EDISON MISSION ENERGY
Form S-4
September 25, 2006

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As filed with the Securities and Exchange Commission on September 25, 2006

Registration No. [ ]

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Edison Mission Energy

(Exact name of registrant as specified in its charter)

Delaware	**4911**	**95-4031807**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

18101 Von Karman Avenue, Suite 1700
Irvine, California 92612
(949) 752-5588

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Steven D. Eisenberg, Esq.
Edison Mission Energy
18101 Von Karman Avenue, Suite 1700
Irvine, California 92612
(949) 752-5588

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:
Robert M. Chilstrom, Esq.
Harold F. Moore, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, New York 10036-6522
(212) 735-3000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Security(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
7.50% Senior Notes due June 15, 2013	$500,000,000	100%	$500,000,000	$53,500
7.75% Senior Notes due June 15, 2016	$500,000,000	100%	$500,000,000	$53,500

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(f) under the Securities Act of 1933.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to the said Section 8(a), may determine.

Subject to completion, dated September 25, 2006.

PROSPECTUS

Edison Mission Energy

Offer to exchange $500,000,000 aggregate principal amount of 7.50% Senior Notes due 2013 (CUSIPs 281023 AL 5, U27811 AC 9 and 281023 AM 3) for $500,000,000 7.50% Senior Notes due 2013 which have been registered under the Securities Act of 1933, as amended, and $500,000,000 aggregate principal amount of 7.75% Senior Notes due 2016 (CUSIPs 281023 AP 6, U27811 AD 7 and 281023 AQ 4) for $500,000,000 7.75% Senior Notes due 2016 which have been registered under the Securities Act

The exchange offer will expire at 5:00 p.m., New York City time, on , 2006, unless extended.

Terms of the exchange offer:

The new notes are being registered with the Securities and Exchange Commission and are being offered in exchange for the old notes that previously were issued in an offering exempt from the Securities and Exchange Commission's registration requirements.

The terms of the exchange offer are summarized below and more fully described in this prospectus.

We will exchange the new notes to be issued for all outstanding old notes that are validly tendered and not withdrawn pursuant to the exchange offer.

You may withdraw tenders of old notes at any time prior to the expiration of the exchange offer.

The terms of the new notes are substantially identical to those of the old notes, except that the transfer restrictions and registration rights relating to the old notes will not apply to the new notes.

The exchange of old notes for new notes will not be a taxable transaction for United States federal income tax purposes, but you should see the discussion under the heading "Material United States Federal Tax Consequences."

We will not receive any cash proceeds from the exchange offer.

We issued the old notes in a transaction not requiring registration under the Securities Act, and as a result, their transfer is restricted. We are making the exchange offer to satisfy your registration rights, as a holder of the old notes.

See "Risk Factors" beginning on page 11 for a discussion of certain risks that you should consider prior to tendering your outstanding old notes for exchange.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus dated , 2006

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-4 under the Securities Act of 1933 (as amended, the "Securities Act") that we filed with the Securities and Exchange Commission (the "SEC"). You should rely only on the information contained in this prospectus or to which we have referred you. We have not authorized anyone to provide you with information that is different. We are not making an offer of these securities in any state where the offer is not permitted. The information in this prospectus may only be accurate on the date of this prospectus.

This prospectus contains summaries, believed to be accurate, of some of the terms of specific documents, but reference is made to the actual documents, copies of which will be made available upon request, for the complete information contained in those documents. All summaries are qualified in their entirety by this reference.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports and other information with the SEC. You may read and copy any document that we file at the public reference rooms of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the public reference rooms by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site at http://www.sec.gov, from which you can access our filings. Any statement made in this prospectus concerning any document filed with the SEC is not necessarily complete, and reference is made to the copy of the document filed.

This prospectus incorporates important business and financial information about us from documents that we have filed with the SEC but have not included in or delivered with this prospectus. We will provide you with copies of this information, without charge, upon written or oral request to:

Edison Mission Energy
18101 Von Karman Avenue, Suite 1700
Irvine, California 92612
(949) 752-5588
Attention: General Counsel

To obtain timely delivery of requested documents before the expiration of the exchange offer, you must request them no later than , 2006, which is five business days before the exchange offer expires.

FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated herein by reference contain "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current expectations and projections about future events based on our knowledge of present facts and circumstances as of the date of this prospectus and assumptions about future events and include any statement that does not directly relate to a historical or current fact. Other information distributed by us that is incorporated by reference in this prospectus, or that refers to this prospectus, may also contain forward-looking statements. In this prospectus and elsewhere, the words "expects," "believes," "anticipates," "estimates," "projects," "intends," "plans," "probable," "may," "will," "could," "would," "should," and variations of such words and similar expressions, or discussions of strategy or plans, are intended to identify forward-looking statements. Such forward-looking statements necessarily involve risks and uncertainties that could cause actual results to differ materially from those anticipated. Some of the risks, uncertainties and other important factors that could cause results to differ, or that otherwise could impact us or our subsidiaries, include but are not limited to:

- supply and demand for electric capacity and energy, and the resulting prices and dispatch volumes, in the wholesale markets to which our generating units have access;

- the cost and availability of coal, natural gas and fuel oil, and associated transportation;

- market volatility and other market conditions that could increase our obligations to post collateral beyond the amounts currently expected, and the potential effect of such conditions on our ability and the ability of our subsidiaries to provide sufficient collateral in support of their hedging activities and purchases of fuel;

- the cost and availability of emission credits or allowances;

- transmission congestion in and to each market area and the resulting differences in prices between delivery points;

- governmental, statutory, regulatory or administrative changes or initiatives affecting us or the electricity industry generally, including the market structure rules applicable to each market and environmental regulations that could require additional expenditures or otherwise affect our cost and manner of doing business;

- the extent of additional supplies of capacity, energy and ancillary services from current competitors or new market entrants, including the development of new generation facilities and technologies that may be able to produce electricity at a lower cost than our generating facilities and/or increased access by competitors to our markets as a result of transmission upgrades;

- the difficulty of predicting wholesale prices, transmission congestion, energy demand, and other activities in the complex and volatile markets in which we and our subsidiaries participate;

- operating risks, including equipment failure, availability, heat rate and output;

- effects of legal proceedings, changes in or interpretations of tax laws, rates or policies, and changes in accounting standards;

- general political, economic and business conditions;

- weather conditions, natural disasters and other unforeseen events; and

- our continued participation and the continued participation by our subsidiaries in tax-allocation and payment agreements with our respective affiliates.

Readers are urged to read this entire prospectus and carefully consider the risks, uncertainties and other factors that affect our business. There may be other factors that may cause our actual results to differ materially from the results referred to in the forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this prospectus and are expressly qualified in their entirety by the cautionary statements included and incorporated by reference in this prospectus. We undertake no obligation to publicly update or revise any forward-looking statement whether as a result of new information, future events or otherwise. Readers should review future reports filed by us with the SEC.

INDUSTRY AND MARKET DATA

Industry and market data used throughout this prospectus, including the SEC filings incorporated by reference, were obtained through internal company research, surveys and studies conducted by third parties and industry and general publications. Neither we nor the initial purchasers have independently verified, or make any representations about the accuracy of, market and industry data from third-party sources. While we believe internal company estimates are reliable and market definitions are appropriate, they have not been verified by any independent sources, and neither we nor the initial purchasers make any representations about the accuracy of such estimates.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421 B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT ("RSA 421-B"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421 B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

SUMMARY

This summary highlights information about us and the exchange offer. This summary may not contain all the information that is important to you. Therefore, you should read this summary and the more detailed information appearing elsewhere in this prospectus. We encourage you to read this prospectus in its entirety. In this prospectus, the terms "the Company," "we," "our," "ours" and "us" refer to Edison Mission Energy and its direct and indirect subsidiaries unless otherwise stated or the context otherwise requires. You should consider the issues discussed in the "Risk Factors" section beginning on page 11 in evaluating your investment in the Notes.

Edison Mission Energy

Edison Mission Energy, or EME, is an independent power producer engaged in the business of owning or leasing, operating and selling energy and capacity from electric power generation facilities. EME also conducts price risk management and energy trading activities in power markets open to competition. EME is a wholly owned subsidiary of Mission Energy Holding Company, or MEHC. Edison International is EME's ultimate parent company. Edison International also owns Southern California Edison Company, one of the largest electric utilities in the United States.

EME was formed in 1986 with two domestic operating power plants. As of June 30, 2006, EME's continuing operations consisted of owned or leased interests in 29 operating power plants with an aggregate net physical capacity of 10,473 megawatts, or MW, of which EME's capacity pro rata share was 9,295 MW.

EME operates in one line of business, independent power production, with all of its continuing operations located in the United States, except the Doga project in Turkey. Operating revenues are primarily related to the sale of power Generated from our fossil fuel plants located in Illinois, and the Homer City electric generating station located in Pennsylvania. EME is headquartered in Irvine, California with additional offices located in Chicago, Illinois and Boston, Massachusetts.

