- 10.3.1** Amendment to 1985 Deferred Compensation Plan Agreement for Directors with James M. Rosser, dated December 31, 2003 (File No. 1-2313, filed as Exhibit 10.36 to Southern California Edison Company's Form 10-K for the year ended December 31, 2003)*

- 10.4** Director Deferred Compensation Plan as amended December 31, 2008 (File No. 1-9936, filed as Exhibit No. 10.4 to Edison International's Form 10-K for the year ended December 31, 2008) *
- 10.5** 2008 Director Deferred Compensation Plan, effective December 31, 2008 (File No. 1-9936, filed as Exhibit No. 10.5 to Edison International's Form 10-K for the year ended December 31, 2008)*
- 10.6** Director Grantor Trust Agreement, dated August 1995 (File No. 1-9936, filed as Exhibit 10.10 to Edison International's Form 10-K for the year ended December 31, 1995)*
- 10.6.1** Director Grantor Trust Agreement Amendment 2002-1, effective May 14, 2002 (File No. 1-9936, filed as Exhibit 10.4 to Edison International's Form 10-Q for the quarter ended June 30, 2002)*
- 10.6.2** Executive and Director Grantor Trust Agreements Amendment 2008-1 (File No. 1-9936, filed as Exhibit No. 10.6.2 to Edison International's Form 10-K for the year ended December 31, 2008)*
- 10.7** Executive Deferred Compensation Plan, as amended and restated December 31, 2008 (File No. 1-9936, filed as Exhibit No. 10.7 to Edison International's Form 10-K for the year ended December 31, 2008)*
- 10.8** 2008 Executive Deferred Compensation Plan, effective December 31, 2008 (File No. 1-9936, filed as Exhibit No. 10.8 to Edison International's Form 10-K for the year ended December 31, 2008)*
- 10.9** Executive Grantor Trust Agreement, dated August 1995 (File No. 1-9936, filed as Exhibit 10.12 to Edison International's Form 10-K for the year ended December 31, 1995)*

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Exhibit Number	Description
10.9.1**	Executive Grantor Trust Agreement Amendment 2002-1, effective May 14, 2002 (File No. 1-9936, filed as Exhibit 10.3 to Edison International's Form 10-Q for the quarter ended June 30, 2002)*
10.10**	Executive Supplemental Benefit Program, as amended December 31, 2008 (File No. 1-9936, filed as Exhibit No. 10.10 to Edison International's Form 10-K for the year ended December 31, 2008)*
10.11**	Dispute resolution amendment, adopted November 30, 1989 of 1981 Executive Deferred Compensation Plan and 1985 Executive and Director Deferred Compensation Plans (File No. 1-9936, filed as Exhibit 10.21 to Edison International's Form 10-K for the year ended December 31, 1998)*
10.12**	Executive Retirement Plan as restated effective December 31, 2008 (File No. 1-9936, filed as Exhibit No. 10.12 to Edison International's Form 10-K for the year ended December 31, 2008)*
10.13**	2008 Executive Retirement Plan effective December 31, 2008 (File No. 1-9936, filed as Exhibit No. 10.13 to Edison International's Form 10-K for the

- year ended December 31, 2008)*
- 10.14** Edison International Executive Incentive Compensation Plan, as amended in February 2009 (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended June 30, 2009)*
- 10.15** 2008 Executive Disability Plan, effective December 31, 2008 (File No. 1-9936, filed as Exhibit No. 10.15 to Edison International's Form 10-K for the year ended December 31, 2008)*
- 10.16** 2008 Executive Survivor Benefit Plan, effective December 31, 2008 (File No. 1-9936, filed as Exhibit No. 10.16 to Edison International's Form 10-K for the year ended December 31, 2008)*
- 10.17** Retirement Plan for Directors, as amended and restated effective December 31, 2008 (File No. 1-9936 filed as Exhibit No. 10.17 to Edison International's form 10-K for the year ended December 31, 2008)*
- 10.18** Equity Compensation Plan as restated effective January 1, 1998 (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended June 30, 1998)*
- 10.18.1** Equity Compensation Plan Amendment No. 1, effective May 18, 2000 (File No. 1-9936, filed as Exhibit 10.4 to Edison International's Form 10-Q for the quarter ended June 30, 2000) *
- 10.18.2** Amendment of Equity Compensation Plans, adopted October 25, 2006 (File No. 1-9936, filed as Exhibit 10.52 to Edison International's Form 10-K for the year ended December 31, 2006)*
- 10.19** 2000 Equity Plan, effective May 18, 2000 (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended June 30, 2000)*
- 10.20** Edison International 2007 Performance Incentive Plan as amended and restated in February 2009 (File No. 1-9936, filed as Exhibit 10.3 to the Edison International Form 10-Q in the quarter ended June 30, 2009)*

Exhibit Number	Description
10.20.1**	Edison International 2009 Long-Term Incentives Terms and Conditions (File No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2009)
10.21**	Terms and conditions for 1999 long-term compensation awards under the Equity Compensation Plan (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended March 31, 1999)*
10.21.1**	Terms and conditions for 2000 basic long-term incentive compensation awards under the Equity Compensation Plan, as restated (File No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2000)*
10.21.2**	Terms and conditions for 2000 special stock option awards under the

- Equity Compensation Plan and 2000 Equity Plan (File No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended June 30, 2000)*
- 10.21.3** Terms and conditions for 2002 long-term compensation awards under the Equity Compensation Plan and 2000 Equity Plan (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended March 31, 2002)*
- 10.21.4** Terms and conditions for 2003 long-term compensation awards under the Equity Compensation Plan and 2000 Equity Plan (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended March 31, 2003)*
- 10.21.5** Terms and conditions for 2004 long-term compensation awards under the Equity Compensation Plan and 2000 Equity Plan (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended March 31, 2004)*
- 10.21.6** Terms and conditions for 2005 long-term compensation award under the Equity Compensation Plan and 2000 Equity Plan (File No. 1-9936, filed as Exhibit 99.2 to Edison International's Form 8-K dated December 16, 2004 and filed on December 22, 2004)*
- 10.21.7** Terms and conditions for 2006 long-term compensation awards under the Equity Compensation Plan and 2000 Equity Plan (File No. 1-9936, filed as Exhibit 10.29 to Edison International's Form 10-K for the year ended December 31, 2005)*
- 10.21.8** Terms and conditions for 2007 long-term compensation awards under the Equity Compensation Plan and 2000 Equity Plan (File No. 1-9936, filed as Exhibit 99.1 to Edison International's Form 8-K dated February 22, 2007 and filed on February 26, 2007)*
- 10.21.9** Terms and conditions for 2007 long-term compensation awards under the Equity Compensation Plan and the 2007 Performance Incentive Plan (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended March 31, 2007)*
- 10.22** Director Nonqualified Stock Option Terms and Conditions under the Equity Compensation Plan (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended June 30, 2002)*
- 10.22.1** Director 2004 Nonqualified Stock Option Terms and Conditions under the Equity Compensation Plan (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended June 30, 2004)*
- 10.22.2* Director Nonqualified Stock Option Terms and Conditions under the 2007 Performance Incentive Plan (File 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2007)*

Exhibit Number	Description
10.23**	Edison International and Edison Capital Affiliate Option Exchange Offer

- Circular, dated July 3, 2000 (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended September 30, 2000)*
- 10.23.1** Edison International and Edison Capital Affiliate Option Exchange Offer Summary of Deferred Compensation Alternatives, dated July 3, 2000 (File No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended September 30, 2000)*
- 10.23.2** Edison International and Edison Mission Energy Affiliate Option Exchange Offer Circular, dated July 3, 2000 (File No. 1-13434, filed as Exhibit 10.93 to the Edison Mission Energy's Form 10-K for the year ended December 31, 2001)*
- 10.23.3** Edison International and Edison Mission Energy Affiliate Option Exchange Offer Summary of Deferred Compensation Alternatives, dated July 3, 2000 (File No. 1-13434, filed as Exhibit 10.94 to the Edison Mission Energy's Form 10-K for the year ended December 31, 2001)*
- 10.24** Estate and Financial Planning Program as amended December 31, 2008 (File No. 1-9936, filed as Exhibit No. 10.24 to Edison International's Form 10-K for the year ended December 31, 2008)*
- 10.25** Resolution regarding the computation of disability and survivor benefits prior to age 55 for Alan J. Fohrer dated February 17, 2000 (File No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended March 31, 2000)*
- 10.26** 2008 Executive Severance Plan, as amended and restated effective December 31, 2008 (File No. 1-9936, filed as Exhibit No. 10.26 to Edison International's Form 10-K for the year ended December 31, 2008)*
- 10.27** Director Deferred Compensation Plan Authorization of Edison International (File No. 1-9936, filed in Edison International's Form 8-K dated December 30, 2004, and filed on January 5, 2005) *
- 10.28** 2008 Director Deferred Compensation Plan, effective December 31, 2008 (File No. 1-9936, filed as Exhibit No. 10.28 to Edison International's Form 10-K for the year ended December 31, 2008)*
- 10.29** Edison International Director Compensation Schedule, as adopted June 18, 2009 (File No. 1-9936, filed as Exhibit 10.2 to Edison International's form 10-Q for the quarter ended June 30, 2009)
- 10.30** Edison International Director Matching Gifts Program, as adopted June 29, 2007 (File No. 1-9936, filed as Exhibit 10.2 to Edison International's Form 10-Q for the quarter ended June 30, 2007)*
- 10.31** Edison International Director Nonqualified Stock Options 2005 Terms and Conditions (File No. 1-9936, filed as Exhibit 99.3 to Edison International's Form 8-K dated May 19, 2005, and filed on May 25, 2005)*
- 10.32 Amended and Restated Agreement for the Allocation of Income Tax Liabilities and Benefits among Edison International, Southern California Edison Company and The Mission Group dated September 10, 1996 (File No. 1-9936, filed as Exhibit 10.3 to Edison International's Form 10-Q for the quarter ended September 30, 2002)*

Exhibit Number	Description
10.32.1	Amended and Restated Tax Allocation Agreement among The Mission Group and its first-tier subsidiaries dated September 10, 1996 (File No. 1-9936, filed as Exhibit 10.3.1 to Edison International's Form 10-Q for the quarter ended September 30, 2002)*
10.32.2	Amended and Restated Tax Allocation Agreement between Edison Capital and Edison Funding Company (formerly Mission First Financial and Mission Funding Company) dated May 1, 1995 (File No. 1-9936, filed as Exhibit 10.3.2 to Edison International's Form 10-Q for the quarter ended September 30, 2002)*
10.32.3	Tax Allocation Agreement between Mission Energy Holding Company and Edison Mission Energy dated July 2, 2001 (File No. 1-9936, filed as Exhibit 10.3.3 to Edison International's Form 10-Q for the quarter ended September 30, 2002)*
10.32.4	Administrative Agreement re Tax Allocation Payments among Edison International, Southern California Edison Company, The Mission Group, Edison Capital, Mission Energy Holding Company, Edison Mission Energy, Edison O&M Services, Edison Enterprises, and Mission Land Company dated July 2, 2001 (File No. 1-9936, filed as Exhibit 10.3.4 to Edison International's Form 10-Q for the quarter ended September 30, 2002)*
10.33**	Form of Indemnity Agreement between Edison International and its Directors and any officer, employee or other agent designated by the Board of Directors (File No. 1-9936, filed as Exhibit 10.5 to Edison International's Form 10-Q for the period ended June 30, 2005, and filed on August 9, 2005)*
10.34	Edison International 2009 Executive Bonus Program (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 10-Q for the quarter ended March 31, 2009)
10.35**	Edison International Executive Perquisites (File No. 1-9936, filed as Exhibit No. 10.36 to Edison International's Form 10-K for the year ended December 31, 2008)*
10.36**	Section 409A and Other Conforming Amendments to Terms and Conditions (File No. 1-9936, filed as Exhibit No. 10.37 to Edison International's Form 10-K for the year ended December 31, 2008)*
10.36.1**	Section 409A Amendments to Director Terms and Conditions (File No. 1-9936, filed as Exhibit No. 10.37.1 to Edison International's Form 10-K for the year ended December 31, 2008)*
10.37**	Consulting Arrangement with John E. Bryson (File No. 1-9936, filed as Exhibit No. 10.38 to Edison International's Form 10-K for the year ended December 31, 2008)*
10.38	Amended and Restated Credit Agreement, dated as of February 23, 2007, among Edison International and JP Morgan Chase Bank, N.A., as Administrative Agent, Citicorp North America, Inc., as Syndication Agent, Credit Suisse, Lehman Commercial Paper Inc., and Wells Fargo Bank, N.A., as Documentation Agents, and the lenders thereto (File No. 1-9936,

filed as Exhibit 10.1 to Edison International's Form 8-K dated and filed February 27, 2007)*

- 10.39 First Amendment to Amended and Restated Credit Agreement, dated as of February 14, 2008 (File No. 1-9936, filed as Exhibit 10.1 to Edison International's Form 8-K dated and filed March 19, 2008)*

Exhibit Number	Description
10.40	Second Amendment to Amended and Restated Credit Agreement, dated as of December 19, 2008 (File No. 1-9936, filed as Exhibit 10.41 to Edison International's Form 10-K for the year ended December 31, 2008)*
10.41	Credit Agreement, dated as of March 17, 2009, among Southern California Edison Company and Bank of America, N.A., as Administrative Agent, Wells Fargo Bank, N.A. as Syndication Agent, and Barclays Bank PLC, Morgan Stanley Bank, N.A. Sun Trust Bank and UBS Loan Finance LLC, as Documentation Agents, and the lenders thereto (File No. 1-2323, filed as Exhibit 10 to Southern California Edison Company's Form 8-K dated March 17, 2009)
12	Computation of Ratios of Earnings to Fixed Charges
21	Subsidiaries of the Registrant
23	Consent of Independent Registered Public Accounting Firm
24.1	Power of Attorney
24.2	Certified copy of Resolution of Board of Directors Authorizing Signature
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
32	Statement Pursuant to 18 U.S.C. Section 1350
101***	Financial statements from the annual report on Form 10-K of Edison International for the year ended December 31, 2009, filed on March 1, 2010, formatted in XBRL: (i) the Consolidated Statements of Income; (ii) the Consolidated Statements of Comprehensive Income; (iii) the Consolidated Balance Sheets; (iv) the Consolidated Statements of Cash Flows; (v) Consolidated Statements of Changes in Equity and (vi) the Notes to Consolidated Financial Statements tagged as blocks of text

* Incorporated by reference pursuant to Rule 12b-32.

** Indicates a management contract or compensatory plan or arrangement, as required by Item 15(a)3.

*** Furnished, not filed, pursuant to Rule 406T of SEC Regulation S-T.

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(Millions of Dollars)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Earnings:						
Income from continuing operations before tax and noncontrolling interest	854	1,944	1,799	1,855	1,756	282
Less: Income from equity investees	<u>42</u>	<u>31</u>	<u>79</u>	<u>79</u>	<u>136</u>	<u>66</u>
Income from continuing operations before income from equity investees, tax and noncontrolling interest	812	1,913	1,720	1,776	1,620	216
Add:						
Fixed charges (see below)	1,014	1,015	1,067	1,106	1,045	1,217
Amortization of capitalized interest	6	4	3	2	3	3
Distributed income of equity investees	31	24	33	61	58	84
Loss of equity investees for which charges arising from guarantees are included in fixed charges	—	—	—	—	—	—
Subtract:						
Interest capitalized	(23)	(35)	(28)	(11)	(1)	(1)
Preference security dividend requirements of consolidated subsidiaries—pre-tax basis	(66)	(76)	(75)	(78)	(34)	(13)
Noncontrolling interest of subsidiaries that have not incurred fixed charges—pre-tax basis	<u>(45)</u>	<u>(82)</u>	<u>(156)</u>	<u>(139)</u>	<u>(167)</u>	<u>(142)</u>
Earnings as adjusted	<u><u>1,729</u></u>	<u><u>2,763</u></u>	<u><u>2,564</u></u>	<u><u>2,717</u></u>	<u><u>2,524</u></u>	<u><u>1,364</u></u>
Fixed Charges(1):						
Interest expenses—net of capitalized interest and AFUDC	732	700	752	806	794	985
Add: AFUDC	<u>32</u>	<u>27</u>	<u>25</u>	<u>19</u>	<u>14</u>	<u>—</u>
Interest expenses—net of capitalized interest	764	727	777	825	808	985
Interest capitalized(2)	23	35	28	11	1	1

Interest portion of rental expense(3)	160	176	186	191	201	217
Allocable portion of interest on long-term contracts for purchased power(4)	1	1	1	1	1	1
Preferred and preference stock dividend requirement—pre-tax basis	66	76	75	78	34	13
Total fixed charges	<u>1,014</u>	<u>1,015</u>	<u>1,067</u>	<u>1,106</u>	<u>1,045</u>	<u>1,217</u>
Ratio	<u>1.71</u>	<u>2.72</u>	<u>2.40</u>	<u>2.46</u>	<u>2.42</u>	<u>1.12</u>

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- (1) Interest expenses associated with income taxes are reflected as a component of income tax expense and are excluded from the determination of fixed charges.
- (2) Includes fixed charges associated with Nuclear Fuel and capitalized interest of fifty-percent owned partnership.
- (3) Rentals include the interest factor relating to certain significant rentals plus one-third of all remaining annual rentals, except for amounts allocated to power purchase contracts that are classified as operating leases.
- (4) Allocable portion of interest included in annual minimum debt service requirement of supplier.
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QuickLinks

[Exhibit 12](#)

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Section 3: EX-21 (EXHIBIT 21)

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Exhibit 21

EDISON INTERNATIONAL TIER LIST

AS OF DECEMBER 31, 2009

U.S. corporations
shown in all caps.

HOLDING COMPANY

EDISON INTERNATIONAL is a corporation organized under the laws of the State of California and having its principal place of business at 2244 Walnut Grove Avenue (P.O. Box 999), Rosemead, California 91770. It was organized principally to acquire and hold securities of other corporations for investment purposes. Edison International has the following subsidiaries:

UTILITY SUBSIDIARIES

SOUTHERN CALIFORNIA EDISON COMPANY ("SCE") is a California corporation having its principal place of business at 2244 Walnut Grove Avenue (P.O. Box 800), Rosemead, California 91770. SCE is a public utility primarily engaged in the business of supplying electric energy to portions of central and southern California, excluding the City of Los Angeles and certain other cities. Unless otherwise indicated, its subsidiaries have the same principal place of business as Southern California Edison Company:

EDISON ESI is a California corporation engaged in the business of marketing services, products, information, and copyrighted materials to third parties on behalf of SCE.

Edison Material Supply LLC is a Delaware limited liability company that provides procurement, inventory and warehousing services.

MONO POWER COMPANY is an inactive California corporation that has been engaged in the business of exploring for and developing fuel resources.

The Bear Creek Uranium Company is an inactive California partnership between Mono Power Company (50%) and Anadarko Petroleum (50%) engaged in reclamation of an integrated uranium mining and milling complex in Wyoming.

Mountainview Power Company LLC is a Delaware limited liability company that owns and operates an electric generating power plant in Redlands, California. (Dissolved as of

August 7, 2009)

SCE CAPITAL COMPANY (inactive Delaware corporation)

SCE Trust I is a Delaware business trust organized to act as a financing vehicle.

SCE Trust II is a Delaware business trust organized to act as a financing vehicle.

SCE Trust III is a Delaware business trust organized to act as a financing vehicle.

SOUTHERN STATES REALTY is a California corporation engaged in holding real estate assets for SCE.

NONUTILITY SUBSIDIARIES

EDISON INSURANCE SERVICES, INC. is a Hawaii corporation having its principal executive office at 745 Fort Street, Suite 800, Honolulu, Hawaii 96813, which provides domestic and foreign property damage and business interruption insurance to Edison International and its subsidiaries.

EIX Trust III is a Delaware business trust organized to act as a financing vehicle.

EDISON MISSION GROUP INC. (formerly The Mission Group) is a Delaware corporation having its principal place of business at 2244 Walnut Grove Avenue, Rosemead, California 91770, which owns the stock and coordinates the activities of nonutility companies. The subsidiaries of Edison Mission Group Inc. are as follows:

EDISON ENTERPRISES is a California corporation having its principal place of business at 2244 Walnut Grove Avenue, Rosemead, California 91770, which owns the stock of its nonutility subsidiary.

EDISON SOURCE is an inactive California corporation having its principal place of business at 18101 Von Karman Avenue, Suite 1700, Irvine, California 92612-1046, which owns the stock of its subsidiary.

Edison Source Norvik Company is an inactive Canadian company having its principal place of business at 1959 Upper Water Street, Suite 800, Halifax, NS B3J 2X2.

EDISON MISSION SOLAR, INC. (Delaware corporation).

EDISON O&M SERVICES (inactive California corporation)

EDISON CAPITAL is a California corporation having its principal place of business at 18101 Von Karman Avenue, Suite 1700, Irvine, California 92612-1046. It is engaged in the business of providing capital and financial services in energy and infrastructure projects and affordable housing projects. Edison Capital owns a group of subsidiaries and has interests in various partnerships through its subsidiaries. The subsidiaries and partnerships of Edison Capital are listed below. Unless otherwise indicated, all entities are corporations, are organized under the laws of the State of California, and have the same principal place of business as Edison Capital.

EDISON FUNDING COMPANY

[directly owns 0.08% of Edison Funding Omicron Incorporated; see listing under Edison Housing Consolidation Company)

EDISON CAPITAL HOUSING INVESTMENTS

[directly owns 22.79% of Edison Housing Consolidation Company; see listing under MHICAL 95 Company.]

[directly owns 35.52% of Edison Funding Omicron Incorporated; see listing under Edison Housing Consolidation Company]

1st Time Homebuyer Opportunities LP (Chester County Homes) 99%

1732 Champa LP (Buerger Brothers Lofts) 99%

18303 Kittridge Associates LP 99%

Aaron Michael Associates LP 99.9%

Auburn Manor L.L.C. 50% GP

Auburn Manor Apartments LP 1%

Bartlett Hill Associates LP 99%

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CCS/Bellingham LP (Washington Grocery Building) 99.9%

Conejo Valley Community Housing Associates (Community House Apartments)
99%

Diamond Creek Apartments LP 99.9%

EC ASSET SERVICES, INC. (Massachusetts corporation)

EC PROPERTIES, INC. (Massachusetts corporation)

Corporations for Affordable Housing LP 1% GP

Arbor Lane Associates Phase II LP
(Timberwood) 99%

Arroyo Vista Associates LP 99%

Artloft Associates LP 35.6%

Caleb Affordable Housing Associates LP
(Ledges/Pinebrook) 99%

The Carlin LP 99%

Diamond Phase III Venture LP 99%

Fairmount Hotel Urban Renewal
Associates LP 99%

Mackenzie Park Associates LP 99%

Parkside Associates LP (Parkside Garden)
99%

Pines Housing LP 99%

Pines Housing II, LP 99%

Smyrna Gardens Associates LP 99%

Tioga Gardens LP 99%

Walden Pond, Ltd., LP (Hamlet) 99%

Corporations for Affordable Housing LP II 1% GP

2601 North Broad Street Associates LP
(Station House) 99%

Artloft Associates LP 53.39%

Brookline Housing Associates LLC
(Bridgewater) 99%

EDA LP (Eagle's Nest) 48%

Edgewood Manor Associates II LP 99%

Gateway Housing LP (Gateway Townhomes)
99%

Homestead Village Associates LP 99%
8 Junction City Apartments LP (Green Park)
99%

Liberty House Associates LP 99%

Maple Ridge Development Associates LP
99%

Parsonage Cottage Senior Residence LP 99%

Rittenhouse School LP 99%

Silver City Housing LP 99%

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South 55th Street, LP 49.5%

W. M. Housing Associates LP (Williamsport Manor) 99%

EC PROPERTIES III, INC. (Massachusetts corporation)

Corporations for Affordable Housing LP III 1% GP

Piedmont Housing Associates 99%

Pines Housing III LP 99%

Salem Lafayette Urban Renewal Associates, LP 99%

Spring Valley Commons LP 99%

Stevenson Housing Associates (Park Vista) 99%

EC-SLP, INC. (Massachusetts corporation)

ECH Investor Partners VI-A LP 1%GP

Edison Capital Housing Partners VI LP 61.8166%LP

Admiralty Heights Associates II 1995 LP (Kent Manor) 99%

Affordable/Citrus Glenn Phase II, Ltd. (Citrus Glenn Apts. Phase II) 99%

Altamont Hotel Associates LP 99%

Bradley Manor Senior Apartments LP 99%

Double X Associates 1995 LP (Terrace Manor) 99%

Hamilton Place Apartments LP (Larkin Place) 99%

Hamilton Place Senior Living LP 99%

Hearthstone Group 3 LP (Evergreen Court) 99%

KDF Malabar LP (Malabar Apartments) 99%

LINC-Bristol Associates I, LP (City Gardens) 99%

MAS-WT, LP (Washington Terrace) 99%

Northwood Manor Associates LP 99%

Silver Lake Properties LP 99%

University Park Properties LP 99%

Upland Senior Housing LP (Coy D. Estes) 99%

Vista Properties LLC (Vista View) 99.9%

Vista Verde Townhomes II LLC 99%

ECH Investor Partners VI-B LP 1%GP

Edison Capital Housing Partners VI LP 37.1834%LP

Admiralty Heights Associates II 1995 LP (Kent Manor) 99%

Affordable/Citrus Glenn Phase II, Ltd. (Citrus Glenn Apts. Phase II) 99%

Altamont Hotel Associates LP 99%

Bradley Manor Senior Apartments LP 99%

Double X Associates 1995 LP (Terrace Manor) 99%

Hamilton Place Apartments LP (Larkin Place) 99%

Hamilton Place Senior Living LP 99%

Hearthstone Group 3 LP (Evergreen Court) 99%

KDF Malabar LP (Malabar Apartments) 99%

LINC-Bristol Associates I, LP (City Gardens) 99%

MAS-WT, LP (Washington Terrace) 99%

Northwood Manor Associates LP 99%

Silver Lake Properties LP 99%

University Park Properties LP 99%

Upland Senior Housing LP (Coy D. Estes) 99%

Vista Properties LLC (Vista View) 99.9%

Vista Verde Townhomes II LLC 99%

ECH/HFC GP Partnership No. 1 34.9% GP

Edison Capital Housing Partners VII LP 19.4187% GP

C-Court LP (Cawelti Court) 99%

Cottonwood Affordable Housing LP (Verde Vista) 99%

Fifth and Wilshire Apartments LP 99%

Flagstaff Affordable Housing II, LP (Forest View Apts.) 99%

Huff Avenue Associates LP 99%

Mountain View Townhomes Associates LP 99%

Oak Forest Associates LP 99%

Paradise Road Partners LP (Gateway Village) 99%

Woodland Arms Apartments, Ltd. 99%

ECH/HFC GP Partnership No. 2 56.7% GP

Edison Capital Housing Partners VIII LP 18.54% GP

Catalonia Associates LP 99%

Ohlone Housing Associates LP 99%

ECHP INVESTMENT COMPANY

ECHP LLC 99.999% GP

Edison Capital Housing Partners XVI LP 0.01% GP

Bouquet Canyon Seniors LP 99.9%

Eugene Hotel LP 99.9%

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Hilltop Farms LP 99.9%

KDF Park Glenn LP (Park Glenn) 99%

KDF Park Glenn Seniors LP (Park Glenn II) 99.9%

King Road Associates LP 99.9%

LL Housing LP (Laurel Lakes) (Maryland partnership) 99%

Red Lake LP #1 99.9%

Southern Hotel LP 99.9%

Edison Capital Housing Partners XVII LP 0.01% GP

Antelope Associates LP 99%

Baker Park Associates LP 99%

Fremont Building LP (Crescent Arms) 99%

Hercules Senior Housing Associates 99.9%

La Terraza Associates LP (Carlsbad Villas at Camino Real) 99%

Parkview Apartments Associates LP (Parkview/Sunburst) 99.9%

Quebec Arms Apartments LP 99.9%

Sky Parkway Housing Associates LP 99%

Sunset Creek Partners LP 99%

University Manor Apartments LP 99.9%

Vista Verde Housing Associates LP 99.9%

Edison Capital Housing Partners XVIII LP 0.01% GP

Bracher Associates LP 99%

Florin Woods Associates LP 99%

Pinmore Associates LP 99.9%

SD Regency Centre LP 99.9%

Edison Capital Housing Partners XIX LP 0.01% GP

Cochrane Village Apartments LP 99%

CCS/Mount Vernon Housing LP (La Venture) 99.9%

KDF Santa Paula LP (Santa Paula) 99%

Ontario Senior Housing LP (Ontario Plaza) 98.9%

Pecan Court Associates LP 99.9%

Pellettieri Homes Urban Renewal Associates, LP 99%

Rincon De Los Esteros Associates LP 99.9%

Schoolhouse Court Housing Associates LP 99.9%

Virginia Lane LP (Maplewood/Golden Glenn) 99.9%

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Edison Capital Affordable Housing 99A G.P. 27.69% GP

Edison Capital Housing Partners IX LP 13.5533% GP

1010 SVN Associates LP 99.9%

2814 Fifth Street Associates LP (Land Park Woods) 99%

Alma Place Associates LP 99%

Knolls Community Associates LP 99.9%

Monterra Village Associates LP 99%

Pacific Terrace Associates LP 99.9%

Sherman Glen, L.L.C. 99%

Strobridge Housing Associates LP 99%

Trolley Terrace Townhomes LP 99.9%

Walnut Avenue Partnership LP 99%

Edison Capital Affordable Housing 99B G.P. 99.99%GP

Edison Capital Housing Partners X LP 19.3952%GP

Beacon Manor Associates LP 99%

Boulder Creek Apartments LP 99.9%

Burlington Senior Housing LLC 99.9%

CCS/Renton Housing LP (Renton) 99.9%

Coolidge Station Apartments LLC 99%

Lark Ellen LP 99%

Mercy Housing California IX LP (Sycamore) 99.9%

Morgan Hill Ranch Housing LP 99%

Pacifica Community Associates LP (Villa Pacifica) 99.9%

Persimmon Associates LP 99%

Providence-Brown Street Housing LP (Brown Street) 99.9%

San Juan Commons 1996 LP 99.9%

Timber Sound, Ltd. 99%

Timber Sound II, Ltd. 99%

Trinity Park Apartments LP 99.9%

Venbury Trail LP 99.9%

Edison Capital Contributions VI Partners 91.77%GP

ECH Investor Partners VI-A LP 15.3877%LP

Edison Capital Housing Partners VI LP 61.8166%LP

Admiralty Heights Associates II 1995 LP (Kent Manor) 99%

Affordable/Citrus Glenn Phase II, Ltd. (Citrus Glenn Apts. Phase II) 99%

Altamont Hotel Associates LP 99%

Bradley Manor Senior Apartments LP 99%

Double X Associates 1995 LP (Terrace Manor) 99%

Hamilton Place Apartments LP (Larkin Place) 99%

Hamilton Place Senior Living LP 99%

Hearthstone Group 3 LP (Evergreen Court) 99%

KDF Malabar LP (Malabar Apartments) 99%

LINC-Bristol Associates I, LP (City Gardens) 99%

MAS-WT, LP (Washington Terrace) 99%

Northwood Manor Associates LP 99%

Silver Lake Properties LP 99%

University Park Properties LP 99%

Upland Senior Housing LP (Coy D. Estes) 99%

VV Properties LLC (formerly Vista Properties) (Vista View) 99.9%

Vista Verde Townhomes II LLC 99%

ECH Investor Partners VI-B LP 99%LP

Edison Capital Housing Partners VI LP 37.1834%LP

Admiralty Heights Associates II 1995 LP (Kent Manor) 99%

Affordable/Citrus Glenn Phase II, Ltd. (Citrus Glenn Apts. Phase II) 99%

Altamont Hotel Associates LP 99%

Bradley Manor Senior Apartments LP 99%

Double X Associates 1995 LP (Terrace Manor) 99%

Hamilton Place Apartments LP (Larkin Place) 99%

Hamilton Place Senior Living LP 99%

Hearthstone Group 3 LP (Evergreen Court) 99%

KDF Malabar LP (Malabar Apartments) 99%

LINC-Bristol Associates I, LP (City Gardens) 99%

MAS-WT, LP (Washington Terrace) 99%

Northwood Manor Associates LP 99%

Silver Lake Properties LP 99%

University Park Properties LP 99%

Upland Senior Housing LP (Coy D. Estes) 99%

Vista Properties LLC (Vista View) 99.9%

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Vista Verde Townhomes II LLC 99%

EDISON CAPITAL HOUSING DELAWARE, INC. (Delaware corporation)

Edison Capital Housing Partners V LP 16.18% GP

AMCAL Santa Barbara Fund XXXVI LP (Positano) 99%

Bodega Hills Investors LP 99%

Mercy Housing California IV LP (Vista Grande) 99%

Park Place Terrace LP 99%

River Walk Apartments Homes LP 99%

San Diego Golden Villa Partners LP (Golden Villa) 98.9%

Santa Alicia Gardens Townhomes LP (The Gardens) 99%

St. Hedwig's Gardens LP 99%

Sunshine Terrace LP 99%

Union Meadows Associates LLC 99%

Edison Capital Housing Partners VI LP 1% GP

Admiralty Heights Associates II 1995 LP (Kent Manor) 99%

Affordable/Citrus Glenn Phase II, Ltd. (Citrus Glenn Apts. Phase II) 99%

Altamont Hotel Associates LP 99%

Bradley Manor Senior Apartments LP 99%

Double X Associates 1995 LP (Terrace Manor) 99%

Hamilton Place Apartments LP (Larkin Place) 99%

Hamilton Place Senior Living LP 99%

Hearthstone Group 3 LP (Evergreen Court) 99%

KDF Malabar LP (Malabar Apartments) 99%

LINC-Bristol Associates I, LP (City Gardens) 99%

MAS-WT, LP (Washington Terrace) 99%

Northwood Manor Associates LP 99%

Silver Lake Properties LP 99%

University Park Properties LP 99%

Upland Senior Housing LP (Coy D. Estes) 99%

VV Properties, LLC (formerly Vista Properties) (in Georgia only) 99.9%

Vista Verde Townhomes II LLC 99%

Edison Capital Housing Partners XI LP 18.62486% GP

1475 167th Avenue Associates LP (Bermuda Gardens) 99.9%

Auburn Manor Apartments LP 99%

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Barnsdall Court LP (Villa Mariposa) 99.9%