EME is a Delaware corporation. Our principal executive offices are located at 18101 Von Karman Avenue, Suite 1700, Irvine, California 92612 and its telephone number at that address is (949) 752-5588. You can find more information about us posted on the Internet website maintained by our ultimate parent, Edison International, at www.edison.com. The information on Edison International's website is not part of this prospectus.

Overview of Facilities

As of June 30, 2006, our operations consisted of ownership or leasehold interests in the following operating power plants:

Power Plants	Location	Fuel Type	Ownership Interest	Net Physical Capacity (in MW)	EME's capacity pro rata share (in MW)
Merchant Power Plants					
Illinois Plants (6 plants)(1)	Illinois	Coal/Oil/Gas	100%	5,918	5,918
Homer City(1)	Pennsylvania	Coal	100%	1,884	1,884
Contracted Power Plants					
Domestic					
Big 4 Projects					
Kern River(1)	California	Natural Gas	50%	300	150
Midway-Sunset(1)	California	Natural Gas	50%	225	113
Sycamore(1)	California	Natural Gas	50%	300	150
Watson	California	Natural Gas	49%	385	189
Westside Projects					
Coalinga(1)	California	Natural Gas	50%	38	19
Mid-Set(1)	California	Natural Gas	50%	38	19
Salinas River(1)	California	Natural Gas	50%	38	19
Sargent Canyon(1)	California	Natural Gas	50%	38	19
American Bituminous(1)	West Virginia	Waste Coal	50%	80	40
March Point	Washington	Natural Gas	50%	140	70
Sunrise(1)	California	Natural Gas	50%	572	286
Huntington	New York	Biomass	38%	25	9
Wind Projects					
San Juan Mesa(1)	New Mexico	Wind	75%	120	90
Minnesota Wind Projects (7 plants)	Minnesota	Wind	50-99%	83	67
Storm Lake	Iowa	Wind	100%	109	109
International					
Doga(1)	Turkey	Natural Gas	80%	180	144
Total				10,473	9,295

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

In January 2006, we acquired a 99.9% interest in the Wildorado wind project, which owns a 161 MW wind farm located in northern Texas. During the first quarter of 2006, construction started on the Wildorado project, and commercial operation is expected to begin in April 2007. In April 2006, we received, as a capital contribution from our parent, ownership interests in a 192 MW portfolio of wind projects located in Iowa and Minnesota and a small biomass project. These projects were previously owned by our affiliate, Edison Capital.

Refinancing Plans

Tender offer and consent solicitation. On May 5, 2006, we launched a tender offer for any and all of our outstanding 10% Senior Notes due 2008 (the "2008 Senior Notes") and 9.875% Senior Notes due 2011 (the "2011 Senior Notes"), combined with a solicitation of consents from registered holders

of these senior notes to amendments to the indentures pursuant to which these notes were issued, in each case, to eliminate substantially all the restrictive covenants, eliminate or modify certain events of default and eliminate or modify related provisions contained in each indenture. We refer to this transaction as the Tender Offer and Consent Solicitation in this prospectus. These proposed amendments included amendments necessary to permit us to increase the size of our secured corporate credit facility.

On June 6, 2006, we completed our Tender Offer and Consent Solicitation. The amendments to the indentures pursuant to which the 2008 Senior Notes and 2011 Senior Notes were issued, which were proposed in connection with the Tender Offer and Consent Solicitation, became operative. The amendments to the indentures eliminated substantially all the restrictive covenants, eliminated or modified certain events of default and eliminated or modified related provisions contained in each indenture.

Notes offering. On June 6, 2006, we completed our private offering of $500 million aggregate principal amount of our 7.50% Senior Notes due 2013 (the "Old 2013 Notes") and $500 million aggregate principal amount of our 7.75% Senior Notes due 2016 (the "Old 2016 Notes" and, together with the Old 2013 Notes, the "Old Notes").

We used the net proceeds of the offering of the Old Notes, together with cash on hand, to purchase $368.9 million in aggregate principal amount of the 2008 Senior Notes (representing approximately 92.2% of the previously outstanding 2008 Senior Notes) and $595.6 million in aggregate principal amount of the 2011 Senior Notes (representing 99.3% of the previously outstanding 2011 Senior Notes) that were validly tendered pursuant to the Tender Offer and Consent Solicitation. The net proceeds of the offering of the Old Notes, together with cash on hand, were also used to pay related tender premiums. The total tender premiums paid on all 2008 Senior Notes and 2011 Senior Notes validly tendered were $106.8 million, and the total consent fees paid on all 2008 Senior Notes and 2011 Senior Notes validly tendered were $28.8 million. The total accrued and unpaid interest paid on validly tendered 2008 Senior Notes and 2011 Senior Notes was $19.7 million.

Replacement of secured credit facility. On June 15, 2006, we replaced our existing $98 million secured credit facility with a new $500 million secured revolving credit facility.

The refinancing plan improved our liquidity, extended the maturity dates of our indebtedness, reduced annual interest costs, and improved the operating flexibility of the covenants associated with our outstanding debt. Completion of the refinancing plan pursuant to the Tender Offer and Consent Solicitation resulted in a significant charge against income due to the early retirement of the outstanding senior notes.

The Exchange Offer

As part of our Old Notes offering, which was completed on June 6, 2006, we entered into a registration rights agreement in respect of the Old Notes in which we agreed, among other things, to deliver this prospectus to you and to complete an exchange offer for the Old Notes. Below is a summary of the terms of the exchange offer.

Securities Offered	$1,000,000,000 principal amount of New Notes, consisting of:
	$500,000,000 principal amount of 7.50% Senior Notes due 2013 (the "New 2013 Notes"); and
	$500,000,000 principal amount of 7.75% Senior Notes due 2016 (the "New 2016 Notes" and, together with the New 2013 Notes, the "New Notes"). The form and terms of these New Notes are identical in all material respects to those of the corresponding tranche of Old Notes. The New Notes, however, will not contain transfer restrictions and registration rights applicable to the Old Notes.
The Exchange Offer	We are offering to issue up to $1,000,000,000 aggregate principal amount of the New Notes in exchange for a like principal amount of the Old Notes in order to satisfy our obligations under the registration rights agreement that we entered into when the Old Notes were issued.
Expiration Date; Tenders	The exchange offer will expire at 5:00 p.m., New York City time, on , 2006, unless extended in our sole and absolute discretion. By tendering your Old Notes, you represent that:
	you are not our "affiliate," as defined in Rule 405 under the Securities Act;
	any New Notes you receive in the exchange offer are being acquired by you in the ordinary course of your business;
	at the time of commencement of the exchange offer, neither you nor, to your knowledge, anyone receiving New Notes from you, has any arrangement or understanding with any person to participate in the distribution, as defined in the Securities Act, of the Old Notes or the New Notes in violation of the Securities Act;
	if you are not a participating broker-dealer, you are not engaged in, and do not intend to engage in, the distribution, as defined in the Securities Act, of the Old Notes or the New Notes; and

	if you are a broker-dealer, you will receive the New Notes for your own account in exchange for Old Notes that were acquired by you as a result of your market-making or other trading activities and that, you will deliver a prospectus in connection with any resale of the New Notes you receive. For further information regarding resales of the New Notes by participating broker-dealers, see "Plan of Distribution."
	We will extend the duration of the exchange offer as required by applicable law, and may choose to extend if we decide to give holders of Old Notes more time to tender their Old Notes.
Withdrawal; Non-Acceptance	You may withdraw any Old Notes tendered in the exchange offer at any time prior to 5:00 p.m., New York City time, on , 2006. If for any reason the tender of any Old Notes is not accepted for exchange, such withdrawn or unaccepted Old Notes will be credited to the tendering holder's account at The Depository Trust Company, or DTC. For further information regarding the withdrawal of tendered Old Notes, see "The Exchange Offer Terms of the Exchange Offer" and "The Exchange Offer Withdrawal Rights."
Conditions to the Exchange Offer	The exchange offer is subject to certain conditions, which we may waive. See "The Exchange Offer Conditions to the Exchange Offer" for more information regarding the conditions to the exchange offer.
Procedures for Tendering Old Notes	To participate in the exchange offer, you must tender your Old Notes by using the book-entry transfer procedures described below and transmitting an agent's message to the exchange agent on or prior to the expiration or termination of the exchange offer. In order for a book-entry transfer to constitute a valid tender of your Old Notes in the exchange offer, Wells Fargo Bank, National Association, as exchange agent, must receive a confirmation of book-entry transfer of your Old Notes into the exchange agent's account at DTC prior to the expiration or termination of the exchange offer. For more information regarding the use of book-entry transfer procedures, including a description of the required agent's message, see "The Exchange Offer Book-Entry Transfer."
Special Procedures for Beneficial Owners	If you are a beneficial owner whose Old Notes are registered in the name of the broker, dealer, commercial bank, trust company or other nominee and you wish to tender your Old Notes in the exchange offer, you should promptly contact the person in whose name the Old Notes are registered, and instruct that person to tender on your behalf.