Borregas Court LP 99%

Bryson Family Apartments LP 99.9%

Carson Housing LP (Carson Street) 98%

Casa Rampart LP (Rampart Apartments) 99.9%

Davis MHA Twin Pines Community Associates LP (Northstar Apartments) 99.9%

Eastwood Homes LP 99%

Electra Arms Senior Associates LP 99%

Grace Housing LP 99%

Stony Point Apartment Investors LP (Panas Place) 99.9%

Wall Street Palmer House LP 99%

Wilmington Housing Associates LP (New Harbor Vista) 99.9%

Edison Capital Housing Partners XII LP 13.73759% GP

Cedarshores Limited Dividend Housing Association LP 99.99%

Heritage Partners LP 99.9%

West Oaks Apartments LP 99.9%

Yale Street LP 99.9%

Edison Capital Housing Partners XIII LP 17.03513%GP

Alhambra Apartments LP 99.9%

Chamber Apartments LP (The Chamber Building) 99%

Osage Terrace LP 99.89%

Park Land Senior Apartments Investors LP (Banducci) 99.9%

President John Adams Manor Apartments LP 99.9%

Riverwalk Apartments, Ltd. (Colorado) 99.8%

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Rosecreek Senior Living LP 99.9%

Twin Ponds Apartments LP 99.9%

Women's Westlake LP (Dorothy Day) 99.9%

Woodleaf Village LP 99.9%

Edison Capital Housing Partners XIV LP 7.6118%GP

Apollo Development Associates LP (Apollo Hotel) 99.9%

Carson Terrace LP 99.9%

Don Avante Association II LP (Village Avante) 99.9%

Preservation Properties I 99.9%

Preservation Properties II 99.9%

Preservation Properties III 99.9%

Preservation Properties IV 99.9%

Preservation Properties V 99.9%

Rowland Heights Preservation LP 99.9%

Springdale Preservation LP (Springdale West) 99.9%

Edison Capital Housing Partners XV LP 9.567% GP

708 Pico LP (Wavecrest Apartments) 99.9%

Benton Green LP 99.9%

Don Avante Association I LP (Don de Dios) 99.9%

Emmanuel Grant Company LLC (Capitol Heights) 99.9%

Highland Village Partners LP 99.9%

I.G. Partners LP (Islands Gardens) 99.9%

Karen Partners LP 99.9%

Lilac Estates LP 99.9%

Mountainlands Housing Partners LP (Holiday Village Apartments) 99.9%

NAHF Brockton LP (Southfield Gardens) 99.9%

Northern Senior Housing LP (St. Johnsbury) 99.9%

Park Place 1998, LLC 99.9%

Park Williams Partners LP 99.9%

Patriots Pointe at Colonial Hills LP 99.9%

Plum Tree Preservation LP 99.9%

Poinsettia Housing Associates 99.9%

Project Home I LLC 99.99%

Saratoga Vacaville LP (Saratoga Senior) 99.9%

Serena Sunbow LP (Villa Serena) 99.9%

St. Regis Park LP (Pear Tree) 99.9%

Vista Sonoma Senior Living LP 99.9%

Westfair LLC (Cedar Ridge) 99.9%

Windrush Apartments of Statesville LP 99.9%

Wingate LLC (Regency Park) 99.9%

EDISON CAPITAL HOUSING MANAGEMENT

Edison Capital Housing Partners X LP 80.6048%

EDISON FUNDING OMICRON INCORPORATED (Delaware corporation)
(formerly Edison Funding Omicron GP) 55.52% [Also owned 0.08% by Edison
Funding Company and 44.40% by Edison Housing Consolidation Company, where
Omicron subsidiaries are listed.]

EDISON HOUSING NORTH CAROLINA

Edison Capital Contributions VI Partners 4.03%GP

Edison Capital Housing Partners VI LP 61.8166%
LP

Admiralty Heights Associates II
1995 LP (Kent Manor) 99%

Affordable/Citrus Glenn
Phase II, Ltd. (Citrus Glenn Apts.
Phase II) 99%

Altamont Hotel Associates LP
99%

Bradley Manor Senior
Apartments LP 99%

Double X Associates 1995 LP
(Terrace Manor) 99%

Hamilton Place Apartments LP
(Larkin Place) 99%

Hamilton Place Senior Living LP
99%

Hearthstone Group 3 LP
(Evergreen Court) 99%

KDF Malabar LP (Malabar
Apartments) 99%

LINC-Bristol Associates I, LP
(City Gardens) 99%

MAS-WT, LP (Washington
Terrace) 99%

Northwood Manor Associates LP
99%

Silver Lake Properties LP 99%

University Park Properties LP
99%

Upland Senior Housing LP (Coy
D. Estes) 99%

Vista Properties LLC (Vista
View) 99.9%

Vista Verde Townhomes II LLC
99%

ECH Investor Partners VI-B LP 99%LP

Edison Capital Housing Partners VI LP 37.1834%
LP

Admiralty Heights Associates II
1995 LP (Kent Manor) 99%

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Affordable/Citrus Glenn Phase II, Ltd. (Citrus Glenn Apts. Phase II) 99%

Altamont Hotel Associates LP 99%

Bradley Manor Senior Apartments LP 99%

Double X Associates 1995 LP (Terrace Manor) 99%

Hamilton Place Apartments LP (Larkin Place) 99%

Hamilton Place Senior Living LP 99%

Hearthstone Group 3 LP (Evergreen Court) 99%

KDF Malabar LP (Malabar Apartments) 99%

LINC-Bristol Associates I, LP (City Gardens) 99%

MAS-WT, LP (Washington Terrace) 99%

Northwood Manor Associates LP 99%

Silver Lake Properties LP 99%

University Park Properties LP 99%

Upland Senior Housing LP (Coy D. Estes) 99%

Vista Properties LLC (Vista View) 99.9%

Vista Verde Townhomes II LLC 99%

EDISON HOUSING SOUTH CAROLINA

Edison Capital Contributions VI Partners 4.20% GP

ECH Investor Partners VI-A LP 15.3877% LP

Edison Capital Housing Partners VI LP 61.8166% LP

Admiralty Heights Associates II 1995 LP (Kent Manor) 99%

Affordable/Citrus Glenn Phase II, Ltd. (Citrus Glenn Apts. Phase II) 99%

Altamont Hotel Associates LP 99%

Bradley Manor Senior Apartments LP 99%

Double X Associates 1995 LP (Terrace Manor) 99%

Hamilton Place Apartments LP (Larkin Place) 99%

Hamilton Place Senior Living LP 99%

Hearthstone Group 3 LP (Evergreen Court) 99%

KDF Malabar LP (Malabar Apartments) 99%

LINC-Bristol Associates I, LP (City Gardens) 99%

MAS-WT, LP (Washington Terrace) 99%

Northwood Manor Associates LP 99%

Silver Lake Properties LP 99%

University Park Properties LP 99%

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Upland Senior Housing LP (Coy D. Estes) 99%

VV properties LLC (formerly Vista Properties LLC) (in Georgia only)
99.9%

Vista Verde Townhomes II LLC 99%

ECH Investor Partners VI-B LP 99% LP

Edison Capital Housing Partners VI LP 37.1834% LP

Admiralty Heights Associates II 1995 LP (Kent Manor) 99%

Affordable/Citrus Glenn Phase II, Ltd. (Citrus Glenn Apts. Phase II) 99%

Altamont Hotel Associates LP 99%

Bradley Manor Senior Apartments LP 99%

Double X Associates 1995 LP (Terrace Manor) 99%

Hamilton Place Apartments LP (Larkin Place) 99%

Hamilton Place Senior Living LP 99%

Hearthstone Group 3 LP (Evergreen Court) 99%

KDF Malabar LP (Malabar Apartments) 99%

LINC-Bristol Associates I, LP (City Gardens) 99%

MAS-WT, LP (Washington Terrace) 99%

Northwood Manor Associates LP 99%

Silver Lake Properties LP 99%

University Park Properties LP 99%

Upland Senior Housing LP (Coy D. Estes) 99%

Vista Properties LLC (Vista View) 99.9%

Vista Verde Townhomes II LLC 99%

EHI DEVELOPMENT COMPANY

Florence Apartments LLC 99%

Kennedy Lofts Associates LP (Massachusetts partnership) 99%

Lovejoy Station LP 99.9%

Madison/Mollison LP (Park Mollison) 99.9%

Maplewood Housing Associates LP 99.9%

MH V LP 1% GP

Centennial Place LP 99%

MHICAL 94 COMPANY

[owns 19.32% of Edison Housing Consolidation Company; see listing under MHICAL 95 Company.]

MHICAL 94 LP (Delaware partnership) 1% GP

Mayacamas Village Associates LP 99%

West Capital Courtyard LP 99%

MHICAL 95 LP (Delaware partnership) 1% GP

Abby Associates LP (Windmere) 99%

Colina Vista LP 99%

ECH/HFC GP Partnership No. 2 43.3% GP

Edison Capital Housing Partners VIII LP 18.5396% GP

Catalonia Associates LP 99%

Ohlone Housing Associates LP 99%

Mercy Housing California VI LP (205 Jones) 99%

MHICAL 96 LP (Delaware partnership) 1% GP

ECH/HFC GP Partnership No. 1 50.44% GP

Edison Capital Housing Partners VII LP 19.4187% GP

C-Court LP (Cawelti Court) 99%

Cottonwood Affordable Housing LP (Verde Vista) 99%

Fifth and Wilshire Apartments LP 99%

Flagstaff Affordable Housing II, LP (Forest View Apts.)
99%

Huff Avenue Associates LP 99%

Mountain View Townhomes Associates LP 99%

Oak Forest Associates LP 99%

Paradise Road Partners LP (Gateway Village) 99%

Woodland Arms Apartments, Ltd. 99%

Edison Capital Affordable Housing 99A G.P. 36.47% GP

Edison Capital Housing Partners IX LP 13.5533% GP

1010 SVN Associates LP 99.9%

2814 Fifth Street Associates LP (Land Park Woods) 99%

Alma Place Associates LP 99%

Knolls Community Associates LP 99.9%

Monterra Village Associates LP 99%

Pacific Terrace Associates LP 99.9%

Sherman Glen, LLC 99%

Strobridge Housing Associates LP 99%

Trolley Terrace Townhomes LP 99.9%

Walnut Avenue Partnership LP 99%

Greenway Village Associates LP 99%

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Kennedy Court Partners LP 99%

Klamath Associates LP 99%

Westgate Townhomes Associates LP 99%

MHICAL 95 COMPANY

EDISON HOUSING CONSOLIDATION COMPANY (formerly Edison Housing Georgia) 29.90%

EDISON FUNDING OMICRON INCORPORATED (Delaware corporation) (formerly Edison Funding Omicron GP) 44.40% [also owned 0.08% by Edison Funding Company and 55.52% by Edison Capital Housing Investments]

1856 Wells Court Partners, LP (Wells Court) 99%

AE Associates LP (Avenida Espana) 99%

Agape Housing LP 99%

Brantwood II Associates LP 99%

Brooks School Associates LP 99%

Bryn Mawr—Belle Shore LP, The 99%

Bush Hotel LP 99%

Centro Partners LP (El Centro) 99%

Coyote Springs Apartments Associates LP 99%

Cypress Cove Associates 99%

EDISON FUNDING OLIVE COURT 100%GP

El Barrio Academy Urban Renewal Associates, LP (Academy Street) 99%

Elizabeth West and East LP 99%

Ginzton Associates LP 99%

Grossman Apartments Investors LP 99%

HMB-Atlanta I LP (Spring Branch) 99%

Holy Family Associates LP 99%

Lackawana Housing Associates LLC (Goodwill
Neighborhood Residences) 99%

Maplewood School Apartments LP 99%

McFarland Press Associates LP 99%

Mercantile Housing LLC (Mercantile Square) 99%

Merrill Road Associates LP 99%

MHICAL 94 LP (Delaware partnership) 99%LP

Mayacamas Village Associates LP
99%

West Capital Courtyard LP 99%

MHICAL 95 LP (Delaware partnership) 99%LP

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Abby Associates LP (Windmere) 99%

Colina Vista LP 99%

ECH/HFC GP Partnership No. 2 43.3% GP

Edison Capital Housing Partners VIII LP 18.5396% GP

12 Catalonia Associates LP 99%

Ohlone Housing Associates LP 99%

Mercy Housing California VI LP (205 Jones) 99%

MHICAL 96 LP (Delaware partnership) 99%LP

Greenway Village Associates LP 99%

Kennedy Court Partners LP 99%

Klamath Associates LP 99%

Westgate Townhomes Associates LP 99%

Mid-Peninsula Century Village Associates LP (Century Village) 99%

Mission Capp LP 99%

North Park Village II LLC 99%

Oceanside Gardens LP 99%

Omaha Amber Ridge LP (Amber Ridge) 98.9%

Ontario Senior Housing LP (Ontario Plaza) 0.1%

Open Door Associates LP (West Valley) 99%

Richmond City Center Associates LP 99%

Riverside/Liebrandt Partners LP (La Playa) 99%

Roebing Village Inn Urban Renewal LP 99%

Santa Paulan Senior Apartments Associates LP (The Paulan) 99%

South Winery Associates LP (The Winery Apartments) 99%

Studebaker Building LP 99%

Thomson Rental Housing, LP (Washington Place) 99%

Tuscany Associates LP (Tuscany Villa) 99%

Villa Maria Housing Partnership 99%

YWCA Villa Nueva Partners 99%

MHICAL 96 COMPANY

[owns 8.96% of Edison Housing Consolidation Company; see listing under MHICAL 95 Company.]

MHICAL 96 LP (Delaware partnership) 99%

ECH/HFC GP Partnership No. 1 50.44% GP

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Edison Capital Housing Partners VII LP 19.4187% GP

C-Court LP (Cawelti Court) 99%

Cottonwood Affordable Housing LP (Verde Vista) 99%

Fifth and Wilshire Apartments LP 99%

Flagstaff Affordable Housing II, LP (Forest View Apts.) 99%

Huff Avenue Associates LP 99%

Mountain View Townhomes Associates LP 99%

Oak Forest Associates LP 99%

Paradise Road Partners LP (Gateway Village) 99%

Woodland Arms Apartments, Ltd. 99%

Edison Capital Housing Partners IX LP 13.5533% GP

1010 SVN Associates LP 99.9%

2814 Fifth Street Associates LP (Land Park Woods) 99%

Alma Place Associates LP 99%

Knolls Community Associates LP 99.9%

Monterra Village Associates LP 99%

Pacific Terrace Associates LP 99.9%

Sherman Glen, LLC 99%

Strobridge Housing Associates LP 99%

Trolley Terrace Townhomes LP 99.9%

Walnut Avenue Partnership LP 99%

MHICAL 97 COMPANY

MHICAL 97 LP (Delaware partnership) 99%

ECH/HFC GP Partnership No. 1 14.66% GP

Edison Capital Housing Partners VII LP 19.4187% GP

C-Court LP (Cawelti Court) 99%

Cottonwood Affordable Housing LP (Verde Vista) 99%

Fifth and Wilshire Apartments LP 99%

Flagstaff Affordable Housing II, LP (Forest View Apts.) 99%

Huff Avenue Associates LP 99%

Mountain View Townhomes Associates LP 99%

Oak Forest Associates LP 99%

Paradise Road Partners LP (Gateway Village) 99%

Woodland Arms Apartments, Ltd. 99%

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Edison Capital Affordable Housing 99A G.P. 33.05%

Edison Capital Housing Partners IX LP 13.5533%GP

1010 SVN Associates LP 99.9%

2814 Fifth Street Associates LP (Land Park Woods) 99%

Alma Place Associates LP 99%

Knolls Community Associates LP 99.9%

Monterra Village Associates LP 99%

Pacific Terrace Associates LP 99.9%

Sherman Glen, LLC 99%

Strobridge Housing Associates LP 99%

Trolley Terrace Townhomes LP 99.9%

Walnut Avenue Partnership LP 99%

MHICAL 97 LP (Delaware partnership) 99%LP

Garnet Housing Associates LP 99%

MHICAL 97 LP (Delaware partnership) 1%GP

ECH/HFC GP Partnership No. 1 14.66%GP

Edison Capital Housing Partners VII LP 19.4187%GP

C-Court LP (Cawelti Court) 99%

Cottonwood Affordable Housing LP (Verde Vista) 99%

Fifth and Wilshire Apartments LP 99%

Flagstaff Affordable Housing II, LP (Forest View Apts.) 99%

Huff Avenue Associates LP 99%

Mountain View Townhomes Associates LP 99%

Oak Forest Associates LP 99%

Paradise Road Partners LP (Gateway Village) 99%

Woodland Arms Apartments, Ltd. 99%

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Edison Capital Housing Partners IX LP 13.5533%GP

1010 SVN Associates LP 99.9%

2814 Fifth Street Associates LP (Land Park Woods) 99%

Alma Place Associates LP 99%

Knolls Community Associates LP 99.9%

Monterra Village Associates LP 99%

Pacific Terrace Associates LP 99.9%

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Sherman Glen, LLC 99%

Strobridge Housing Associates LP 99%

Trolley Terrace Townhomes LP 99.9%

Walnut Avenue Partnership LP 99%

Garnet Housing Associates LP 99%

MHIFED 94 LP (Delaware partnership) 1%GP; 99%LP to Bell Atlantic

Berry Avenue Associates LP 99%

Carlton Way Apartments LP 99%

CDR Senior Housing Associates (Casa del Rio) 99%

Corona Ely/Ranch Associates LP 99%

Fairview Village Associates LP 99%

Fell Street Housing Associates LP 99%

Hope West Apartments LP 99%

Morrone Gardens Associates LP 99%

Pajaro Court Associates LP 99%

Tierra Linda Associates LP 99%

Tlaquepaque Housing Associates LP 99%

MHIFED 95 LP (Delaware partnership) 1%GP; 99%LP to Bell Atlantic

1101 Howard Street Associates LP 99%

Avalon Courtyard LP (Carson Senior Housing) 99%

Hollywood El Centro LP 99%

La Brea/Franklin LP 99%

Larkin Pine LP 99%

Mercy Housing California III LP (3rd and Reed) 99%

Pinole Grove Associates LP 99%

Second Street Center LP (Santa Monica) 99%

Solinas Village Partners LP 99%

Three Oaks Housing LP 99%

MHIFED 96 LP (Delaware partnership) 5%GP; 95%LP to Cargill

Lavell Village Associates LP 99%

North Town Housing Partners LP (Villa del Norte Village) 99%

Poco Way Associates LP 99%

Seasons Affordable Senior Housing LP 99%

MHIFED 96A LP (Delaware partnership) 1%GP; 99%LP to Bell Atlantic

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Good Samaritan Associates LP 99%

Metro Senior Associates LP 99%

Oxnard Housing Associates LP 99%

Reseda Village LP 99%

Round Walk Village Apartments LP 99%

Santa Alicia Family Housing Associates 99%

Vine Street Court LP 99%

Vine Street Court LP II 99%

MISSION HOUSING ALPHA

LL Housing LLC 24.5%

LL Housing LP (Laurel Lakes) 1%

Quebec Arms Apartments LP 0.05% GP

University Manor Apartment LP 0.05% GP

MISSION HOUSING BETA

[owns 2.58% of Edison Housing Consolidation Company; see listing under MHICAL 95 Company.]

MISSION HOUSING DELTA

[owns 1.07% of Edison Housing Consolidation Company; see listing under MHICAL 95 Company.]

MH V LP 99%

Centennial Place LP 99%

MISSION HOUSING EPSILON

[owns 0.54% of Edison Housing Consolidation Company; see listing under MHICAL 95 Company.]

Edison Capital Affordable Housing 99A G.P. 2.78%

Edison Capital Housing Partners IX LP 13.5533%GP

1010 SVN Associates LP 99.9%

2814 Fifth Street Associates LP (Land Park Woods) 99%

Alma Place Associates LP 99%

Knolls Community Associates LP 99.9%

Monterra Village Associates LP 99%

Pacific Terrace Associates LP 99.9%

Sherman Glen, LLC 99%

Strobridge Housing Associates LP 99%

Trolley Terrace Townhomes LP 99.9%

Walnut Avenue Partnership LP 99%

Hotel Elkhart L.L.C. (The Cornerstone) 99%

MISSION HOUSING GAMMA

[owns 1.73% of Edison Housing Consolidation Company; see listing under MHICAL 95 Company.]

MISSION HOUSING HOLDINGS

[owns 13.10% of Edison Housing Consolidation Company; see listing under MHICAL 95 Company.]

MISSION HOUSING THETA

MISSION FUNDING THETA

[owns 0.01% of Edison Housing Consolidation Company; see listing under MHICAL 95 Company.]

Brantwood II Associates LP 0.01%LP

Brooks School Associates LP 0.01%LP

Edison Capital Affordable Housing 99A G.P. 0.01%

Edison Capital Housing Partners IX LP 13.5533%GP

1010 SVN Associates LP 99.9%

2814 Fifth Street Associates LP (Land Park Woods) 99%

Alma Place Associates LP 99%

Knolls Community Associates LP 99.9%

Monterra Village Associates LP 99%

Pacific Terrace Associates LP 99.9%

Sherman Glen, L.L.C. 99%

Strobridge Housing Associates LP 99%

Trolley Terrace Townhomes LP 99.9%

Walnut Avenue Partnership LP 99%

Edison Capital Affordable Housing 99B G.P. 0.01%

Edison Capital Housing Partners X LP 19.3952%GP

Beacon Manor Associates LP 99.9%

Boulder Creek Apartments LP 99.9%

Burlington Senior Housing LLC 99.9%

CCS/Renton Housing LP (Renton) 99.9%

Coolidge Station Apartments L.L.C. 99%

Lark Ellen LP 99%

Mercy Housing California IX LP (Sycamore) 99.9%

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Morgan Hill Ranch Housing LP 99%

Pacifica Community Associates LP (Villa Pacifica) 99.9%

Persimmon Associates LP (Persimmon Tree) 99%

Providence-Brown Street Housing LP (Brown Street) 99.9%

San Juan Commons 1996 LP 99.9%

Timber Sound, Ltd. 99%

Timber Sound II, Ltd. 99%

Trinity Park Apartments LP 99.9%

Venbury Trail LP 99.9%

El Barrio Academy Urban Renewal Associates, LP (Academy Street) 0.01%LP

Lackawana Housing Associates LLC (Goodwill Neighborhood Residences)
0.01%LP

Oakdale Terrace Leased Housing Associates LP 0.01%

Roebing Village Inn Urban Renewal LP 0.01%LP

Westfield Condominium Investment LP 0.01%

Mission Housing Investors Partnership 5% GP; 95%LP to GECC

1028 Howard Street Associates LP 99%

Forest Winds Associates LP 99%

Glen Eden Associates LP (A Street) 99%

Prince Bozzuto LP (Fairground Commons) (Maryland partnership) 99%

Rancho Park Associates LP 99%

Rustic Gardens Associates LP 99%

National Boston Lofts Associates LLLP (Boston Lofts) 99%

Oakdale Terrace Leased Housing Associates LP 98.99%

OL Hope LP (Olympic Hope) 99.9%

Olive Court Apartments L.P. (98.9%)

Pacific Vista Las Flores LP (Vista Las Flores) 99.9%

Palmer Heights, LLC 99.9%

Pilot Grove LP (Massachusetts partnership) 99%

San Martin de Porres LP 99.9%

Tabor Grand LP (Colorado partnership) 99%

Terra Cotta Housing Associates LP 99.9%

West Valley Hart LP (Hart and Alabama) 99.9%

Westfield Condominium Investment LP 98.99%

White Mountain Apache LP 99%

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EDISON FUNDING OMICRON INCORPORATED (Delaware corporation) (formerly Edison Funding Omicron GP) 0.08% [also owned 55.52% by Edison Capital Housing Investments and 44.40% by Edison Housing Consolidation Company]

EDISON FUNDING OLIVE COURT 100%

Olive Court Housing Associates LP 1.1%

MISSION FUNDING BETA

MISSION FUNDING EPSILON

Edison Capital (Bermuda) Investments, Ltd.
(Bermuda corporation)

Address: Clarendon House, 2 Church Street, Hamilton
HM CX, Bermuda

Edison Capital LAI (Bermuda) Ltd.

(Bermuda corporation)

Address: Clarendon House, 2 Church
Street, P.O. Box HM666, Hamilton HM
CX, Bermuda

Trinidad and Tobago
Methanol Company
Limited 1.0%

**Edison Capital Latin American
Investments (Bermuda) Ltd.** (Bermuda
corporation) 33.3%

Address: Clarendon House, 2 Church
Street, P.O. Box HM666, Hamilton HM
CX, Bermuda

AIG Asian Infrastructure
Fund II LP 5.8%

AIG-GE Capital Latin
American Infrastructure
Fund LP 8%

AIG Emerging Europe
Infrastructure Fund LP
22.70%

AIG Emerging Europe
Infrastructure
Management LP 18.05%
GP

**Edison Capital Latin American Investments
(Bermuda) Ltd.** (Bermuda corporation) 33.3%

AIG Asian Infrastructure Fund II LP 5.8%

AIG-GE Capital Latin American
Infrastructure Fund LP 7.89%

Andes Energy XII Ltd.
100%

AIG Emerging Europe Infrastructure
Fund LP 22.7%

AIG Emerging Europe Infrastructure
Management LP 18.05% GP

**EDISON CAPITAL LATIN AMERICAN
INVESTMENTS HOLDING COMPANY** (Delaware
corporation)

**Edison Capital Latin American
Investments (Bermuda) Ltd.** (Bermuda
corporation) 33.3%

AIG Asian Infrastructure
Fund II LP 5.8%

AIG-GE Capital Latin
American Infrastructure
Fund LP 7.89%

AIG Emerging Europe
Infrastructure Fund LP
22.70%

AIG Emerging Europe
Infrastructure
Management LP 18.05%
GP

MISSION FUNDING ALPHA

MISSION FUNDING MU

MISSION FUNDING DELTA

MISSION FUNDING NU

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Mission Investments, Inc. (U.S. Virgin Islands corp.)

Address: ABN Trustcompany, Guardian Building, Havensight, 2nd Floor,
St. Thomas, U.S. Virgin Islands

Mission (Bermuda) Investments, Ltd. (Bermuda corp.)

Address: Clarendon House, 2 Church Street, Hamilton HM CX, Bermuda

MISSION FUNDING GAMMA

MISSION FUNDING KAPPA

MISSION RENEWABLE ENERGY MANAGEMENT SERVICES (formerly Burlington Apartments, Inc.)

MISSION LAND COMPANY is a California corporation having its principal place of business at 18101 Von Karman Avenue, Suite 1700, Irvine, California 92612-1046. It is engaged, directly and through its subsidiaries, in the business of owning, managing and selling industrial parks and other real property investments. The subsidiaries and partnerships of Mission Land Company are listed below. Unless otherwise indicated, all entities are corporations, are organized under the laws of the State of California, and have the same principal place of business as Mission Land Company.

ASSOCIATED SOUTHERN INVESTMENT COMPANY

CALABASAS PALATINO, INC. (inactive)

IRWINDALE LAND COMPANY (inactive; dissolution pending)

MISSION AIRPORT PARK DEVELOPMENT CO. (inactive)

Mission Vacaville LP (limited partnership) 1%GP (inactive)

MISSION INDUSTRIAL CONSTRUCTORS, INC. (inactive)

Mission-Oceangate 75%GP (inactive)

MISSION/ONTARIO, INC. (inactive)

MISSION SOUTH BAY COMPANY (inactive)

Mission-Oceangate 25%GP (inactive)

Mission Vacaville LP (limited partnership) 99%LP (inactive)

MISSION ENERGY HOLDING COMPANY is a Delaware corporation having its principal place of business at 2600 Michelson Drive, Suite 1700, Irvine, California 92612. Mission Energy Holding Company owns the stock of Edison Mission Energy.

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EDISON MISSION ENERGY is a Delaware corporation having its principal place of business at 18101 Von Karman Avenue, Suite 1700, Irvine, California 92612-1046. Edison Mission Energy owns the stock of a group of corporations which, primarily through partnerships with non-affiliated entities, are engaged in the business of developing, owning, leasing and/or operating cogeneration and other energy or energy-related projects pursuant to the Public Utility Regulatory Policies Act of 1978. Edison Mission Energy, through wholly owned subsidiaries, also has ownership interests in a number of independent power projects in operation or under development that either have been reviewed by the Commission's staff for compliance with the Act or are or will be exempt wholesale generators or foreign utility companies under the Energy Policy Act of 1992. In addition, some Edison Mission Energy subsidiaries have made fuel-related investments and a limited number of non-energy related investments. The subsidiaries and partnerships of Edison Mission Energy are listed below. Unless otherwise indicated, all entities are corporations, are organized under the laws of the State of California and have the same principal place of business as Edison Mission Energy.

AGUILA ENERGY COMPANY

American Bituminous Power Partners, LP (Delaware limited partnership) 49.5%; 50% with Pleasant Valley

Address: Grant Town Power Plant, Highway 17,
Grant Town, WV 26574

ANACAPA ENERGY COMPANY

Salinas River Cogeneration Company (California general partnership) 50%

Address: Star Route 42, Sargents Road, San Ardo,
CA 93450

ARROWHEAD ENERGY COMPANY (inactive)

Crown Energy, L.P. (New Jersey limited partnership)
(inactive) 50%LP; 100% w/ Thorofare,
Mission/Eagle

CAMINO ENERGY COMPANY

Watson Cogeneration Company (California general
partnership) 49%

Address: 22850 South Wilmington Avenue, Carson,
CA 90749

CHESTER ENERGY COMPANY

DEL MAR ENERGY COMPANY(Disregarded as a separate entity
for tax purposes)

Mid-Set Cogeneration Company (California general
partnership) 50%

Address: 13705 Shalae Road, Fellows, CA 93224

DESERT SUNRISE ENERGY COMPANY (Nevada corporation)
(inactive)

EDISON MISSION CARSON CORP. (Delaware corporation)

EDISON MISSION DEVELOPMENT, INC. (Delaware corporation)
100%

EDISON MISSION ENERGY FUEL

EDISON MISSION ENERGY PETROLEUM

EDISON MISSION ENERGY SERVICES, INC. [formerly Edison
Mission Energy Fuel Services, Inc.]

[PowerGen project]

EDISON MISSION FUEL RESOURCES, INC. (Delaware
corporation) [Com Ed Project]

EDISON MISSION FUEL TRANSPORTATION, INC. (Delaware corporation)
[Com Ed Project]

EDISON MISSION MARKETING AND TRADING, INC.

Edison Mission Solutions, LLC (Delaware LLC) 100% (formerly

Midwest Generation Energy

Services, LLC Delaware LLC) (formerly CP Power Sales Eighteen, L.L.C.) 100%

Address: One Financial Place, 400 South LaSalle Street, Suite 3500,
Chicago, Illinois 60605

EDISON MISSION HOLDINGS CO. (formerly EME Homer City Holdings Co.)

CHESTNUT RIDGE ENERGY COMPANY 100%

EME HOMER CITY GENERATION, L.P.
(Pennsylvania limited partnership) 99.9% LP [EWG]

Address: 1750 Power Plant Road, Homer City, PA
15748-8009

EDISON MISSION FINANCE CO. 100%

HOMER CITY PROPERTY HOLDINGS, INC. 100%

MISSION ENERGY WESTSIDE, INC. 100%

EME HOMER CITY GENERATION, L.P.
(Pennsylvania limited partnership) 0.1% GP [EWG]

Address: 1750 Power Plant Road, Homer City, PA
15748-8009

EDISON MISSION OPERATION AND MAINTENANCE, INC.

EDISON MISSION PROJECT CO. (formerly EME UK International, Inc.)
(Delaware corporation) (inactive) 100%

EDISON MISSION WIND, INC. (Delaware corporation) 100%

Edison Mission Renewable Energy CDE, LLC (Delaware corporation)
99%

Bandana Point Wind, LLC (Delaware LLC) 1%

Address:

Boquillas Wind, LLC (Delaware LLC) 1% (formerly Aubrey Cliffs
Wind)

Buffalo Bear LLC (Oklahoma LLC) 100% (Disregarded as a separate
entity for tax purposes)

Clear Creek Wind, LLC (Delaware LLC) 1%

Address:

EDISON MISSION MID-ATLANTIC, INC. (Delaware corporation)
100%

Address for Edison Mission Mid-Atlantic's subsidiaries: 10592 Perry

Highway, #210, Wexford, PA 15090

Black Rock Wind Force, LLC (Delaware LLC) 5%

Dan's Mountain Wind Force, LLC (Delaware LLC)
5%

Liberty Gap Wind Force, LLC (Delaware LLC) 5%

Meadow Mountain Wind Force, LLC
(Delaware LLC) 5%

Mt. Storm Wind Force, LLC (Delaware LLC) 5%

Pinnacle Wind Force, LLC (Delaware LLC) 5%

Rich Mtn. Wind Force, LLC (Delaware LLC) 5%

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Savage Mtn. Wind Force, LLC (Delaware LLC) 5%

South Avenue Wind Force, LLC (Delaware LLC) 5%

EDISON MISSION MIDWEST II, INC. (Delaware corporation) 100%

Big Sky Wind, LLC (Delaware LLC) 100.0% (Disregarded as a separate entity for
tax purposes)

Blue Ridge Wind, LLC (Delaware LLC) 5%

Broken Bow Wind, LLC (Delaware LLC) 5%

Burr Ridge Wind, LLC (Delaware LLC) 5%

Conestoga Wind, LLC (Delaware LLC) 5%

Elkhorn Ridge Wind II, LLC (Delaware LLC) 5%

Grande Prairie Wind, LLC (Delaware LLC) 5%

Hampshire Highlands Wind, LLC (Delaware LLC) 5%

Holt County Wind, LLC (Delaware LLC) 5%

Laredo Ridge Wind, LLC (Delaware LLC) 5%

Pine Hill Wind, LLC (Delaware LLC) 5%

Stony Brook Wind, LLC (Delaware LLC) 5.0%

Walnut Ridge Wind, LLC (Delaware LLC) 5.0%

Wildcat Ridge Wind, LLC (Delaware LLC) 5%

Foresight Flying M, LLC (Grapevine) (Delaware LLC) 1%
Address:

Guadalupe Mountains Wind, LLC (Delaware LLC) 1%

Address:

Happy Whiteface Wind, LLC (Texas LLC) 100% (Disregarded as a separate entity
for tax purposes)

Hurricane Cliffs Wind, LLC (Delaware LLC) 1%

Address:

MISSION FUNDING ZETA

Ogden Martin Systems of Huntington LP (New York partnership) 15.15%

Lakota Ridge LLC (Delaware LLC) 75% [EWG, QF]

Address: c/o DanMar and Associates, 520 Fifth Avenue SE, Pipestone, Minnesota
56164

MISSION BINGHAM LAKE WIND, LLC (Minnesota LLC) 100%GP

[Disregarded as a separate entity for tax purposes.]