Certain United States Federal Income Tax Consequences	The exchange of Old Notes for New Notes pursuant to the exchange offer will not be a taxable transaction for U.S. federal income tax purposes. See "Material U.S. Federal Income Tax Consequences" for more information regarding the tax consequences of the exchange offer to you.
Use of Proceeds	We will not receive any cash proceeds from the exchange offer.
Exchange Agent	Wells Fargo Bank, National Association is the exchange agent for the exchange offer. You can find the address and telephone number of the exchange agent below in "The Exchange Offer Exchange Agent."
Resales	Based on interpretations by the staff of the SEC, as set forth in no-action letters issued to third parties, we believe that the New Notes issued in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act as long as:
	you are not an affiliate of ours or a broker-dealer that acquired the Old Notes directly from us;
	you are acquiring the New Notes in the ordinary course of your business; and
	you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate, in a distribution of the Old Notes or the New Notes.
	If you are an affiliate of ours or are engaged in or intend to engage in or have any arrangement or understanding with any person to participate in the distribution of the Old Notes or the New Notes:
	you cannot rely on the applicable interpretations of the staff of the SEC; and
	you must comply with the registration requirements of the Securities Act in connection with any resale transaction.
	Each broker or dealer that receives New Notes for its own account in exchange for Old Notes that were acquired as a result of market-making or other trading activities may be deemed an underwriter and thus must acknowledge that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any offer, resale, or other transfer of the New Notes issued in the exchange offer, including the delivery of a prospectus that contains information with respect to any selling holder required by the Securities Act in connection with any resale of the New Notes.

	Furthermore, any broker-dealer that acquired any of its Old Notes directly from us may not rely on the applicable interpretation of the SEC staff contained in no-action letters for Exxon Capital Holdings Corp. (available May 13, 1988), Morgan Stanley & Co. Incorporated (available June 5, 1991) and Shearman & Sterling (available July 2, 1993).
	As a condition to participation in the exchange offer, each holder will be required to represent that it is not our affiliate or a broker-dealer that acquired the Old Notes directly from us.
Broker-Dealers	Each broker-dealer that receives New Notes for its own account in exchange for Old Notes, where such Old Notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such New Notes. See "Plan of Distribution."
Consequences of Not Exchanging Old Notes	If you do not exchange your Old Notes in the exchange offer, you will continue to be subject to the restrictions on transfer described in the legend on your Old Notes. In general, you may offer or sell your Old Notes only:
	if they are registered under the Securities Act and applicable state securities laws;
	if they are offered or sold under an exemption from registration under the Securities Act and applicable state securities laws; or
	if they are offered or sold in a transaction not subject to the Securities Act and applicable state securities laws.
	We do not currently intend to register the Old Notes under the Securities Act. Under some circumstances, however, holders of the Old Notes, including holders who are not permitted to participate in the exchange offer or who may not freely sell New Notes received in the exchange offer, may require us to file, and to cause to become effective, a shelf registration statement covering resales of the Old Notes by these holders. For more information regarding the consequences of not tendering your Old Notes and our obligations to file a shelf registration statement, see "The Exchange Offer Consequences of Exchanging or Failing to Exchange Old Notes."
No Prior Market	The New Notes will be a new issue of securities for which there is no existing market. Accordingly, we cannot assure you that a liquid market for the New Notes will develop or be maintained.

Summary of the Terms of the Notes

The form and the terms of the New Notes and the Old Notes are identical in all material respects, except that the transfer restrictions and registration rights applicable to the Old Notes do not apply to the New Notes. The New Notes will evidence the same debt as the Old Notes and will be governed by the same indenture dated June 6, 2006, first supplemental indenture dated June 6, 2006 and second supplemental indenture dated June 6, 2006 (collectively, the "Indenture").

Issuer	Edison Mission Energy
New Notes Offered	$1,000,000,000 principal amount of New Notes, consisting of:
	$500,000,000 principal amount of New 2013 Notes; and
	$500,000,000 principal amount of New 2016 Notes.
Maturity Dates	New 2013 Notes June 15, 2013
	New 2016 Notes June 15, 2016
Interest Payment Dates	Interest on the New Notes will be paid semi-annually in arrears on June 15 and December 15 of each year, commencing on December 15, 2006.
Ranking of the Notes	The New Notes will be senior unsecured obligations of EME, will rank pari passu with all of EME's senior unsecured indebtedness and will rank senior to EME's subordinated indebtedness, if any. All existing and future liabilities of EME's subsidiaries will be effectively senior to the New Notes.
Certain Covenants	The Indenture governing the New Notes contains covenants limiting or prohibiting EME's ability to, among other things:
	create liens,
	incur secured indebtedness, and
	merge or consolidate with other entities.
	These covenants are subject to important qualifications and exceptions. See "Description of the Notes Certain Covenants."
Optional Redemption	We may redeem some or all of the New Notes at any time at a price equal to 100% of the principal amount of, plus accrued and unpaid interest on, the New Notes plus a "make-whole" premium. See "Description of the Notes Redemption."
Risk Factors	See "Risk Factors" for a discussion of certain factors that should be considered in evaluating an investment in the New Notes.

Summary Consolidated Financial Data

The following table sets forth a summary of our consolidated financial data for the periods indicated. In April 2006, EME received, as a capital contribution, ownership interests in a portfolio of wind projects located in Iowa and Minnesota and a small biomass project. These projects were previously owned by EME's affiliate, Edison Capital. EME accounted for this acquisition at Edison Capital's historical cost as a transaction between entities under common control for a net book value of approximately $76 million. The historical consolidated financial and operating results data reflects the acquisition as though EME had always owned the projects for all periods presented. The historical consolidated operating data for each of the three years ended December 31, 2005 and the financial position data as of December 31, 2005 and 2004 were derived from the audited historical consolidated financial statements included elsewhere in this prospectus. The following selected historical consolidated financial data as of June 30, 2006 and for the six months ended June 30, 2006 and 2005 has been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Our unaudited consolidated financial statements were prepared on a basis consistent with that used in preparing our audited consolidated financial statements and include all material adjustments, all of which are of a normal recurring nature, that, in the opinion of management, are necessary for a fair statement of our financial position and results of operations for the unaudited periods.

You should read the following information in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and the related notes included elsewhere in this prospectus. Historical results are not necessarily indicative of results that may be expected for any future period.

	Years Ended December 31,			Six Months Ended June 30,	
	2003	2004	2005	2005	2006
	(in millions)			(in millions) (unaudited)	
Income Statement Data					
Operating revenues	$ 1,779	$ 1,653	$ 2,265	$ 939	$ 977
Operating expenses					
Fuel, plant operations and plant operating lease	1,334	1,300	1,287	653	658
Loss on lease termination, asset impairment and other charges	304	989	7	7	
Depreciation and amortization	156	152	134	66	71
Administrative and general	138	149	154	70	64
Total Operating Expenses	1,932	2,590	1,582	796	793
Operating income (loss)	(153)	(937)	683	143	184
Equity in income from unconsolidated affiliates	239	218	229	83	71
Impairment on equity method investment			(55)		
Interest and other income	2	52	69	24	66
Loss on early extinguishment of debt			(4)	(4)	(143)
Interest expense	(303)	(298)	(300)	(151)	(145)
Income (loss) from continuing operations before income taxes and minority interest	(215)	(965)	622	95	33
Provision (benefit) for income taxes	(121)	(406)	208	19	1
Minority interest	(2)	(1)			
Income (loss) from continuing operations	(96)	(560)	414	76	32
Income (loss) from operations of discontinued subsidiaries (including gain on disposal of $533 million in 2004), net of tax	124	690	29	28	77
Income (loss) before accounting change	28	130	443	104	109
Cumulative effect of change in accounting, net of tax(1)	(9)		(1)		
Net income (loss)	$ 19	$ 130	$ 442	$ 104	$ 109

(1) Our 2005 loss from a change in accounting principle resulted from the adoption of a new accounting standard for conditional asset retirements. Our 2003 loss from a change in accounting principle resulted from adoption of a new accounting standard for asset retirement obligations.

	As of December 31,			
	2003(2)	2004(3)	2005	As of June 30, 2006
		(in millions)		(in millions) (unaudited)
Balance Sheet Data				
Assets	$ 12,299	$ 7,087	$ 7,023	$ 7,021
Current liabilities	1,203	994	846	523
Long-term obligations	2,919	3,530	3,330	3,294
Preferred securities				
Shareholder's equity	1,954	1,745	1,910	2,242

(2) In the fourth quarter of 2003, we adopted FIN No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51," which required us to reflect the junior subordinated deferrable debentures as a liability, which under the prior accounting treatment would have been eliminated in consolidation, instead of the Monthly Income Preferred Securities.

(3) Assets decreased in 2004 compared to 2003 due to completion of the sale of substantially all of our international assets.

	Years Ended December 31,			Six Months Ended June 30,	
	2003	2004	2005	2005	2006
		(in millions)		(in millions)	
Other Data					
Ratio of earnings to fixed charges(4)(5)			2.23	1.40	1.20

(4) For purposes of computing the ratio of earnings to fixed charges, earnings are divided by fixed charges. "Earnings" represent the aggregate of income (loss) for continuing operations before income taxes and minority interest. "Fixed charges" represent interest (whether expensed or capitalized), dividends on preferred securities for continuing operations, amortization of debt discount and the interest component of rental expense.

(5) For the years ended December 31, 2004 and 2003, there was a fixed charge deficiency of $953 million and $85 million, respectively.

RISK FACTORS

Your investment in the New Notes involves a high degree of risk. You should carefully consider the risks described below as well as other information and data included in this prospectus before making an investment decision. Additional risks and uncertainties not presently known to us or that we currently believe are immaterial may also adversely impact our business operations. If any of the events described in the risk factors below occur, our business, financial condition, operating results and prospects could be materially adversely affected, which in turn could adversely affect our ability to pay interest and/or principal on the New Notes.

Risks Relating to Exchange Offer

You may have difficulty selling the Old Notes which you do not exchange, since Old Notes will continue to have restrictions on transfer and cannot be sold without registration under securities laws or exemptions from registration.

If a large number of Old Notes are exchanged for New Notes issued in the exchange offer, it may be difficult for holders of Old Notes that are not exchanged in the exchange offer to sell the Old Notes, since those Old Notes may not be offered or sold unless they are registered or there are exemptions from registration requirements under the Securities Act or state laws that apply to them. In addition, if there are only a small number of Old Notes outstanding, there may not be a very liquid market in those Old Notes. There may be few investors that will purchase unregistered securities in which there is not a liquid market. See "The Exchange Offer Consequences of Exchanging or Failing to Exchange Old Notes."

In addition, if you do not tender your Old Notes or if we do not accept some Old Notes, those notes will continue to be subject to the transfer and exchange provisions of the Indenture and the existing transfer restrictions of the Old Notes that are described in the legend on such notes and in the offering memorandum relating to the Old Notes.

Late deliveries of Old Notes or any other failure to comply with the exchange offer procedures could prevent a holder from exchanging its Old Notes.

Noteholders are responsible for complying with all exchange offer procedures. The issuance of New Notes in exchange for Old Notes will only occur upon completion of the procedures described in this prospectus under "The Exchange Offer." Therefore, holders of Old Notes who wish to exchange them for New Notes should allow sufficient time for timely completion of the exchange procedure. Neither we nor the exchange agent are obligated to extend the offer or notify you of any failure to follow the proper procedure.

If you do not exchange your Old Notes in the exchange offer, you will no longer be entitled to an increase in interest payments on Old Notes that the Indenture provides for if we fail to complete the exchange offer.

Once the exchange offer has been completed, holders of outstanding Old Notes will not be entitled to any increase in the interest rate on their notes, which the Indenture provides for if we fail to complete the exchange offer. Holders of Old Notes will not have any further rights to have their Old Notes registered, except in limited circumstances, once the exchange offer is completed.

If you exchange your Old Notes, you may not be able to resell the New Notes you receive in the exchange offer without registering them and delivering a prospectus.

If you exchange your Old Notes in the exchange offer for the purpose of participating in a distribution of the New Notes, you may be deemed to have received restricted securities and, if so, you will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Based on interpretations by the SEC in no-action letters, we believe, with respect to New Notes issued in the exchange offer, that:

- holders who are not "affiliates" of ours within the meaning of Rule 405 of the Securities Act,
- holders who acquire their notes in the ordinary course of business and
- holders who do not engage in, intend to engage in, or have arrangements to participate in a distribution (within the meaning of the Securities Act) of the notes do not have to comply with the registration and prospectus delivery requirements of the Securities Act.

Holders described in the preceding sentence must tell us in writing at our request that they meet these criteria. Holders that do not meet these criteria could not rely on interpretations of the SEC in no-action letters, and would have to register the New Notes they receive in the exchange offer and deliver a prospectus for them. In addition, holders that are broker-dealers may be deemed "underwriters" within the meaning of the Securities Act in connection with any resale of New Notes acquired in the exchange offer. Holders that are broker-dealers must acknowledge that they acquired their Old Notes in market-making activities or other trading activities and must deliver a prospectus when they resell the New Notes they acquire in the exchange offer in order not to be deemed an underwriter. Our obligation to make this prospectus available to broker-dealers is limited. We cannot guarantee that a proper prospectus will be available to broker-dealers wishing to resell their New Notes.

You should review the more detailed discussion in "The Exchange Offer Procedures for Tendering Old Notes" and "The Exchange Offer Consequences of Exchanging or Failing to Exchange Old Notes."

Risks Relating to Our Business

We have substantial interests in merchant energy power plants which are subject to market risks related to wholesale energy prices.

Our merchant energy power plants do not have long-term power purchase agreements. Because the output of these power plants is not committed to be sold under long-term contracts, these projects are subject to market forces which determine the amount and price of energy, capacity and ancillary services sold from the power plants. The factors that influence the market price for energy, capacity and ancillary services include:

- prevailing market prices for coal, natural gas and fuel oil, and associated transportation;
- the extent of additional supplies of capacity, energy and ancillary services from current competitors or new market entrants, including the development of new generation facilities or technologies that may be able to produce electricity at a lower cost than our generating facilities and/or increased access by competitors to our markets as a result of transmission upgrades;

- transmission congestion in and to each market area and the resulting differences in prices between delivery points;

- the market structure rules established for each market area and regulatory developments affecting the market areas, including any price limitations and other mechanisms adopted to address volatility or illiquidity in these markets or the physical stability of the system;

- the cost and availability of emission credits or allowances;

- the availability, reliability and operation of competing power generation facilities, including nuclear generating plants where applicable, and the extended operation of such facilities beyond their presently expected dates of decommissioning;

- weather conditions prevailing in surrounding areas from time to time; and

- changes in the demand for electricity or in patterns of electricity usage as a result of factors such as regional economic conditions and the implementation of conservation programs.

In addition, unlike most other commodities, electric power can only be stored on a very limited basis and generally must be produced concurrently with its use. As a result, the wholesale power markets are subject to significant and unpredictable price fluctuations over relatively short periods of time.

There is no assurance that our merchant energy power plants will be successful in selling power into their markets or that the prices received for their power will generate positive cash flows. If our merchant energy power plants do not meet these objectives, they may not be able to generate enough cash to service their own debt and lease obligations, which could have a material adverse effect on us.

Our financial results can be affected by changes in fuel prices, fuel transportation cost increases, and interruptions in fuel supply.

Our business is subject to changes in fuel costs, which may negatively affect our financial results and financial position by increasing the cost of producing power. The fuel markets can be volatile, and actual fuel prices can differ from our expectations.

Although we attempt to purchase fuel based on our known fuel requirements, we are still subject to the risks of supply interruptions, transportation cost increases, and fuel price volatility. In addition, fuel deliveries may not exactly match energy sales, due in part to the need to purchase fuel inventories in advance for reliability and dispatch requirements. The price at which we can sell our energy may not rise or fall at the same rate as a corresponding rise or fall in fuel costs.

We may not be able to hedge market risks effectively.

We are exposed to market risks through our ownership and operation of merchant energy power plants and through our power marketing business. These market risks include, among others, volatility arising from the timing differences associated with buying fuel, converting fuel into energy and delivering energy to a buyer. We use forward contracts and derivative financial instruments, such as futures contracts and options, to manage market risks and exposure to fluctuating electricity and fuel prices. These activities, although intended to mitigate our exposure, expose us to other risks.

The effectiveness of our hedging activities may depend on the amount of working capital available to post as collateral in support of these transactions, either in support of performance guarantees or as a cash margin. The amount of credit support that must be provided typically is based on the difference between the price of the commodity in a given contract and the market price of the commodity. Significant movements in market prices can result in a requirement to provide cash collateral and letters of credit in very large amounts. Without adequate liquidity to meet margin and collateral requirements, we could be exposed to the following:

- a reduction in the number of counterparties willing to enter into bilateral contracts, which would result in increased reliance on short-term and spot markets instead of bilateral contracts, increasing our exposure to market volatility; and

- a failure to meet a margining requirement, which could permit the counterparty to terminate the related bilateral contract early and demand immediate payment for the replacement value of the contract.

As a result of these and other factors, we cannot predict with precision the effect that risk management decisions may have on our businesses, operating results or financial position.