Address for Mission Bingham Lake Wind and all of its subsidiaries: c/o DanMar
and Associates, 520 Fifth

Avenue SE, Pipestone, Minnesota 56164

ALP Wind, LLC (Minnesota LLC) 99%LP [QF]

Windom Transmission, LLC (Minnesota LLC) 8.25%LP

HyperGen, LLC (Minnesota LLC) 99%LP [QF]

Windom Transmission, LLC (Minnesota LLC) 8.25%LP

JMC Wind, LLC (Minnesota LLC) 99%LP [QF]

Windom Transmission, LLC (Minnesota LLC) 8.25%LP

LimiEnergy, LLC (Minnesota LLC) 99%LP [QF]

Windom Transmission, LLC (Minnesota LLC) 8.25%LP

Maiden Winds, LLC (Minnesota LLC) 99%LP [QF]

Windom Transmission, LLC (Minnesota LLC) 8.25%LP

MD & E Wind, LLC (Minnesota LLC) 99%LP [QF]

Windom Transmission, LLC (Minnesota LLC) 8.25%LP

Power Beyond, LLC (Minnesota LLC) 99%LP [QF]

Windom Transmission, LLC (Minnesota LLC) 8.25%LP

Power Blades Windfarm, LLC (Minnesota LLC) 99%LP [QF]

Windom Transmission, LLC (Minnesota LLC) 8.25%LP

Stony Hills Wind Farm, LLC (Minnesota LLC) 99%LP [QF]

Windom Transmission, LLC (Minnesota LLC) 8.25%LP

Tower of Power, LLC (Minnesota LLC) 99%LP [QF]

Windom Transmission, LLC (Minnesota LLC) 8.25%LP

Whispering Wind Acres, LLC (Minnesota LLC) 99%LP [QF]

Windom Transmission, LLC (Minnesota LLC) 8.25%LP

White Caps Windfarm, LLC (Minnesota LLC) 99%LP [QF]

Windom Transmission, LLC (Minnesota LLC) 8.25%LP

Windom Transmission, LLC (Minnesota LLC) 1.0%LP

MISSION CWN HOLDINGS INC. (Delaware corporation) 100%

MISSION COMMUNITY WIND NORTH, INC. (Delaware corporation)

Mission Minnesota Wind, LLC (Delaware LLC) 100%GP

[Disregarded as separate entity for tax purposes.]

Address for Mission Minnesota Wind and all of its interests except Jeffers Wind
20, LLC: c/o DanMar and

Associates, 520 Fifth Avenue SE, Pipestone, Minnesota 56164

Address: 120 S. Sixth St., Minnesota, MN 55402

Bisson Windfarm, LLC (Minnesota LLC) 95%LP [EWG, QF]

DanMar Transmission, LLC (Minnesota LLC) 19.9%LP

Boeve Windfarm, LLC (Minnesota LLC) 99%LP [EWG, QF]

CG Windfarm, LLC (Minnesota LLC) 99%LP [See [EWG, QF]

DanMar Transmission, LLC (Minnesota LLC) 19.9%LP

Fey Windfarm, LLC (Minnesota LLC) 99%LP [EWG, QF]

K-Brink Windfarm, LLC (Minnesota LLC) 99%LP [EWG, QF]

TG Windfarm, LLC (Minnesota LLC) 99%LP [EWG, QF]

DanMar Transmission, LLC (Minnesota LLC) 19.9%LP

Tofteland Windfarm, LLC (Minnesota LLC) 91%LP [EWG, QF]

DanMar Transmission, LLC (Minnesota LLC) 19.9%LP

Westridge Windfarm, LLC (Minnesota LLC) 92%LP [EWG, QF]

DanMar Transmission, LLC (Minnesota LLC) 19.9%LP

Windcurrent Farms, LLC (Minnesota LLC) 99%LP [EWG, QF]

DanMar Transmission, LLC (Minnesota LLC) 0.5%LP

Carstensen Wind, LLC (Minnesota LLC) 99%LP [EWG, QF]

West Pipestone Transmission, LLC (Minnesota LLC)19.9%LP

Greenback Energy, LLC (Minnesota LLC) 99%LP [EWG, QF]

West Pipestone Transmission, LLC (Minnesota LLC)19.9%LP

Lucky Wind, LLC (Minnesota LLC) 99%LP [EWG, QF]

West Pipestone Transmission, LLC (Minnesota LLC)19.9%LP

Northern Lights Wind, LLC (Minnesota LLC) 99%LP [EWG, QF]

West Pipestone Transmission, LLC (Minnesota LLC)19.9%LP

Stahl Wind Energy, LLC (Minnesota LLC) 99%LP [EWG, QF]

West Pipestone Transmission, LLC (Minnesota LLC)19.9%LP

West Pipestone Transmission, LLC (Minnesota LLC) 0.5%LP

Bendwind, LLC (Minnesota LLC) 99%LP [EWG]

East Ridge Transmission, LLC (Minnesota LLC) 12.375%LP

Degreeff DP LLC (Minnesota LLC) 99%LP [EWG]

East Ridge Transmission, LLC (Minnesota LLC) 12.375%LP

Degreeffpa, LLC (Minnesota LLC) 99%LP [EWG]

East Ridge Transmission, LLC (Minnesota LLC) 12.375%LP

Groen Wind, LLC (Minnesota LLC) 99%LP [EWG]

East Ridge Transmission, LLC (Minnesota LLC) 12.375%LP

Hillcrest Wind, LLC (Minnesota LLC) 99%LP [EWG]

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East Ridge Transmission, LLC (Minnesota LLC) 12.375%LP

Larswind, LLC (Minnesota LLC) 99%LP [EWG]

East Ridge Transmission, LLC (Minnesota LLC) 12.375%LP

Sierra Wind, LLC (Minnesota LLC) 99%LP [EWG]

East Ridge Transmission, LLC (Minnesota LLC) 12.375%LP

TAIR Windfarm, LLC (Minnesota LLC) 99%LP [EWG]

East Ridge Transmission, LLC (Minnesota LLC) 12.375%LP

East Ridge Transmission, LLC (Minnesota LLC) 1.0%LP7

Shaokatan Hills LLC (Delaware LLC) 75% [EWG, QF]Address: c/o DanMar and Associates, 520 Fifth Avenue SE, Pipestone, Minnesota 56164

Woodstock Hills LLC (Delaware LLC) 75% [EWG, QF]

Address: c/o DanMar and Associates, 520 Fifth Avenue SE, Pipestone, Minnesota 56164

MISSION MINNESOTA WIND III, INC. (Delaware corporation) 100%

Jeffers Wind 20, LLC (Minnesota LLC) 99.9%LP

MISSION WIND CEDRO, LLC (Delaware LLC) 100%

Cedro Hill Wind LLC (Delaware LLC) 100%

MISSION WIND GOAT MOUNTAIN, INC. (Delaware corporation) 100%

Goat Wind, L.P. (Texas LP) 1%

MISSION WIND MAINE, INC. (Delaware corporation) 100%

Maine Mountain Power, LLC (Delaware LLC) 97.5%

MISSION WIND NEW MEXICO II, INC. (Delaware corporation) 100%

High Lonesome Mesa, LLC (Delaware LLC) 100% (Disregarded as a separate

entity for tax purposes)

High Lonesome Mesa Investments, LLC (Delaware LLC) 100% (Disregarded as a separate entity for tax purposes)

MISSION WIND NEW YORK, INC. (Delaware corporation) 100%

MISSION WIND OWAISSA, INC. (Delaware corporation) 100%

MISSION WIND SOUTHWEST, INC. (Delaware corporation) 100%

Wilson Creek Power Partners, LLC (Delaware LLC) 10%

MISSION WIND TALOGA, INC. (Delaware corporation) 100%

Taloga Wind, LLC (Oklahoma LLC) 100% (Disregarded as a separate entity for tax purposes)

MISSION WIND TEXAS II, INC. (Delaware corporation) 100%

Goat Wind, L.P. (Texas LP) 98.9%

MISSION WIND TEXAS III, INC. (Delaware corporation) 100%

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MISSION WIND UTAH, LLC (Delaware LLC) 100% (Disregarded as a separate entity for tax purposes)

Spanish Fork Wind Park 2, LLC (Utah LP) 100% (Disregarded as a separate entity for tax purposes)

MISSION WIND WILDORADO II, INC. (Delaware corporation) 100%

MISSION WIND WYOMING LLC (Delaware LLC) 100% (Disregarded as a separate entity for tax purposes)

Mountain Wind Power, LLC (Delaware LLC) 100% (Disregarded as a separate entity for tax purposes)

Mountain Wind Power II, LLC (Delaware LLC) 100% (Disregarded as a separate entity for tax purposes)

Pioneer Ridge, LLC (Delaware LLC) 100% (Disregarded as a separate entity for tax purposes)

Mustang Wind, LLC (Delaware LLC) 1%

Address:

Owaissa Wind Ranch, LLC (Delaware LLC) 1%

Address:

Pine Nut Wind Ranch, LLC (Delaware LLC) 1%

Address:

Stonycreek Windpower, LLC (Delaware LLC) 50%

Address:

Sunshine Arizona Wind Energy, LLC (Delaware LLC) 1%

Address:

Storm Lake Power Partners I, LLC (Delaware LLC) 1% [EWG]

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Vernon Switch Wind, LLC (Delaware LLC) 1%

Address: 6 **VIENTO FUNDING, INC.** (Delaware corporation) 100%

MISSION IOWA WIND COMPANY

Storm Lake Power Partners I, LLC (Delaware LLC) 99%
[EWG]

Clear View Acres Wind Farm, LLC (Iowa LLC) 99%

Address: 4939 220th Ave., Albert City, Iowa 50510

Crosswind Transmission, LLC (Iowa LLC)
10%LP

Eagle View Acres Wind Farm, LLC (Iowa LLC) 99%

Address: 5074 390th Ave., Laurens, Iowa 50554

Crosswind Transmission, LLC (Iowa LLC)
10%LP

Elk Lake Wind Farm, LLC (Iowa LLC) 99%

Address: 18551 470th St., Havelock, Iowa 50546

Crosswind Transmission, LLC (Iowa LLC)
10%LP

Green Prairie Energy, LLC (Iowa LLC) 99%

Address: 3879 Kirkwood St., Prole, Iowa 50229

Crosswind Transmission, LLC (Iowa LLC)
10%LP

Highland Township Wind Farm, LLC (Iowa LLC) 99%

Address: 302 3rd St., Varina, Iowa 50593

Crosswind Transmission, LLC (Iowa LLC)
10%LP

Palo Alto County Wind Farm, LLC (Iowa LLC) 99%

Address: 2441 480th St., Albert City, Iowa 50510

Crosswind Transmission, LLC (Iowa LLC)
10%LP

Silver Lake Acres Wind Farm, LLC (Iowa LLC) 99%

Address: 50768 150th Ave., Laurens, Iowa 50554

Crosswind Transmission, LLC (Iowa LLC)
10%LP

Sunrise View Wind Farm, LLC (Iowa LLC) 99%

Address: 49106 100th Ave., Albert City, Iowa 50510

Crosswind Transmission, LLC (Iowa LLC)
10%LP

Sunset View Wind Farm, LLC (Iowa LLC) 99%

Address: 2243 Highway 3, Albert City, Iowa 50510

Crosswind Transmission, LLC (Iowa LLC)
10%LP

Virgin Lake Wind Farm, LLC (Iowa LLC) 99%

Address: 47902 170th Ave., Laurens, Iowa 50554

Crosswind Transmission, LLC (Iowa LLC)
10%LP

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Cy-Hawk Wind Energy, LLC (Iowa LLC) 99%

Address: 1065 Orchard Avenue, Jefferson, Iowa 50129

Hardin Hilltop Wind, LLC (Iowa LLC) 14.2857%LP

Greene Wind Energy, LLC (Iowa LLC) 99%

Address: 608 South Wilson, Jefferson, Iowa 50129

Hardin Hilltop Wind, LLC (Iowa LLC) 14.2857%LP

Hardin Wind Energy, LLC (Iowa LLC) 99%

Address: 1210 Milligan Circle, Jefferson, Iowa 50129

Hardin Hilltop Wind, LLC (Iowa LLC) 14.2857%LP

Poverty Ridge Wind, LLC (Iowa LLC) 99%

Address: 1210 Milligan Circle, Jefferson, Iowa 50129

Hardin Hilltop Wind, LLC (Iowa LLC) 14.2857%LP

Sutton Wind Energy, LLC (Iowa LLC) 99%

Address: 1464 190th Street, Jefferson, Iowa 50129

Hardin Hilltop Wind, LLC (Iowa LLC) 14.2857%LP

Wind Family Turbine, LLC (Iowa LLC) 99%

Address: 412 South Locust Street, Jefferson, Iowa 50129

Hardin Hilltop Wind, LLC (Iowa LLC) 14.2857%LP

Zontos Wind, LLC (Iowa LLC) 99%

Address: 1464 190th Street, Jefferson, Iowa 50129

Hardin Hilltop Wind, LLC (Iowa LLC) 14.2857%LP

MISSION MINNESOTA WIND II, INC. (Delaware corporation) 100%

Odin Wind Farm, LLC (Minnesota LLC) 99.9%

Address: 5050 Lincoln Drive, Suite 420, Edina, Minnesota

OWF One, LLC (Minnesota LLC) 100%

OWF Two, LLC (Minnesota LLC) 100%

OWF Three, LLC (Minnesota LLC) 100%

OWF Four, LLC (Minnesota LLC) 100%

OWF Five, LLC (Minnesota LLC) 100%

OWF Six, LLC (Minnesota LLC) 100%

OWF Seven, LLC (Minnesota LLC) 100%

OWF Eight, LLC (Minnesota LLC) 100%

MISSION WIND OKLAHOMA, INC. (Delaware corporation) 100%

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Sleeping Bear, LLC (Oklahoma LLC) 100% (Disregarded as a separate entity for tax purposes)

MISSION WIND PA ONE, INC. (Delaware corporation) 100%

Forward Windpower, LLC (Delaware LLC) 50%

MISSION WIND PA TWO, INC. (Delaware corporation) 100%

Lookout Windpower, LLC (Delaware LLC) 50%

MISSION WIND PA THREE, INC. (Delaware corporation) 100%

Lookout Windpower, LLC (Delaware LLC) 50%

MISSION WIND PENNSYLVANIA, INC. (Delaware corporation) 100%

Forward Windpower, LLC (Delaware LLC) 50%

EHI DEVELOPMENT FUND 100%

Edison Mission Renewable Energy CDE, LLC (1%)

EME CP HOLDINGS CO. (Delaware corporation)

CP Power Sales Seventeen, L.L.C. (Delaware limited liability company)

CP Power Sales Nineteen, L.L.C. (Delaware limited liability company) (inactive)

CP Power Sales Twenty, L.L.C. (Delaware limited liability company) (inactive)

EME EASTERN HOLDINGS CO. (Delaware corporation)

Citizens Power Holdings One, LLC (Delaware limited liability company)

CL Power Sales Eight, L.L.C. (Delaware LLC) 25%

CL Power Sales Ten, L.L.C. (Delaware LLC) 25%

EME SERVICE CO. (Delaware corporation)

EME WIND SERVICE CO. (Delaware corporation)

EMP, INC. (Oregon corporation) (inactive)

GLOBAL POWER INVESTORS, INC. (Delaware corporation) (inactive)

MADISON ENERGY COMPANY (inactive)

MIDWEST GENERATION EME, LLC (Delaware LLC) 100%

Address: One Financial Place, 400 South LaSalle Street, Suite 3500, Chicago, Illinois 60605

EDISON MISSION MIDWEST HOLDINGS CO. (Delaware corporation) 100%

Address: One Financial Place, 400 South LaSalle Street, Suite 3500, Chicago, Illinois 60605

EDISON MISSION ENERGY FUEL SERVICES, LLC (Delaware limited liability company)

Address: One Financial Place, 440 South LaSalle Street, Suite 3500, Chicago, Illinois 60605

MIDWEST GENERATION, LLC (Delaware LLC) (Com Ed project) 100% [EWG]

Address: One Financial Place, 400 South LaSalle Street, Suite 3400, Chicago, Illinois 60605

Crawford Station, 3501 South Pulaski Road, Chicago, IL 60608

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Collins Station, 4200 East Pine Bluff Road, Morris, IL 60623 [decommissioned 12/31/2004]

Fisk Station, 1111 West Cermak Road, Chicago, IL 60608

Joliet Station, 1800 Channahon Road, Joliet, IL 60436

Powerton Station, 13082 East Manito Road, Pekin, IL 61554

Waukegon Station, 10 Greenwood Avenue, Waukegan, IL 60087

Will County Station, 529 East Romeo Road, Romeoville, IL 60441

MIDWEST FINANCE CORP. (Delaware corporation) 100%

Address: One Financial Place, 400 South LaSalle Street, Suite 3500, Chicago, Illinois 60605

MIDWEST GENERATION PROCUREMENT SERVICES, LLC (formerly Hancock Generation

LLC—renamed 01/20/2005) (Delaware limited liability company) 100%

Address: One Financial Place, 400 South LaSalle Street, Suite 3500, Chicago, Illinois 60605

MIDWEST PEAKER HOLDINGS, INC. (Delaware corporation) 100% (inactive)

Mission Capital, L.P. (Delaware limited partnership) 3%; MIPS partnership

MISSION DEL CIELO, INC. (Delaware corporation) 100%

Mission del Sol, LLC (Delaware limited liability company) 100%

Sunrise Power Company, LLC (Delaware LLC) 50% [EWG]

Address: 12857 Sunrise Power Road, Fellows, CA 93224

Mission De Las Estrellas LLC (Delaware corporation) 50%

MISSION/EAGLE ENERGY COMPANY (inactive)

Crown Energy, L.P. (New Jersey limited partnership) (inactive) 2% GP; 100% w/
Arrowhead, Thorofare

MISSION ENERGY CONSTRUCTION SERVICES, INC.