We are exposed to credit and performance risk from third parties under supply and transportation contracts.

We rely on contracts for the supply and transportation of fuel and other services required for the operation of our generation facilities. Our operations are exposed to the risk that counterparties will not perform their obligations. If a counterparty failed to perform under a contract, we would need to obtain alternate suppliers or alternate means of transportation for our requirements of fuel or other services, which could result in higher costs or disruptions in our operations. Furthermore, we are exposed to credit risk because damages related to a breach of contract may not be recoverable. Accordingly, the failure of a supplier to fulfill our contractual obligations could have a material adverse effect on our financial results.

We are subject to extensive energy industry regulation.

Our operations are subject to extensive regulation by governmental agencies. Our projects are subject to federal laws and regulations that govern, among other things, transactions by and with purchasers of power, including utility companies, the development and construction of generation facilities, the ownership and operations of generation facilities, and access to transmission. Under limited circumstances where exclusive federal jurisdiction is not applicable or specific exemptions or waivers from state or federal laws or regulations are otherwise unavailable, federal and/or state utility regulatory commissions may have broad jurisdiction over non-utility owned electric power plants. Generation facilities are also subject to federal, state and local laws and regulations that govern, among other things, the geographical location, zoning, land use and operation of a project.

There is no assurance that the introduction of new laws or other future regulatory developments will not have a material adverse effect on our business, results of operations or financial condition, nor is there any assurance that we will be able to obtain and comply with all necessary licenses, permits and approvals for our projects. If projects cannot comply with all applicable regulations, our business, results of operations and financial condition could be adversely affected.

We are subject to extensive environmental regulation and permitting requirements that may involve significant and increasing costs.

Our operations are subject to extensive environmental regulation. We are required to obtain and comply with conditions established by licenses, permits and other approvals in order to construct, operate or modify our facilities. Failure to comply with these requirements could subject us to civil or criminal liability, the imposition of liens or fines, or actions by regulatory agencies seeking to curtail our operations. We may also be exposed to risks arising from past, current or future contamination at our former or existing facilities or with respect to off-site waste disposal sites that have been used in our operations.

We devote significant resources to environmental monitoring, pollution control equipment and emission allowances to comply with environmental regulatory requirements. We believe that we are in substantial compliance with environmental regulatory requirements and that maintaining compliance with current requirements will not materially affect our financial position or results of operations. However, the current trend is toward more stringent standards, stricter regulation, and more expansive application of environmental regulations. Future environmental laws and regulations, and future enforcement proceedings that may be taken by environmental authorities, could affect the costs and the manner in which we conduct our business and could cause us to make substantial additional capital expenditures. There is no assurance that we would be able to recover these increased costs from our customers or that our business, financial position and results of operations would not be materially adversely affected.

Environmental advocacy groups and regulatory agencies in the United States have been focusing considerable attention on carbon dioxide emissions from coal-fired power plants and their potential role in climate change. The adoption of laws and regulations to implement carbon dioxide controls could adversely affect our coal-fired plants. Also, coal plant emissions of nitrogen oxides and sulfur oxides, mercury and particulates are subject to increased controls and mitigation expenses. Additionally, certain of the states in which we operate are contemplating air pollution control regulations that are more stringent than existing and proposed federal regulations. Changing environmental regulations could require us to purchase additional emission allowances or install additional pollution control technology, and could make some units uneconomical to maintain or operate. If we cannot comply with all applicable regulations, we could be required to retire or suspend operations at our facilities, or restrict or modify the operations of our facilities, and our business, results of operations and financial condition could be adversely affected.

Typically, environmental laws require a lengthy and complex process for obtaining licenses, permits and approvals prior to construction, operation or modification of a project or generating facility. Meeting all the necessary requirements can delay or sometimes prevent the completion of a proposed project as well as require extensive modifications to existing projects, which may involve significant capital expenditures. We cannot provide assurance that we will be able to obtain and comply with all necessary licenses, permits and approvals for our plants.

The ability of our largest subsidiary, Midwest Generation, LLC, to make distributions is restricted.

Midwest Generation, LLC, which owns or leases our fossil fuel plants located in Illinois, has entered into financing documents that contain restrictions on its ability to pay dividends.

We are the guarantor of the Powerton and Joliet (Units 7 and 8) leases and are obligated under intercompany notes to make debt service payments to Midwest Generation. Each intercompany note is a general corporate obligation of ours, which ranks pari passu with the New Notes, and payments on it are made from distributions from subsidiaries and other sources of cash received by us. Accordingly, we must continue to make payments under the intercompany notes regardless of whether or not Midwest Generation makes distributions to us. If we were not able to satisfy our obligations under the intercompany notes, it would result in a default under the financing documents of EME and Midwest Generation. This could have a material adverse effect on our results of operations and cash flow and our ability to make payment on the New Notes.

Competition could adversely affect our business.

The independent power industry is characterized by numerous capable competitors, some of whom may have more extensive operating experience in the acquisition and development of power projects, larger staffs, and greater financial resources than we do. Further, in recent years some power markets have been characterized by strong and increasing competition as a result of regulatory changes and other factors which can contribute to a reduction in market prices for power from time to time. These regulatory and other changes may increase competitive pressures in the markets in which we operate.

Newer plants owned by our competitors are often more efficient than our facilities. This may put some of our facilities at a competitive disadvantage to the extent that our competitors are able to produce more power from each increment of fuel than our facilities are capable of producing.

Several participants in the wholesale markets, including many regulated utilities, have a lower cost of capital than most merchant generators and often are able to recover fixed costs through rate base mechanisms, allowing them to build, buy and upgrade generation assets without relying exclusively on market clearing prices to recover their investments. This could affect our ability to compete effectively in the markets in which those entities operate.

Our parent, Mission Energy Holding Company, depends upon cash flows from us to service its debt.

The principal asset of MEHC is the common stock of EME. In July 2001, MEHC issued $800 million of 13.50% senior secured notes due 2008. These senior secured notes are secured by a first priority security interest in our common stock. Any foreclosure on the pledge of our common stock by the holders of the senior secured notes would result in a change in control of EME which could have a material adverse effect on MEHC and us. Dividends from us are limited based on our earnings and cash flow, the terms of restrictions contained in our corporate credit facility, business and tax considerations and restrictions imposed by applicable law.

Restrictions in our certificate of incorporation, our credit facilities and the MEHC financing documents limit our ability to enter into specified transactions that we otherwise may enter into and may significantly impede our ability to refinance our debt.

The financing documents entered into by MEHC contain financial and investment covenants restricting us. Our certificate of incorporation binds us to the provisions in MEHC's financing documents by restricting our ability to enter into specified transactions and engage in specified business activities without shareholder approval. The instruments governing our indebtedness also contain financial and investment covenants. Restrictions contained in these documents could affect, and in some cases significantly limit or prohibit, our ability to, among other things, incur, refinance, and prepay debt, make capital expenditures, pay dividends and make other distributions, make investments, create liens, sell assets, enter into sale and leaseback transactions, issue equity interests, enter into transactions with affiliates, create restrictions on the ability to pay dividends or make other distributions and engage in mergers and consolidations. These restrictions may significantly impede our ability to take advantage of business opportunities as they arise, to grow our business and compete effectively, or to develop and implement any refinancing plans in respect of our indebtedness.

In addition, in connection with the entry into new financings or amendments to existing financing arrangements, our financial and operational flexibility may be further reduced as a result of more restrictive covenants, requirements for security and other terms that are often imposed on sub-investment grade entities.

Our projects may be affected by general operating risks and hazards customary in the power generation industry. We may not have adequate insurance to cover all these hazards.

The operation of power generation facilities involves many operating risks, including:

- performance below expected levels of output or efficiency;
- interruptions in fuel supply;
- disruptions in the transmission of electricity;
- curtailment of operations due to transmission constraints;
- breakdown or failure of equipment or processes;
- imposition of new regulatory, permitting, or environmental requirements, or violations of existing requirements;
- employee work force factors, including strikes, work stoppages or labor disputes;
- operator error; and
- catastrophic events such as terrorist activities, fires, tornadoes, earthquakes, explosions, floods or other similar occurrences affecting power generation facilities or the transmission and distribution infrastructure over which power is transported.

These and other hazards can cause significant personal injury or loss of life, severe damage to and destruction of property, plant and equipment, contamination of or damage to the environment, and suspension of operations. The occurrence of one or more of the events listed above could decrease or eliminate revenues generated by our projects or significantly increase the costs of operating them, and could also result in our being named as a defendant in lawsuits asserting claims for substantial damages, potentially including environmental cleanup costs, personal injury, property damage, fines and penalties. Equipment and plant warranties and insurance may not be sufficient or effective under all circumstances to cover lost revenues or increased expenses. A decrease or elimination in revenues generated by the facilities or an increase in the costs of operating them could decrease or eliminate funds available to meet our obligations as they become due and could have a material adverse effect on us. A default under a financing obligation of a project entity could result in a loss of our interest in the project.

Our future acquisitions and development projects may not be successful.

Our long-term strategy includes the development and acquisition of electric power generation facilities. The development of a power project may require us to expend significant amounts for preliminary engineering, permitting, legal and other expenses before we can determine whether we will win a competitive bid, or whether a project is feasible, economically attractive or financeable. We may not be successful in obtaining financing for our projects and may not be able to obtain sufficient equity capital, project cash flow, or additional borrowings to enable us to fund equity commitments for future projects.

In addition to the competition already existing in the markets in which we presently operate or may consider operating in the future, we are likely to encounter significant competition for acquisition opportunities that may become available as a result of the consolidation of the power industry, in general, as well as the passage of the Energy Policy Act of 2005. We may be unable to identify attractive acquisition or development opportunities and/or to complete and integrate them on a successful and timely basis.

Risks Relating to the New Notes

We are primarily a holding company. Our only material source of cash is and will be distributions from our subsidiaries, and the New Notes are effectively subordinated to the claims of the creditors of our direct and indirect subsidiaries.

We are primarily a holding company with no material business operations of our own. Our most significant assets are the capital stock of our subsidiaries. We conduct virtually all of our business operations through those subsidiaries. Accordingly, our only material source of cash, including cash to make payments on or redeem the New Notes or our other indebtedness, is and will be dividends and distributions with respect to our ownership interests in our subsidiaries that are derived from the earnings and cash flow generated by our subsidiaries. We cannot assure you that our subsidiaries will generate sufficient earnings and cash flow to pay dividends or distributions to us or that applicable state law and contractual restrictions will permit dividends or distributions in the future. In addition, our direct and indirect subsidiaries will not guarantee the New Notes and will have no legal obligation to make payments on the New Notes or make funds available for those payments, whether by dividends, loans or other payments. Accordingly, we may not be able to pay interest on the New Notes or principal when due at maturity or otherwise.

In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding involving EME, the New Notes will be effectively subordinated to the claims of the creditors of all of EME's direct and indirect subsidiaries, including trade creditors and holders of indebtedness of those subsidiaries. Accordingly, there might only be a limited amount of assets available to satisfy your claims as a holder of the New Notes upon an acceleration of the maturity of the New Notes.

We have a substantial amount of indebtedness, including long-term lease obligations.

As of June 30, 2006, our consolidated debt was $3.4 billion. In addition, our subsidiaries have $4.4 billion of long-term power plant lease obligations that are due over a period ranging up to 29 years. Subject to certain exceptions, the Indenture governing the New Notes will limit our ability to incur secured debt to 10% of our consolidated net tangible assets, but will not impose limitations on our ability to incur additional unsecured indebtedness. See "Description of the Notes Certain Covenants; Restrictions on Liens." All existing and future liabilities of our subsidiaries will be effectively senior to the New Notes. We have entered into a new secured corporate credit facility consisting of $500 million in revolving loan and letter of credit capacity. The New Notes will be effectively subordinated to borrowings under this facility to the extent of the collateral securing such indebtedness.

The substantial amount of consolidated debt and financial obligations presents the risk that we might not have sufficient cash to service our indebtedness, including the New Notes, or long-term lease obligations and that the existing corporate debt, project debt and lease obligations could limit our ability to grow our business, to compete effectively or operate successfully under adverse economic conditions. If our cash flows and capital resources were insufficient to allow us to make scheduled payments on our debt, we might have to reduce or delay capital expenditures, sell assets, seek additional capital, or restructure or refinance the debt. The terms of our debt may not allow these alternative measures, the debt or equity may not be available on acceptable terms, and these alternative measures may not satisfy all scheduled debt service obligations.

You may find it difficult to sell your notes because there is no existing trading market for the New Notes.

You may find it difficult to sell your notes because an active trading market for the notes may not develop. The New Notes are being offered to the holders of the Old Notes. The Old Notes were issued on June 6, 2006, primarily to a small number of institutional investors. After the exchange offer, the trading market for the remaining untendered Old Notes could be adversely affected. There is no existing trading market for the New Notes. Future trading prices of the New Notes will depend on many factors, including prevailing interest rates, our operating results, and the market for similar securities. We do not intend to apply for listing or quotation of the New Notes on any exchange, and so we do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be. Although the initial purchasers in the private offering of the Old Notes have informed us that they intend to make a market in the New Notes, they are not obligated to do so. The initial purchasers may cease their market-making at any time. As a result, the market price of the New Notes could be adversely affected.

Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the New Notes offered by this prospectus. The market for the New Notes, if any, may be subject to similar disruptions. These disruptions may adversely affect the value of the New Notes.

THE EXCHANGE OFFER

Purpose of the Exchange Offer

When we sold the Old Notes on June 6, 2006, or the "closing date," we entered into a registration rights agreement with the initial purchasers of the Old Notes. Under the registration rights agreement, we agreed to file a registration statement regarding the exchange of the Old Notes for New Notes which are registered under the Securities Act. We also agreed to use our reasonable best efforts to cause the registration statement to become effective with the SEC and to conduct this exchange offer after the registration statement is declared effective. The registration rights agreement provides that we will be required to pay additional interest to the holders of the Old Notes if:

- we do not file the exchange offer registration statement with the SEC on or prior to the 180th calendar day following the closing date;
- the exchange offer registration statement has not been declared effective on or prior to the 240th calendar day following the closing date; or
- the exchange offer is not consummated on or prior to 30 business days after the 240th calendar day following the closing date.

The exchange offer is not being made to holders of Old Notes in any jurisdiction where the exchange would not comply with the securities or blue sky laws of such jurisdiction. A copy of the registration rights agreement is filed as an exhibit to the registration statement of which this prospectus forms a part.

Terms of the Exchange Offer

Upon the terms and conditions described in this prospectus, we will accept for exchange Old Notes that are properly tendered on or before the expiration date and not withdrawn as permitted below. As used in this prospectus, the term "expiration date" means 5:00 p.m., New York City time, on , 2006. However, if we, in our sole discretion, have extended the period of time for which the exchange offer is open, the term "expiration date" means the latest time and date to which we extend the exchange offer.

As of the date of this prospectus, $1,000,000,000 aggregate principal amount at maturity of the Old Notes is outstanding. The Old Notes were offered under the Indenture. This prospectus is first being sent on or about , 2006 to all holders of Old Notes known to us. Our obligation to accept Old Notes for exchange in the exchange offer is subject to the conditions described below under "Conditions to the Exchange Offer." We reserve the right to extend the period of time during which the exchange offer is open. We would then delay acceptance for exchange of any Old Notes by giving oral or written notice of an extension to the holders of Old Notes as described below. During any extension period, all Old Notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us. Any Old Notes not accepted for exchange will be returned to the tendering holder after the expiration or termination of the exchange offer. Holders of Old Notes do not have dissenters' rights of appraisal in connection with the exchange offer.

Old Notes tendered in the exchange offer must be in denominations of principal amount of $2,000 and any integral multiple of $1,000.

We reserve the right to amend or terminate the exchange offer, and not to accept for exchange any Old Notes not previously accepted for exchange, upon the occurrence of any of the conditions of the exchange offer specified below under " Conditions to the Exchange Offer." We will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the Old Notes as promptly as practicable. We will notify you of any extension by means of a press release or other public announcement no later than 9:00 a.m., New York City time on that date.

Our acceptance of the tender of Old Notes by a tendering holder will form a binding agreement upon the terms and subject to the conditions provided in this prospectus.

Procedures for Tendering

Except as described below, a tendering holder must, on or prior to the expiration date, transmit an agent's message to the exchange agent at the address listed below under the heading " Exchange Agent."

In addition, the exchange agent must receive, on or before the expiration date, a timely confirmation of book-entry transfer of the Old Notes into the exchange agent's account at the Depository Trust Company, the book-entry transfer facility, along with an agent's message.

The Depository Trust Company will be referred to as DTC in this prospectus.

The term "agent's message" means a message, transmitted to DTC and received by the exchange agent and forming a part of a book-entry transfer, that states that DTC has received an express acknowledgment that the tendering holder agrees to appoint the exchange agent as the tendering holder's true and lawful agent and attorney-in-fact with respect to such tendered Old Notes, with full power of substitution, among other things, to cause the Old Notes to be assigned, transferred and exchanged.

If you are a beneficial owner whose Old Notes are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, and wish to tender, you should promptly instruct the registered holder to tender on your behalf.

We will determine in our sole discretion all questions as to the validity, form and eligibility of Old Notes tendered for exchange. This discretion extends to the determination of all questions concerning the timing of receipts and acceptance of tenders. These determinations will be final and binding.