MISSION ENERGY GENERATION, INC. (inactive)

MISSION ENERGY HOLDINGS, INC. (Delaware corporation) 100%

Mission Capital, L.P. (Delaware LP) 97%; MIPS partnership

MISSION ENERGY HOLDINGS INTERNATIONAL, INC. (Delaware corporation) 100%

Beheer-en Beleggingsmaatschappij Plogema B.V. 100% (Netherlands company)

Address: De Lairessestraat 111-115, 1075 HH Amsterdam, The Netherlands

MEC Esenyurt B.V. (Netherlands company) (Doga Project) 100%

Address: Level 2, De Lairessestraat 111-115, 1075 HH Amsterdam, Netherlands

Doga Enerji Uretim Sanayi ve Ticaret L.S. (Turkey company)
(Project company) 80% [FUCO]

Address: Merkez Mahallesi, Birlik Caddesi 11/8, Esenyurt, Istanbul,
Turkey

Doga Isi Satis Hizmetleri ve Ticaret L.S. (Turkey company) (Heat
company) 80%

Address: Merkez Mahallesi, Birlik Caddesi 11/8, Esenyurt, Istanbul, Turkey

Doga Isletme ve Bakim Ticaret L.S. (Turkey company) (OandM company)
80%

Address: Merkez Mahallesi, Birlik Caddesi 11/8, Esenyurt, Istanbul, Turkey

Caresale Services Limited (UK company) 49% (inactive)

Address: 99 City Road, London EC1Y 1AX England

Edison First Power Limited (Guernsey company) (inactive) 65%

Address: 99 City Road, London EC1Y 1AX England

Edison First Power Holdings II (UK company) 100% [PowerGen project] (inactive)

Address: 99 City Road, London EC1Y 1AX England

Edison First Power Holdings I (UK company) 100% [PowerGen project] (inactive)

Address: 99 City Road, London EC1Y 1AX England

Caresale Services Limited (UK company) 51% (inactive)

Address: 99 City Road, London EC1Y 1AX England

Edison First Power Limited (Guernsey company) (inactive) 65%

Address: 99 City Road, London EC1Y 1AX England

Maplekey Holdings Limited (UK company) 100% (inactive)

Address: 99 City Road, London EC1Y 1AX England

Maplekey UK Finance Limited (UK company) 100% (inactive)

Address: 99 City Road, London EC1Y 1AX England

Maplekey UK Limited (UK company) 100% (inactive)

Address: 99 City Road, London EC1Y 1AX England

Edison First Power Limited (Guernsey company) (inactive) 35%

Address: 99 City Road, London EC1Y 1AX England

EME Finance UK Limited (UK company) 100% (inactive)

Address: 99 City Road, London EC1Y 1AX England

EME Investments, LLC (Delaware LLC) 100% (inactive)

EME Investments II, LLC (Delaware LLC) 100% (inactive)

EME SOUTHWEST POWER CORPORATION (Delaware corporation) (inactive) 100%

EME UK International LLC (Delaware LLC) (inactive) 100%

First Hydro Renewables Limited (UK company) (inactive) 100%

Address: Dinorwig Power Station, Llamberis, Gwynedd, LL55 4TY, Wales

First Hydro Renewables Number 2 Limited (formerly Celtic Offshore Wind Ltd.) (UK company) (inactive) 100%

Address: Dinorwig Power Station, Llamberis, Gwynedd, LL55 4TY, Wales

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MEC San Pascual B.V. (Netherlands company) 100%

Address: Level 2, De Lairesestraat 111-115, 1075 HH Amsterdam, Netherlands

San Pascual Cogeneration Company International B.V. 50% (Netherlands company)

Address: Croeselaan 18, 3521 CB Utrecht, The Netherlands

San Pascual Cogeneration Company (Philippines) Limited (San Pascual Project) 1% GP and 74% LP (Philippines limited partnership)

Address: Unit 1610/1611, Tower One, Ayala Triangle, Ayala Ave, 1200 Makati City, Metro Manila, Philippines

Morningstar Holdings B.V. (formerly Beheer-en Beleggingsmaatschappij Vestra B.V.) (Netherlands company)

(inactive) 50%

Address: Level 2, De Lairesestraat 111-115, 1075 HH Amsterdam, Netherlands

Address: 99 City Road, London EC1Y 1AX England

Mission Energy Singapore Pte. Ltd. (Singapore company) 100%

Address: 1 Robinson Road, #17-00 AIA Tower, Singapore 048542

MISSION ENERGY WALES COMPANY (inactive)

MISSION TAYLORVILLE ENERGY CENTER, LLC (Delaware LLC) 100%

PARADISE ENERGY COMPANY (inactive)

Vista Energy, L.P. (New Jersey limited partnership) (inactive) 50%; 100% w/ Vista Energy Company

PLEASANT VALLEY ENERGY COMPANY

American Bituminous Power Partners, LP (Delaware limited partnership) 0.5%; 50% w/ Aguila

Address: Grant Town Power Plant, Highway 17, Grant Town, WV 26574

RAPIDAN ENERGY COMPANY (inactive)**REEVES BAY ENERGY COMPANY** (GP and LP) (inactive)

North Shore Energy, L.P. (Delaware limited partnership) (inactive) 50%; 100% w/
Santa Clara

Northville Energy Corporation (New York corporation) (inactive) 100%
[DISSOLUTION PENDING]

SAN GABRIEL ENERGY COMPANY (inactive)**SAN JOAQUIN ENERGY COMPANY**

Midway-Sunset Cogeneration Company (California general partnership) 50%

Address: 3466 West Crocker Springs Road, Fellows, CA 93224

SAN JUAN ENERGY COMPANY

March Point Cogeneration Company (California general partnership) 50%

Address: 655 South Texas Road, Anacortes, WA 98221

SANTA CLARA ENERGY COMPANY (inactive)

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North Shore Energy, L.P. (Delaware limited partnership) (inactive) 50%; 100% w/
Reeves Bay

Northville Energy Corporation (New York corporation) (inactive) 100%
[DISSOLUTION PENDING]

SILVERADO ENERGY COMPANY

Coalinga Cogeneration Company (California general partnership) 50%

Address: 32812 West Gate Road, Bakersfield, CA 93210

SOUTHERN SIERRA ENERGY COMPANY

Kern River Cogeneration Company (California general partnership) 50%

Address: SW China Grade Loop, Bakersfield, CA 93308

THOROFARE ENERGY COMPANY (inactive)

Crown Energy, L.P. (New Jersey limited partnership) (inactive) 48%LP; 100% w/
Arrowhead, Mission/Eagle

VALLE DEL SOL ENERGY, LLC (Delaware LLC) (inactive) 100%**VIEJO ENERGY COMPANY**

Sargent Canyon Cogeneration Company (California general partnership) 50%

Address: Star Route 42, Sargents Road, San Ardo, CA 93450

VIENTO FUNDING II, INC.

EDISON MISSION MIDWEST, INC. (Delaware corporation) 100%

Elkhorn Ridge Wind, LLC (Delaware LLC) 66.67%

MISSION WIND NEW MEXICO, INC. (Delaware corporation) 100%

San Juan Mesa Wind Project, LLC (Delaware LLC) 75% [EWG]

San Juan Mesa Investments, LLC (Delaware LLC) 100% (Disregarded as a separate entity for tax purposes)

MISSION WIND WILDORADO, INC. (Delaware corporation) 100%

Wildorado Wind, LLC (Texas LLC) 1.0%

MISSION WIND TEXAS, INC. (Delaware corporation) 100%

Wildorado Wind, LLC (Texas LLC) 98.9%

VISTA ENERGY COMPANY (New Jersey corporation) (inactive) 100%

Vista Energy, L.P. (New Jersey limited partnership) (inactive) 50%; 100% w/
Paradise Energy Company

WALNUT CREEK ENERGY, LLC (Delaware LLC) (inactive) 100%

WESTERN SIERRA ENERGY COMPANY

Sycamore Cogeneration Company (California general partnership) 50%

Address: SW China Grade Loop, Bakersfield, CA 93308

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[EDISON INTERNATIONAL TIER LIST AS OF DECEMBER 31, 2009](#)
[HOLDING COMPANY](#)
[UTILITY SUBSIDIARIES](#)
[NONUTILITY SUBSIDIARIES](#)
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Section 4: EX-23 (EXHIBIT 23)

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Exhibit 23**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-155198) and Registration Statements on Form S-8 (Nos. 333-162989, 333-161284, 333-129441 and 333-88526) of Edison International of our report dated March 1, 2010 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the 2009 Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated March 1, 2010 relating to the financial statement schedules, which appears in this Form 10-K.

PricewaterhouseCoopers LLP
Los Angeles, California
March 1, 2010

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[CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)

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Section 5: EX-24.1 (EXHIBIT 24.1)

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Exhibit 24.1

EDISON INTERNATIONAL

POWER OF ATTORNEY

The undersigned, EDISON INTERNATIONAL, a California corporation, and certain of its officers and/or directors do each hereby constitute and appoint, ROBERT L. ADLER, W. JAMES SCILACCI, POLLY L. GAULT, MARK C. CLARKE, BARBARA E. MATHEWS, ROBERT C. BOADA, GEORGE T. TABATA, PAIGE W. R. WHITE, MICHAEL A. HENRY, KEITH J. LARSON, KATHLEEN BRENNAN DE JESUS, JEFFERY D. DURAN, DARLA F. FORTE, BONITA J. SMITH, MARGA ROSSO, and VICTORIA A. PRIETO, or any of them, to act as attorney-in-fact, for and in their respective names, places, and steads, to execute, sign, and file or cause to be filed an Annual Report on Form 10-K for the fiscal year ended December 31, 2009, Quarterly Reports on Form 10-Q for each of the first three quarters of fiscal year 2010, any Current Reports on Form 8-K from time to time during 2010 and through December 9, 2010, or in the event this Board of Directors does not meet on December 9, 2010, through the next succeeding date on which this Board holds a regular meeting, and any and all supplements and amendments thereto, to be filed by Edison International with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended, (the "Act"), for the purpose of complying with Sections 13 or 15(d) of the Act, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform all and every act and thing whatsoever requisite, necessary and appropriate to be done in and about the premises as fully and to all intents and purposes as the undersigned or any of them might or could do if personally present, hereby ratifying and approving the acts of each of said attorneys-in-fact.

Executed at Rosemead, California, as of this 10th day of December, 2009.

EDISON INTERNATIONAL

By: /s/ THEODORE F. CRAVER, JR.

Theodore F. Craver, Jr.
Chairman of the Board, President,
and Chief Executive Officer

Attest:

/s/ BARBARA E. MATHEWS

Barbara E. Mathews
Vice President, Associate General Counsel,
Chief Governance Officer and Corporate
Secretary

**2010 Edison International
10-K, 10-Q, and 8-K Power of Attorney**

Principal Executive Officer:

/s/ THEODORE F. CRAVER, JR.

Theodore F. Craver, Jr.

Chairman of the Board, President, Chief Executive Officer,
and Director

Principal Financial Officer:

/s/ W. JAMES SCILACCI

W. James Scilacci

Executive Vice President, Chief Financial Officer, and
Treasurer

Controller and Principal Accounting Officer:

/s/ MARK C. CLARKE

Mark C. Clarke

Vice President and Controller

Additional Directors:

/s/ VANESSA C.L. CHANG

Vanessa C.L. Chang

Director

/s/ FRANCE A. CORDOVA

France A. Córdova

Director

/s/ CHARLES B. CURTIS

Charles B. Curtis

Director

/s/ BRADFORD M. FREEMAN

Bradford M. Freeman

Director

/s/ LUIS G. NOGALES

Luis G. Nogales

Director

/s/ RONALD L. OLSON

Ronald L. Olson

Director

/s/ JAMES M. ROSSER

James M. Rosser

Director

/s/ RICHARD T. SCHLOSBERG, III

Richard T. Schlosberg, III

Director

/s/ THOMAS C. SUTTON

Director

Thomas C. Sutton

/s/ BRETT WHITE

Director

Brett White

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[EDISON INTERNATIONAL POWER OF ATTORNEY](#)
[2010 Edison International 10-K, 10-Q, and 8-K Power of Attorney](#)
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Section 6: EX-24.2 (EXHIBIT 24.2)

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Exhibit 24.2

**RESOLUTION OF THE BOARD OF DIRECTORS OF
EDISON INTERNATIONAL
Adopted: December 10, 2009
RE: FORMS 10-K, 10-Q, AND 8-K**

WHEREAS, the Securities Exchange Act of 1934, as amended, and regulations thereunder, require that Annual, Quarterly, and Current Reports be filed with the Securities and Exchange Commission ("Commission"), and it is desirable to effect such filings over the signatures of attorneys-in-fact;

NOW, THEREFORE, BE IT RESOLVED, that each of the officers of this corporation is hereby authorized to file or cause to be filed with the Commission the Annual Report on Form 10-K of this corporation for the fiscal year ended December 31, 2009, Quarterly Reports on Form 10-Q for each of the first three quarters of fiscal year 2010, Current Reports on Form 8-K from time to time during 2010 through December 9, 2010, or in the event this Board of Directors does not meet on December 9, 2010, through the next succeeding date on which this Board holds a regular meeting, and any required or appropriate supplements or amendments to such reports, all in such forms as the officer acting or counsel for this corporation considers appropriate.

BE IT FURTHER RESOLVED, that each of the officers of this corporation is hereby authorized to execute and deliver on behalf of this corporation a power or powers of attorney appointing Robert L. Adler, W. James Scilacci, Polly L. Gault, Linda G. Sullivan, Barbara E. Mathews, Robert C. Boada, Mark C. Clarke, George T. Tabata, Paige W. R. White, Michael A. Henry, Keith J. Larson, Kathleen Brennan de Jesus, Jeffery D. Duran, Darla F. Forte, Bonita J. Smith, Marga Rosso, and Victoria A. Prieto, and each of them, to act severally as attorney-in-fact in their respective names, places and steads, and on behalf of this corporation, for the purpose of executing and filing with the Commission the above-described reports and any amendments and supplements thereto.

ADOPTED:

/s/ BARBARA E. MATHEWS

Corporate Secretary

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Section 7: EX-31.1 (EXHIBIT 31.1)

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Exhibit 31.1

CERTIFICATION

I, THEODORE F. CRAVER, JR., certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2009, of Edison International;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or

persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2010

/s/ THEODORE F. CRAVER, JR.