We reserve the right to reject any amount of Old Notes not properly tendered, or any acceptance that might, in our judgment or our counsel's judgment, be unlawful. We also reserve the right to waive any conditions of the exchange offer as applicable to all Old Notes prior to the expiration date. We also reserve the right to waive any defects or irregularities or conditions of the exchange offer as to any amount of Old Notes prior to the expiration date. Our interpretation of the terms and conditions of the exchange offer as to any amount of Old Notes either before or after the expiration date shall be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of Old Notes must be cured within a reasonable period of time. None of we, the exchange agent or any other person will be under any duty to give notification of any defect or irregularity in any tender of Old Notes. Nor will we, the exchange agent or any other person incur any liability for failing to give notification of any defect or irregularity.

By tendering, each holder will represent to us that, among other things:

- the holder is not an affiliate of ours (as defined in Rule 405 under the Securities Act) or a broker-dealer tendering notes acquired directly from us for its own account;

- the New Notes are being acquired in the ordinary course of business of the person receiving the New Notes, whether or not that person is the holder; and

- neither the holder nor the other person has any arrangement or understanding with any person to participate in the distribution (within the meaning of the Securities Act) of the New Notes.

In the case of a holder that is not a broker-dealer, that holder, by tendering, will also represent to us that the holder is not engaged in, and does not intend to engage in, a distribution of the New Notes.

However, any purchaser of Old Notes who is our "affiliate" (within the meaning of the Securities Act) who intends to participate in the exchange offer for the purpose of distributing the New Notes or a broker-dealer (within the meaning of the Securities Act) that acquired Old Notes in a transaction other than as part of its trading or market-making activities and who has arranged or has an understanding with any person to participate in the distribution of the New Notes:

- will not be able to rely on the applicable interpretation by the staff of the SEC set forth in the applicable no-action letters;

- will not be able to tender its Old Notes in the exchange offer; and

- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the notes unless such sale or transfer is made pursuant to an exemption from such requirements.

Each broker or dealer that receives New Notes for its own account in exchange for Old Notes, where the Old Notes were acquired by it as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus that meets the requirements of the Securities Act in connection with any resale of the New Notes. By so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. However, a broker-dealer may be a statutory underwriter. See "Plan of Distribution."

Furthermore, any broker-dealer that acquired any of its Old Notes directly from us:

- may not rely on the applicable interpretation of the staff of the SEC's position contained in *Exxon Capital Holdings Corp.*, SEC no-action letter (April 13, 1988), *Morgan, Stanley & Co. Inc.*, SEC no-action letter (June 5, 1991), and *Shearman & Sterling,* SEC no-action letter (July 2, 1993); and

- must also be named as a selling holder in connection with the registration and prospectus delivery requirements of the Securities Act relating to any resale transaction.

Acceptance of Old Notes for Exchange; Delivery of New Notes

Upon satisfaction or waiver of all of the conditions to the exchange offer, we will accept, promptly after the expiration date, all Old Notes properly tendered, unless we terminate the exchange offer because of the non-satisfaction of conditions. We will issue the New Notes as soon as practicable after acceptance of the Old Notes. See " Conditions to the Exchange Offer" below. For purposes of the exchange offer, we will be deemed to have accepted properly tendered Old Notes for exchange when, as and if we have given oral or written notice to the exchange agent, with prompt written confirmation of any oral notice.

For each Old Note accepted for exchange, the holder of the Old Note will receive a New Note having a principal amount equal to that of the surrendered Old Note. The New Notes will bear interest from the most recent date to which interest has been paid on the Old Notes. Accordingly, registered holders of New Notes on the relevant record date for the first interest payment date following the completion of the exchange offer will receive interest accruing from the most recent date to which interest has been paid. The accreted value of the New Notes will be the same as the accreted value of the Old Notes. Old Notes accepted for exchange will cease to accrue interest from and after the date of completion of the exchange offer. Holders of Old Notes whose Old Notes are accepted for exchange will not receive any payment for accrued interest on the Old Notes otherwise payable on any interest payment date, the record date for which occurs on or after completion of the exchange offer and will be deemed to have waived their rights to receive the accrued interest on the Old Notes.

In all cases, issuance of New Notes for Old Notes will be made only after timely receipt by the exchange agent of a timely book-entry confirmation of the Old Notes into the exchange agent's account at the book-entry transfer facility.

Unaccepted or non-exchanged Old Notes will be returned without expense to the tendering holder of the Old Notes. In the case of Old Notes tendered by book-entry transfer in accordance with the book-entry procedures described below, the non-exchanged Old Notes will be returned or recredited promptly.

Book-Entry Transfer

The exchange agent will make a request to establish an account for the Old Notes at DTC for purposes of the exchange offer within two business days after the date of this prospectus. A holder of the Old Notes must make book-entry delivery of Old Notes by causing DTC to transfer those Old Notes into the exchange agent's account at DTC in accordance with DTC's procedure for transfer. This holder should transmit its acceptance to DTC on or prior to the expiration date. DTC will verify this acceptance, execute a book-entry transfer of the tendered Old Notes into the exchange agent's account at DTC and then send to the exchange agent confirmation of this book-entry transfer. The confirmation of this book-entry transfer will include an agent's message confirming that DTC has received an express acknowledgment from this holder that this holder agrees to be bound by the assignment, transfer and exchange of the Old Notes. Delivery of New Notes issued in the exchange offer may be effected through book-entry transfer at DTC. However, an agent's message must be transmitted to and received by the exchange agent at the address listed below under " Exchange Agent" on or prior to the expiration date.

Exchanging Book-Entry Notes

The exchange agent and DTC have confirmed that any financial institution that is a participant in DTC may utilize DTC Automated Tender Offer Program, or ATOP, procedures to tender Old Notes. Any participant in the DTC may make book-entry delivery of Old Notes by causing the DTC to transfer such Old Notes into the exchange agent's account in accordance with the DTC's ATOP procedures for transfer. However, the exchange for the Old Notes so tendered will only be made after a book-entry confirmation of the book-entry transfer of Old Notes into the exchange agent's account, and timely receipt by the exchange agent of an agent's message.

Withdrawal Rights

Tenders of Old Notes may be withdrawn at any time before 5:00 p.m., New York City time, on the expiration date.

For a withdrawal to be effective, the exchange agent must receive a written notice of withdrawal at the address or at the facsimile number, indicated below under " Exchange Agent" before 5:00 p.m., New York City time, on the expiration date. Any notice of withdrawal must specify the number of the account at the DTC from which the Old Notes were tendered and specify the name and number of the account at the DTC to be credited with the withdrawn Old Notes and otherwise comply with the procedures of DTC.

We will determine all questions as to the validity, form and eligibility, including time of receipt, or notices of withdrawal. Any Old Notes so withdrawn will be deemed not to have been validly tendered for exchange. No New Notes will be issued unless the Old Notes so withdrawn are validly re-tendered. Any Old Notes that have been tendered for exchange, but which are not exchanged for any reason, will be credited to an account maintained with the DTC. Properly withdrawn Old Notes may be re-tendered by following the procedures described under " Procedures for Tendering" above at any time on or before 5:00 p.m., New York City time, on the expiration date.

Conditions to the Exchange Offer

Notwithstanding any other provision of the exchange offer, we shall not be required to accept for exchange, or to issue New Notes in exchange for, any Old Notes, and may terminate or amend the exchange offer, if at any time prior to the expiration date any of the following events occurs:

- there is threatened, instituted or pending any action or proceeding before, or any injunction, order or decree issued by, any court or governmental agency or other governmental regulatory or administrative agency or commission;

- a change in applicable law prohibits the consummation of such exchange offer; or

- any change, or any development involving a prospective change, has occurred or been threatened in our business, financial condition, operations or prospects and those of our subsidiaries taken as a whole that is or may be adverse to us, or we have become aware of facts that have or may have an adverse impact on the value of the Old Notes or the New Notes, which in our reasonable judgment in any case makes it inadvisable to proceed with the exchange offer and about which change or development we make a public announcement.

All conditions will be deemed satisfied or waived prior to the expiration date, unless we assert them prior to the expiration date. The foregoing conditions to the exchange offer are for our sole benefit and we may prior to the expiration date assert them regardless of the circumstances giving rise to any of these conditions, or we may prior to the expiration date waive them in whole or in part in our reasonable discretion. Our failure at any time to exercise any of the foregoing rights will not be deemed a waiver of any right.

In addition, we will not accept for exchange any Old Notes tendered, and no New Notes will be issued in exchange for any Old Notes, if at this time any stop order is threatened or in effect relating to the registration statement of which this prospectus constitutes a part. We are required to make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of a Registration Statement at the earliest possible moment.