THEODORE F. CRAVER, JR.
Chief Executive Officer

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[Exhibit 31.1](#)[CERTIFICATION](#)[\(Back To Top\)](#)**Section 8: EX-31.2 (EX-31.2)**[QuickLinks](#) -- Click here to rapidly navigate through this document**Exhibit 31.2****CERTIFICATION**

I, W. JAMES SCILACCI, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2009, of Edison International;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control

over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2010

/s/ W. JAMES SCILACCI

W. JAMES SCILACCI
Chief Financial Officer

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[CERTIFICATION](#)
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Section 9: EX-32 (EXHIBIT 32)

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Exhibit 32

STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350, AS ENACTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report on Form 10-K for the year ended December 31, 2009 (the "Annual Report"), of Edison International (the "Company"), and pursuant to 18 U.S.C. Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned certifies, to the best of his knowledge, that:

1. The Annual Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
2. The information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 1, 2010

/s/ THEODORE F. CRAVER, JR.

Theodore F. Craver, Jr.
Chief Executive Officer
Edison International

/s/ W. JAMES SCILACCI

W. James Scilacci
Chief Financial Officer
Edison International

This statement accompanies the Annual Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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[STATEMENT PURSUANT TO 18 U.S.C. SECTION 1350, AS ENACTED BY SECTION 906 OF THE SARBANES-
OXLEY ACT OF 2002](#)
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$$k_p = \frac{\text{div}}{P}$$

where k_p = The cost of preferred stock
div = The promised dividend on the preferred stock
 P = The market price of the preferred stock

If the current market price is not available, use yields on similar-quality issues as an estimate. For a fixed-life or callable preferred stock issue, estimate the opportunity cost by using the same approach as for a comparable debt instrument. In other words, estimate the yield that equates the expected stream of payments with the market value. For convertible preferred issues, option-pricing approaches are necessary.

STEP 3: ESTIMATE THE COST OF EQUITY FINANCING

The opportunity cost of equity financing is the most difficult to estimate because we can't directly observe it in the market. We recommend using the capital asset pricing model (CAPM) or the arbitrage pricing model (APM). Both approaches have problems associated with their application, including measurement difficulty. Many other approaches to estimating the cost of equity are conceptually flawed. The dividend yield model (defined as the dividend per share divided by the stock price) and the earnings-to-price ratio model substantially understate the cost of equity by ignoring expected growth.

The Capital Asset Pricing Model

The CAPM is discussed at length in all modern finance texts (for example, see Brealey and Myers, 1999, or Copeland and Weston, 1992).⁶ These detailed discussions will not be reproduced here. (In this section, we assume that you are generally familiar with the principles that underlie the approach.) The CAPM postulates that the opportunity cost of equity is equal to the return on risk-free securities plus the company's systematic risk (beta) multiplied by the market price of risk (market risk premium). The equation for the cost of equity (k_s) is as follows:

⁶ T. Copeland and J. Weston, *Financial Theory and Corporate Policy*, 3rd ed. (Reading, MA: Addison-Wesley, 1992); and R. Brealey and S. Myers, *Principles of Corporate Finance*, 5th ed. (New York: McGraw-Hill, 1999).

STEP 3: ESTIMATE THE COST OF EQUITY FINANCING 215

$$k_s = r_f + [E(r_m) - r_f](\text{beta})$$

where r_f = The risk-free rate of return

$E(r_m)$ = The expected rate of return on the overall market portfolio

$E(r_m) - r_f$ = The market risk premium

beta = The systematic risk of the equity

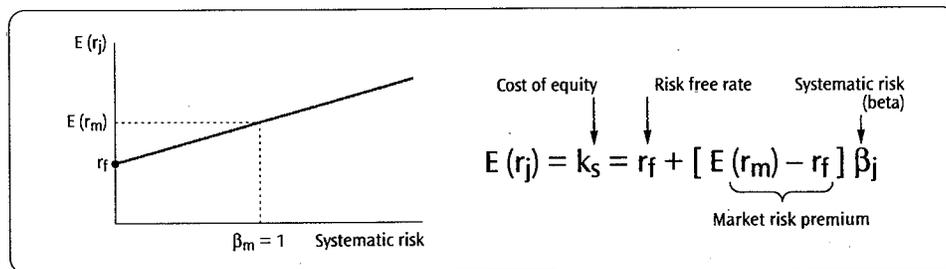
The CAPM is illustrated in Exhibit 10.3. The cost of equity, k_s , increases linearly as a function of the measured undiversifiable risk, beta. The beta for the entire market portfolio is 1.0. This means that the average company's equity beta will also be about 1.0. It is very unusual to observe a beta greater than 2.0 or less than 0.3. The market risk premium (the price of risk) is measured as the slope of the CAPM line in Exhibit 10.3, that is, the slope is $E(r_m) - r_f$.

To carry out the CAPM approach, we need to estimate the three factors that determine the CAPM line: the risk-free rate, the market risk premium, and the systematic risk (beta). The balance of this section describes a recommended approach for estimating each.

Determining the risk-free rate Hypothetically, the risk-free rate is the return on a security or portfolio of securities that has no default risk and is completely uncorrelated with returns on anything else in the economy. In theory, the best estimate of the risk-free rate would be the return on a zero-beta portfolio, constructed of long and short positions in equities in a way that produces the minimum variance zero-beta portfolio. Because of the cost and complexity of constructing minimum variance zero-beta portfolios, they are not practical for estimating the risk-free rate.

We have three reasonable alternatives that use government securities: the rate for Treasury bills, the rate for 10-year Treasury bonds, and the rate

Exhibit 10.3 The Capital Asset Pricing Model



by interest payments; preferred stockholders are compensated by fixed dividend payments; and the firm's remaining income belongs to its common stockholders and serves to "pay the rent" on stockholders' capital. Management may either pay out earnings in the form of dividends or retain earnings for reinvestment in the business. If part of the earnings is retained, an *opportunity cost* is incurred: Stockholders could have received those earnings as dividends and then invested that money in stocks, bonds, real estate, and so on. *Thus, the firm should earn on its retained earnings at least as much as its stockholders themselves could earn on alternative investments of equivalent risk.*

What rate of return can stockholders expect to earn on other investments of equivalent risk? The answer is k_s , because they can earn that return simply by buying the stock of the firm in question or that of a similar firm. Therefore, if our firm cannot invest retained earnings and earn at least k_s , then it should pay those earnings to its stockholders so that they can invest the money themselves in assets that do provide a return of k_s .

Whereas debt and preferred stocks are contractual obligations which have easily determined costs, it is not at all easy to estimate k_s . However, three methods can be used: (1) the Capital Asset Pricing Model (CAPM), (2) the discounted cash flow (DCF) model, and (3) the bond-yield-plus-risk-premium approach. These methods should not be regarded as mutually exclusive—no one dominates the others, and all are subject to error when used in practice. Therefore, when faced with the task of estimating a company's cost of equity, we generally use all three methods and then choose among them on the basis of our confidence in the data used for each in the specific case at hand.

SELF-TEST QUESTIONS

What are the two types of common equity whose costs must be estimated? Explain why there is a cost for retained earnings.

THE CAPM APPROACH

As we saw in Chapter 5, the Capital Asset Pricing Model is based on some unrealistic assumptions, and it cannot be empirically verified. Still, because of its logical appeal, the CAPM is often used in the cost of capital estimation process.

Under the CAPM we assume that the cost of equity is equal to the risk-free rate plus a risk premium that is based on the stock's beta coefficient and the market risk premium as set forth in the Security Market Line (SML) equation:

$$\begin{aligned} k_s &= \text{Risk-free rate} + \text{Risk premium} \\ &= k_{RF} + (k_M - k_{RF})b_i \end{aligned}$$

Given estimates of (1) the risk-free rate, k_{RF} , (2) the firm's beta, b_i , and (3) the required rate of return on the market, k_M , we can estimate the required rate of

return on the firm's stock, k_s . This required return can then be used as an estimate of the cost of retained earnings.

ESTIMATING THE RISK-FREE RATE

The starting point for the CAPM cost of equity estimate is k_{RF} , the risk-free rate. There is really no such thing as a truly riskless asset in the U.S. economy. Treasury securities are free of default risk, but long-term T-bonds will suffer capital losses if interest rates rise, and a portfolio invested in short-term T-bills will provide a volatile earnings stream because the rate paid on T-bills varies over time.

Since we cannot in practice find a truly riskless rate upon which to base the CAPM, what rate should we use? Our preference—and this preference is shared by most practitioners—is to use the rate on long-term Treasury bonds. Here are our reasons:

1. Capital market rates include a real, riskless rate (generally thought to vary from 2 to 4 percent) plus a premium for inflation which reflects the expected inflation rate over the life of the security, be it 30 days or 30 years. The expected rate of inflation is likely to be relatively high during booms and low during recessions. Therefore, during booms T-bill rates tend to be high to reflect the high current inflation rate, whereas in recessions T-bill rates are generally low. T-bond rates, on the other hand, reflect expected inflation rates over a long period, so they are far less volatile than T-bill rates.
2. Common stocks are long-term securities, and although a particular stockholder may not have a long investment horizon, most stockholders do invest on a long-term basis. Therefore, it is reasonable to think that stock returns embody long-term inflation expectations similar to those embodied in bonds rather than the short-term expectations in bills. Therefore, the cost of equity should be more highly correlated with T-bond rates than with T-bill rates.
3. Treasury bill rates are subject to more random disturbances than are Treasury bond rates. For example, bills are used by the Federal Reserve System to control the money supply, and bills are also used by foreign governments, firms, and individuals as a temporary safe haven for money. Thus, if the Fed decides to stimulate the economy, it drives down the bill rate, and the same thing happens if trouble erupts somewhere in the world and money flows into U.S. dollars seeking safety. T-bond rates are also influenced by Fed actions and by international money flows, but not to the same extent as T-bill rates. This is another reason why T-bill rates are more volatile than T-bond rates and, most experts agree, more volatile than k_s .
4. T-bills are essentially free of price risk, but they are exposed to a relatively high degree of reinvestment rate risk. Long-term investors such as pension funds and life insurance companies are as concerned about reinvestment rate risk as price risk. Therefore, most long-term investors would feel equally exposed to risk if they held bills or bonds.
5. When the CAPM is used to estimate a particular firm's cost of equity over time, bond rates produce more reasonable results. When T-bill rates were low in 1977

Estimating Shareholder Risk Premia Using Analysts' Growth Forecasts

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■ One of the most widely used concepts in finance is that shareholders require a risk premium over bond yields to bear the additional risks of equity investments. While models such as the two-parameter capital asset pricing model (CAPM) or arbitrage pricing theory offer explicit methods for varying risk premia across securities, the models are invariably linked to some underlying market (or factor-specific) risk premium. Unfortunately, the theoretical models provide limited practical advice on establishing empirical estimates of such a benchmark market risk premium. As a result, the typical advice to practitioners is to estimate the market risk premium based on historical realizations of share and bond returns (see Brealey and Myers [3]).

In this paper, we present estimates of shareholder required rates of return and risk premia which are derived

using forward-looking analysts' growth forecasts. We update, through 1991, earlier work which, due to data availability, was restricted to the period 1982-1984 (Harris [12]). Using stronger tests, we also reexamine the efficacy of using such an expectational approach as an alternative to the use of historical averages. Using the S&P 500 as a proxy for the market portfolio, we find an average market risk premium (1982-1991) of 6.47% above yields on long-term U.S. government bonds and 5.13% above yields on corporate bonds. We also find that required returns for individual stocks vary directly with their risk (as proxied by beta) and that the market risk premium varies over time. In particular, the equity market premium over government bond yields is higher in low interest rate environments and when there is a larger spread between corporate and government bond yields. These findings show that, in addition to fitting the theoretical requirement of being forward-looking, the utilization of analysts' forecasts in estimating return requirements provides reasonable empirical results that can be useful in practical applications.

Section I provides background on the estimation of equity required returns and a brief discussion of related

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literature on financial analysts' forecasts (FAF). In Section II, models and data are discussed. Following a comparison of the results to historical risk premia, the estimates are subjected to economic tests of both their time-series and cross-sectional characteristics in Section III. Finally, conclusions are offered in Section IV.

I. Background and Literature Review

In establishing economic criteria for resource allocation, it is often convenient to use the notion of a shareholder's required rate of return. Such a rate (k) is the minimum level of expected return necessary to compensate the investor for bearing risks and receiving dollars in the future rather than in the present. In general, k will depend on returns available on alternative investments (e.g., bonds or other equities) and the riskiness of the stock. To isolate the effects of risk, it is useful to work in terms of a risk premium (rp), defined as

$$rp = k - i, \quad (1)$$

where i = required return for a zero risk investment.¹

Lacking a superior alternative, investigators often use averages of historical realizations to estimate a benchmark "market" risk premium which then may be adjusted for the relative risk of individual stocks (e.g., using the CAPM or a variant). The historical studies of Ibbotson Associates [13] have been used frequently to implement this approach.² This historical approach requires the assumptions that past realizations are a good surrogate for future expectations and, as typically applied, that risk premia are constant over time. Carleton and Lakonishok [5] demonstrate empirically some of the problems with such historical premia when they are disaggregated for different time periods or groups of firms.

As an alternative to historical estimates, the current paper derives estimates of k , and hence, implied values of rp , using publicly available expectational data. This expectational approach employs the dividend growth model (hereafter referred to as the discounted cash flow or DCF model) in which a consensus measure of financial analysts' forecasts (FAF) of earnings is used as a proxy for investor expectations. Earlier works by Malkiel [17], Brigham,

Vinson, and Shome [4], and Harris [12] have used FAF in DCF models, and this approach has been employed in regulatory settings (see Harris [12]) and suggested by consultants as an alternative to use of historical data (e.g., Ibbotson Associates [13, pp. 127, 128]). Unfortunately, the published studies use data extending to 1984 at the latest. Our paper draws on this earlier work but extends it through 1991.³ Our work is closest to that done by Harris [12], who reviews literature showing a strong link between equity prices and FAF and supporting the use of FAF as a proxy for investor expectations. Using data from 1982 to 1984, Harris' results suggest that this expectational approach to estimating equity risk premia is an encouraging alternative to the use of historical averages. He also demonstrates that such risk premia vary both cross-sectionally with the riskiness of individual stocks and over time with financial market conditions.

II. Models and Data

A. Model for Estimation

The simplest and most commonly used version of the DCF model to estimate shareholders' required rate of return, k , is shown in Equation (2):

$$k = \left(\frac{D_1}{P_0} \right) + g, \quad (2)$$

where D_1 = dividend per share expected to be received at time one, P_0 = current price per share (time 0), and g = expected growth rate in dividends per share. The limitations of this model are well known, and it is straightforward to derive expressions for k based on more general specifications of the DCF model.⁴ The primary difficulty in using the DCF model is obtaining an estimate of g , since it should reflect market expectations of future perfor-

³See Harris [12] for a discussion of the earlier work and a detailed discussion of the approach employed here.

⁴As stated, Equation (2) requires expectations of either an infinite horizon of dividend growth at a rate g or a finite horizon of dividend growth at rate g and special assumptions about the price of the stock at the end of that horizon. Essentially, the assumption must ensure that the stock price grows at a compound rate of g over the finite horizon. One could alternatively estimate a nonconstant growth model, although the proxies for multistage growth rates are even more difficult to obtain than single stage growth estimates. Marston, Harris, and Crawford [19] examine publicly available data from 1982-1985 and find that plausible measures of risk are more closely related to expected returns derived from a constant growth model than to those derived from multistage growth models. These findings illustrate empirical difficulties in finding empirical proxies for multistage growth models for large samples.

¹Theoretically, i is a risk-free rate, though empirically its proxy (e.g., yield to maturity on a government bond) is only a "least risk" alternative that is itself subject to risk. In this development, the effects of tax codes on required returns are ignored.

²Many leading texts in financial management use such historical risk premia to estimate a market return. See, for example, Brealey and Myers [3]. Often a market risk premium is adjusted for the observed relative risk of a stock.

For return

mance. Without a ready source for measuring such expectations, application of the DCF model is fraught with difficulties. This paper uses published FAF of long-run growth in earnings as a proxy for g .

B. Data

FAF for this research come from IBES (Institutional Broker's Estimate System), which is a product of Lynch, Jones, and Ryan, a major brokerage firm.⁵ Representative of industry practice, IBES contains estimates of (i) EPS for the upcoming fiscal years (up to five separate years), and (ii) a five-year growth rate in EPS. Each item is available at monthly intervals.

The mean value of individual analysts' forecasts of five-year growth rate in EPS will be used as a proxy for g in the DCF model.⁶ The five-year horizon is the longest horizon over which such forecasts are available from IBES and often is the longest horizon used by analysts. IBES requests "normalized" five-year growth rates from analysts in order to remove short-term distortions that might stem from using an unusually high or low earnings year as a base.

Dividend and other firm-specific information come from COMPUSTAT. Interest rates (both government and corporate) are gathered from Federal Reserve Bulletins and *Moody's Bond Record*. Exhibit 1 describes key variables used in the study. Data collected cover all dividend paying stocks in the Standard & Poor's 500 stock (S&P 500) index, plus approximately 100 additional stocks of regulated companies. Since five-year growth rates are first available from IBES beginning in 1982, the analysis covers the 113-month period from January 1982 to May 1991.

III. Risk Premia and Required Rates of Return

A. Construction of Risk Premia

For each month, a "market" required rate of return is calculated using each dividend paying stock in the S&P 500 index for which data are available. The DCF model in

Exhibit 1. Variable Definitions

k	=	Equity required rate of return.
P_0	=	Average daily price per share.
D_1	=	Expected dividend per share measured as current indicated annual dividend from COMPUSTAT multiplied by $(1 + g)$. ^a
g	=	Average financial analysts' forecast of five-year growth rate in earnings per share (from IBES).
i_t	=	Yield to maturity on long-term U.S. government obligations (source: Federal Reserve Bulletin, constant maturity series).
i_c	=	Yield to maturity on long-term corporate bonds: Moody's average. ^b
rp	=	Equity risk premium calculated as $rp = k - i$.
β	=	beta, calculated from CRSP monthly data over 60 months.

Notes:

^aSee footnote 7 for a discussion of the $(1 + g)$ adjustment.

^bThe average corporate bond yield across bond rating categories as reported by Moody's. See *Moody's Bond Survey* for a brief description and the latest published list of bonds included in the bond rating categories.

Equation (2) is applied to each stock and the results weighted by market value of equity to produce the market required return.⁷ The return is converted to a risk premium

⁷The construction of D_1 is controversial since dividends are paid quarterly and may be expected to change during the year; whereas, Equation (2), as is typical, is being applied to annual data. Both the quarterly payment of dividends (due to investors' reinvestment income before year's end, see Linke and Zumwalt [15]) and any growth during the year require an upward adjustment of the current annual rate of dividends to construct D_1 . If quarterly dividends grow at a constant rate, both factors could be accommodated straightforwardly by applying Equation (2) to quarterly data with a quarterly growth rate and then annualizing the estimated quarterly required return. Unfortunately, with lumpy changes in dividends, the precise nature of the adjustment depends on both an individual company's pattern of growth during the calendar year and an individual company's required return (and hence reinvestment income in the risk class).

In this work, D_1 is calculated as $D_0 (1 + g)$. The full g adjustment is a crude approximation to adjust for both growth and reinvestment income. For example, if one expected dividends to have been raised, on average, six months ago, a "1/2 g " adjustment would allow for growth, and the remaining "1/2 g " would be justified on the basis of reinvestment income. Any precise accounting for both reinvestment income and growth would require tracking each company's dividend change history and making explicit judgments about the quarter of the next change. Since no organized "market" forecast of such a detailed nature exists, such a procedure is not possible. To get a feel for the magnitudes involved, during the sample period the dividend yield (D_1/P_0) and growth (market value weighted) for the S&P 500 were typically 4% to 6% and 11% to 13%, respectively. As a result, a "full g " adjustment on average increases the required return by 60 to 70 basis points (relative to no g adjustment).

⁵Harris [12] provides a discussion of IBES data and its limitations. In more recent years, IBES has begun collecting forecasts for each of the next five years. Since this work was completed, the FAF used here have become available from IBES Inc., now a subsidiary of CitiBank.

⁶While the model calls for expected growth in dividends, no source of data on such projections is readily available. In addition, in the long run, dividend growth is sustainable only via growth in earnings. As long as payout ratios are not expected to change, the two growth rates will be the same.

Exhibit 2. Bond Market Yields, Equity Required Return, and Equity Risk Premium,^a 1982-1991

Year	Bond Market Yields ^b		Equity Market Required Return ^c	Equity Risk Premium	
	(1) U.S. Gov't	(2) Moody's Corporates	(3) S&P 500	U.S. Gov't (3) - (1)	Moody's Corporates (3) - (2)
1982	12.92	14.94	20.08	7.16	5.14
1983	11.34	12.78	17.89	6.55	5.11
1984	12.48	13.49	17.26	4.78	3.77
1985	10.97	12.05	16.32	5.37	4.28
1986	7.85	9.71	15.09	7.24	5.38
1987	8.58	9.84	14.71	6.13	4.86
1988	8.96	10.18	15.37	6.41	5.19
1989	8.46	9.66	15.06	6.60	5.40
1990	8.61	9.77	15.69	7.08	5.92
1991 ^d	8.21	9.41	15.61	7.40	6.20
Average ^e	9.84	11.18	16.31	6.47	5.13

Notes:

^aValues are averages of monthly figures in percent.

^bYields to maturity.

^cRequired return on value weighted S&P 500 index using Equation (1).

^dFigures for 1991 are through May.

^eMonths weighted equally.

over government bonds by subtracting i_{lt} , the yield to maturity on long-term government bonds. A risk premium over corporate bond yields is also constructed by subtracting i_c , the yield on long-term corporate bonds. Exhibit 2 reports the results by year (averages of monthly data).

The results are quite consistent with the patterns reported earlier (i.e., Harris [12]). The estimated risk premia in Exhibit 2 are positive, consistent with equity owners demanding additional rewards over and above returns on debt securities. The average expectational risk premium (1982 to 1991) over government bonds is 6.47%, only slightly higher than the 6.16% average for 1982 to 1984 reported earlier (Harris [12]). Furthermore, Exhibit 2 shows the estimated risk premia change over time, suggesting changes in the market's perception of the incremental risk of investing in equity rather than debt securities.

For comparison purposes, Exhibit 3 contains historical returns and risk premia. The average expectational risk premium reported in Exhibit 2 falls roughly midway between the arithmetic (7.5%) and geometric (5.7%) long-term differentials between returns on stocks and long-term government bonds. Note, however, that the expectational risk premia appear to change over time. In the following

sections, we examine the estimated risk premia to see if they vary cross-sectionally with the risk of individual stocks and over time with financial market conditions.

B. Cross-Sectional Tests

Earlier, Harris [12] conducted crude tests of whether expectational equity risk premia varied with risk proxied by bond ratings and the dispersion of analysts' forecasts and found that required returns increased with higher risk. Here we examine the link between these premia and beta, perhaps the most commonly used measure of risk for equities.⁸ In keeping with traditional work in this area, we adopt the methodology introduced by Fama and Macbeth [9] but replace realized returns with expected returns from Equation (2) as the variable to be explained. For this portion of our tests, we restrict our sample to 1982-1987

⁸For other efforts using expectational data in the context of the two-parameter CAPM, see Friend, Westerfield, and Granito [10], Cragg and Malkiel [7], Marston, Crawford, and Harris [19], Marston and Harris [20], and Linke, Kannan, Whitford, and Zumwalt [16]. For a more complete treatment of the subject, see Marston and Harris [20] from which we draw some of these results. Marston and Harris also investigate the role of unsystematic risk and the difference in estimates found when using expected versus realized returns.

Exhibit 3. Average Historical Returns on Bonds, Stocks, Bills, and Inflation in the U.S., 1926-1989

Historical Return Realizations	Geometric	Arithmetic
Common stock	10.3%	12.4%
Long-term government bonds	4.6%	4.9%
Long-term corporate bonds	5.2%	5.5%
Treasury bills	3.6%	3.7%
Inflation rate	3.1%	3.2%

Source: Ibbotson Associates, Inc., *1990 Stocks, Bonds, Bills and Inflation*, 1990 Yearbook.

and in any month include firms that have at least three forecasts of earnings growth to reduce measurement error associated with individual forecasts.⁹ This restricted sample still consists of, on average, 399 firms for each of the 72 months (or 28,744 company months).

For a given company in a given month, beta is estimated via the market model (using ordinary least squares) on the prior 60 months of return data taken from CRSP. Beta estimates are updated monthly and are calculated against an equally weighted index of all NYSE securities. For each month, we aggregate firms into 20 portfolios (consisting of approximately 20 securities each). The advantage of grouped data is the reduction in potential measurement error inherent in independent variables at the company level. Portfolios are formed based on a ranking of beta estimated from a prior time period ($t = -61$ to $t = -120$). Portfolio expected returns and beta are calculated as the simple averages for the individual securities.

Using these data, we estimate the following model for each of the 72 months:

$$R_p = \alpha_0 + \alpha_1 \beta_p + u_p, \quad p = 1 \dots 20, \quad (3)$$

where:

- R_p = Expected return for portfolio p in the given month,
- β_p = Portfolio beta, estimated over 60 prior months, and
- u_p = A random error term with mean zero.

As a result of estimating regression (3) for each month, 72 estimates of each coefficient (α_0 and α_1) are obtained.

Using realized returns as the dependent variable, the traditional approach (e.g., Fama and Macbeth [9]) is to assume that realized returns are a fair game. Given this assumption, the mean of the 72 values of each coefficient is an unbiased estimate of the mean over that same time period if one could have actually used expected returns as the dependent variable. Note that if expected returns are used as the dependent variable the fair-game assumption is not required. Making the additional assumption that the true value of the coefficient is constant over the 72 months, a test of whether the mean coefficient is different from zero is performed using a t -statistic where the denominator is the standard error of the 72 values of the coefficient. This is the technique employed by Fama and Macbeth [9]. If one assumes the CAPM is correct, the coefficient α_1 is an empirical estimate of the market risk premium, which should be positive.

To test the sensitivity of the results, we also repeat our procedures using individual security returns rather than portfolios. To account, at least in part, for differences in precision of coefficient estimates in different months we also report results in which monthly parameter estimates are weighted inversely by the standard error of the coefficient estimate rather than being weighted equally (following Chan, Hamao, and Lakonishok [6]).

Exhibit 4 shows that there is a significant positive link between expectational required returns and beta. For instance, in Panel A, the mean coefficient of 2.78 on beta is significantly different from zero at better than the 0.001 level ($t = 35.31$), and each of the 72 monthly coefficients going into this average is positive (as shown by that 100% positive figure). Using individual stock returns, the significant positive link between beta and expected return remains, though it is smaller in magnitude than for portfolios.¹⁰ Comparison of Panels A and B shows that the results are not sensitive to the weighting of monthly coefficients.

While the findings in Exhibit 4 suggest a strong positive link between beta and risk premia (a result often not supported when realized returns are used as a proxy for expectations; e.g., see Tinic and West [22]), the results do not support the predictions of a simple CAPM. In particular, the intercept is higher than a proxy for the risk-free rate over the sample period and the coefficient of beta is well below estimates of a market risk premium obtained from either expectational (Exhibit 2) or historical data (Exhibit

⁹Firms for which the standard deviation of individual FAF exceeded 20 in any month were excluded since we suspect some of these involve errors in data entry. This screen eliminated very few companies in any month. The 1982-1987 period was chosen due to the availability of data on betas.

¹⁰The smaller coefficients on beta using individual stock portfolio returns are likely due in part to the higher measurement error in measuring individual stock versus portfolio betas.

Exhibit 4. Mean Values of Monthly Parameter Estimates for the Relationship Between Required Returns and Beta for Both Portfolios and Individual Securities (Figures in Parentheses are *t* Values and Percent Positive), 1982-1987

<i>Panel A. Equal Weighting^a</i>				
	Intercept	B	Adjusted R^2 ^c	F ^c
Portfolio returns	14.06 (54.02, 100)	2.78 (35.31, 100)	0.503	25.4
Security returns	14.77 (58.10, 100)	1.91 (16.50, 99)	0.080	39.0
<i>Panel B. Weighted by Standard Errors^b</i>				
Portfolio returns	13.86 (215.6, 100)	2.67 (35.80, 100)	0.503	25.4
Security returns	14.63 (398.9, 100)	1.92 (47.3, 99)	0.080	39.0

^aEqually weighted average of monthly parameters estimated using cross-sectional data for each of the 72 months, January 1982 - December 1987.

^bIn obtaining the reported means, estimates of the monthly intercept and slope coefficients are weighted inversely by the standard error of the estimate from the cross-sectional regression for that month.

^cValues are averages for the 72 monthly regressions.

3).¹¹ Nonetheless, the results show that the estimated risk premia conform to the general theoretical relationship between risk and required return that is expected when investors are risk-averse.

C. Time Series Tests — Changes in Market Risk Premia

A potential benefit of using *ex ante* risk premia is the estimation of changes in market risk premia over time. With changes in the economy and financial markets, equity investments may be perceived to change in risk. For instance, investor sentiment about future business conditions likely affects attitudes about the riskiness of equity investments compared to investments in the bond markets. Moreover, since bonds are risky investments themselves, equity risk premia (relative to bonds) could change due to changes in perceived riskiness of bonds, even if equities displayed no shifts in risk. For example, during the high interest rate period of the early 1980s, the high level of interest rate volatility made fixed income investments more risky holdings than they were in a world of relatively stable rates.

¹¹Estimation difficulties confound precise interpretation of the intercept as the risk-free rate and the coefficient on beta as the market risk premium (see Miller and Scholes [21], and Black, Jensen, and Scholes [2]). The higher than expected intercept and lower than expected slope coefficient on beta are consistent with the prior studies of Black, Jensen, and Scholes [2], and Fama and MacBeth [9] using historical returns. Such results are consistent with Black's [1] zero beta model, although alternative explanations for these findings exist as well (as noted by Black, Jensen, and Scholes [2]).

Studying changes in risk premia for utility stocks, Brigham, et al [4] conclude that, prior to 1980, utility risk premia increased with the level of interest rates, but that this pattern reversed thereafter, resulting in an inverse correlation between risk premia and interest rates. Studying risk premia for both utilities and the equity market generally, Harris [12] also reports that risk premia appear to change over time. Specifically, he finds that equity risk premia decreased with the level of government interest rates, increased with the increases in the spread between corporate and government bond yields, and increased with increases in the dispersion of analysts' forecasts. Harris' study is, however, restricted to the 36-month period, 1982 to 1984.

Exhibit 5 reports results of analyzing the relationship between equity risk premia, interest rates, and yield spreads between corporate and government bonds. Following Harris [12], these bond yield spreads are used as a time series proxy for equity risk. As the perceived riskiness of corporate activity increases, the difference between yields on corporate bonds and government bonds should increase. One would expect the sources of increased riskiness to corporate bonds to also increase risks to shareholders. All regressions in Exhibit 5 are corrected for serial correlation.¹²

¹²Ordinary least squares regressions showed severe positive autocorrelation in many cases, with Durbin Watson statistics typically below one. Estimation used the Prais-Winsten method. See Johnston [14, pp. 321-325].

Exhibit 5. Changes in Equity Risk Premia Over Time — Entries are Coefficient (*t*-value); Dependent Variable is Equity Risk Premium

Time period	Intercept	i_{it}	$i_c - i_{it}$	R^2
A. May 1991-1992	0.131 (19.82)	-0.651 (-11.16)		0.53
	0.092 (14.26)	-0.363 (-6.74)	0.666 (5.48)	0.54
B. 1982-1984	0.140 (8.15)	-0.637 (-5.00)		0.43
	0.064 (3.25)	-0.203 (-1.63)	1.549 (4.84)	0.60
C. 1985-1987	0.131 (7.73)	-0.739 (-9.67)		0.74
	0.110 (12.53)	-0.561 (-7.30)	0.317 (1.87)	0.77
D. 1988-1991	0.136 (16.23)	-0.793 (-8.29)		0.68
	0.130 (8.71)	-0.738 (-4.96)	0.098 (0.40)	0.68

Note: All variables are defined in Exhibit 1. Regressions were estimated using monthly data and were corrected for serial correlation using the Prais-Winsten method. For purposes of this regression, variables are expressed in decimal form, e.g., 14% = 0.14.

For the entire sample period, Panel A shows that risk premia are negatively related to the level of interest rates — as proxied by yields on government bonds, i_{it} . This negative relationship is also true for each of the subperiods displayed in Panels B through D. Such a negative relationship may result from increases in the perceived riskiness of investment in government debt at high levels of interest rates. A direct measure of uncertainty about investments in government bonds would be necessary to test this hypothesis directly.

For the entire 1982 to 1991 period, the addition of the yield spread risk proxy to the regressions dramatically lowers the magnitude of the coefficient on government bond yields, as can be seen by comparing Equations 1 and 2 of Panel A. Furthermore, the coefficient of the yield spread (0.666) is itself significantly positive. This pattern suggests that a reduction in the risk differential between investment in government bonds and in corporate activity is translated into a lower equity market risk premium. Further examination of Panels B through D, however, suggests that the yield spread variable is much more important in explaining changes in equity risk premia in the early portion of the 1980s than in the 1988 to 1991 period.

In summary, market equity risk premia change over time and appear inversely related to the level of government interest rates but positively related to the bond yield spread, which proxies for the incremental risk of investing in equities as opposed to government bonds.

IV. Conclusions

Shareholder required rates of return and risk premia are based on theories about investors' expectations for the future. In practice, however, risk premia are often estimated using averages of historical returns. This paper applies an alternate approach to estimating risk premia that employs publicly available expectational data. At least for the decade studied (1982 to 1991), the resultant average market equity risk premium over government bonds is comparable in magnitude to long-term differences (1926 to 1989) in historical returns between stocks and bonds. There is strong evidence, however, that market risk premia change over time and, as a result, use of a constant historical average risk premium is not likely to mirror changes in investor return requirements. The results also show that the expectational risk premia vary cross-sectionally with the relative risk (beta) of individual stocks.

The approach offers a straightforward and powerful aid in establishing required rates of return either for corporate investment decisions or in the regulatory arena. Since data are readily available on a wide range of equities, an investigator can analyze various proxy groups (e.g., portfolios of utility stocks) appropriate for a particular decision as well as analyze changes in equity return requirements over time.

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