Exchange Agent

We have appointed The Wells Fargo Bank, National Association as the exchange agent for the exchange offer. You should direct all executed letters, questions and requests for assistance, or requests for additional copies of this prospectus to the exchange agent addressed as follows:

Delivery To:

The Wells Fargo Bank, National Association

By Hand, Registered or Certified Mail, or Overnight Courier:
Wells Fargo Bank, National Association
707 Wilshire Boulevard, 17th Floor
Los Angeles, California 90017
Attn: Maddy Hall

For Information Call: (213) 614-2588
By Facsimile: (213) 614-3355
Confirm By Telephone: (213) 614-2588

All other questions should be addressed to Edison Mission Energy, 18101 Von Karman Avenue, Suite 1700, Irvine, California 92612, Attention: Steven D. Eisenberg. If you deliver the transmit instructions via facsimile other than to any facsimile number indicated above, then your delivery or transmission will not constitute a valid delivery or transmission.

Fees and Expenses

We will not make any payment to brokers, dealers or others soliciting acceptances of the exchange offer. We have agreed to pay all expenses incidental to the exchange offer other than commissions and concessions of any broker or dealer and certain transfer taxes and will indemnify holders of the notes, including any broker-dealers, against certain liabilities, including liabilities under the Securities Act. The estimated cash expenses to be incurred in connection with the exchange offer will be paid by us and will include fees and expenses of the exchange agent, accounting, legal, printing and related fees and expenses.

Accounting Treatment

We will not recognize any gain or loss for accounting purposes upon the consummation of the exchange offer. We will amortize the expense of the exchange offer over the term of the New Notes in accordance with accounting principles generally accepted in the United States of America.

Transfer Taxes

We will pay any transfer taxes in connection with the exchange of Old Notes for New Notes in the exchange offer unless you instruct us to register New Notes in the name of, or request any Old Notes not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder. In those cases, you will be responsible for the payment of any applicable transfer tax.

Consequences of Exchanging or Failing to Exchange the Old Notes

Holders of Old Notes who do not exchange their Old Notes for New Notes in the exchange offer will continue to be subject to the provisions in the Indenture regarding transfer and exchange of the Old Notes and the restrictions on transfer of the Old Notes as described in the legend on the Old Notes as a consequence of the issuance of the Old Notes under exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the Old Notes may not be offered or sold, unless registered under the Securities Act, except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. Old Notes holders that do not exchange Old Notes for New Notes in the exchange offer will no longer have any registration rights with respect to such notes.

Based on existing interpretations of the Securities Act by the SEC's staff contained in several no-action letters to third parties, and subject to the immediately following sentence, we believe that the New Notes would generally be freely transferable by holders after the exchange offer without further registration under the Securities Act, subject to certain representations required to be made by each holder of New Notes, as set forth below. However, any purchaser of New Notes who is one of our "affiliates" (as defined in Rule 405 under the Securities Act) or who intends to participate in the exchange offer for the purpose of distributing the New Notes:

- will not be able to rely on the applicable interpretation of the staff of the SEC;
- will not be able to tender its Old Notes in the exchange offer; and
- must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the notes unless such sale or transfer is made pursuant to an exemption from such requirements. See "Plan of Distribution."

We do not intend to seek our own interpretation regarding the exchange offer and there can be no assurance that the SEC's staff would make a similar determination with respect to the New Notes as it has in other interpretations to other parties, although we have no reason to believe otherwise.

USE OF PROCEEDS

We will not receive any proceeds from the exchange offer. In consideration for issuing the New Notes, we will receive in exchange the Old Notes of like principal amount, the terms of which are identical in all material respects to the New Notes. The Old Notes surrendered in exchange for New Notes will be retired and canceled and cannot be reissued. Accordingly, issuance of the New Notes will not result in any increase in our indebtedness. We have agreed to bear the expenses of the exchange offer. No underwriter is being used in connection with the exchange offer.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and consolidated capitalization as of June 30, 2006. This table should be read in conjunction with "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes in this prospectus.

	As of June 30, 2006
Cash and cash equivalents	$ 1,328
Short-term investments	260
Short- and long-term obligations(1)(2):	
Old Notes	1,000
10% Senior Notes due 2008	31
9.875% Senior Notes due 2011	4
7.73% Senior Notes due 2009	599
Long-term obligations to affiliates	78
EME recourse debt	1,712
Subsidiary debt obligations	1,712
Total consolidated debt	3,424
Shareholder's equity(3)	2,242
Total capitalization	$ 5,666

(1) Although not included in the table above, we are obligated under an intercompany loan with Midwest Generation to repay $1.4 billion of intercompany loans resulting from the Powerton and Joliet sale-leaseback transaction.

(2) As of June 30, 2006, we had the full amount of borrowing capacity under our $500 million revolving credit facility.

(3) In connection with the repayment of the 2008 Senior Notes and the 2011 Senior Notes, tender premiums of $136 million, together with remaining deferred financing costs related to these Senior Notes, were expensed. The after-tax impact was approximately $88 million.

MEHC depends on dividends from us to make interest payments on its 13.5% senior secured notes due 2008 and to repay such indebtedness when it becomes due. MEHC has pledged our stock to secure its obligations under its senior secured notes. We intend to retain sufficient cash on hand to make dividends to MEHC to satisfy its payment obligations with respect to its senior secured notes. See "Risk Factors Our parent, Mission Energy Holding Company, depends upon cash flows from us to service its debt."

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth a summary of our consolidated financial data for the periods indicated. In April 2006, EME received, as a capital contribution, ownership interests in a portfolio of wind projects located in Iowa and Minnesota and a small biomass project. These projects were previously owned by EME's affiliate, Edison Capital. EME accounted for this acquisition at Edison Capital's historical cost as a transaction between entities under common control for a net book value of approximately $76 million. The historical consolidated financial and operating results data reflects the acquisition as though EME had always owned the projects for all periods presented. The historical consolidated operating data for each of the three years ended December 31, 2005 and the financial position data as of December 31, 2005 and 2004 were derived from the audited historical consolidated financial statements included elsewhere in this prospectus. We derived the historical consolidated operating results data for each of the two years ended December 31, 2002 and the financial position data as of December 31, 2003, 2002 and 2001 from our accounting records. The following selected historical consolidated financial data as of June 30, 2006 and for the six months ended June 30, 2006 and 2005 has been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Our unaudited consolidated financial statements were prepared on a basis consistent with that used in preparing our audited consolidated financial statements and include all material adjustments, all of which are of a normal recurring nature, that, in the opinion of management, are necessary for a fair statement of our financial position and results of operations for the unaudited periods.

You should read the following information in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and the related notes included elsewhere in this prospectus. Historical results are not necessarily indicative of results that may be expected for any future period.

	Years Ended December 31,					Six Months Ended June 30,	
	2001(1)	2002	2003	2004	2005	2005	2006
	(in millions)					(in millions) (unaudited)	
Income Statement Data							
Operating revenues	$ 1,771	$ 1,713	$ 1,779	$ 1,653	$ 2,265	$ 939	$ 977
Operating expenses							
Fuel, plant operations and plant operating lease	1,256	1,292	1,334	1,300	1,287	653	658
Loss on lease termination, asset impairment and other charges and credits	59	60	304	989	7	7	
Depreciation and amortization	175	147	156	152	134	66	71
Administrative and general	133	118	138	149	154	70	64
Total Operating Expenses	1,623	1,617	1,932	2,590	1,582	796	793
Operating income (loss)	148	96	(153)	(937)	683	143	184
Equity in income from unconsolidated affiliates	333	196	239	218	229	83	71
Impairment on equity method investment					(55)		
Interest and other income	83	15	2	52	69	24	66
Loss on early extinguishment of debt					(4)	(4)	(143)
Interest expense	(428)	(313)	(303)	(298)	(300)	(151)	(145)
Income (loss) from continuing operations before income taxes and minority interest	136	(6)	(215)	(965)	622	95	33
Provision (benefit) for income taxes	67	(28)	(121)	(406)	208	19	1
Minority interest	(2)	(2)	(2)	(1)			
Income (loss) from continuing operations	67	20	(96)	(560)	414	76	32
Income (loss) from operations of discontinued subsidiaries (including gain on disposal of $533 million in 2004 and loss on disposal of $1.1 billion in 2001), net of tax	(1,198)	22	124	690	29	28	77
Income (loss) before accounting change	(1,131)	42	28	130	443	104	109
Cumulative effect of change in accounting, net of tax(2)	15	(14)	(9)		(1)		
Net income (loss)	$ (1,116)	$ 28	$ 19	$ 130	$ 442	$ 104	$ 109

(1) In the fourth quarter of 2002, EME adopted SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which required EME to reclassify as part of income from continuing operations an extraordinary gain of $6 million, net of tax, recorded in December 2001. The extraordinary gain was attributable to the extinguishment of debt that was assumed by the third-party lessors in the December 2001 Homer City sale-leaseback transaction.

(2) Our 2005 loss from a change in accounting principle resulted from the adoption of a new accounting standard for conditional asset retirements. Our 2003 loss from a change in accounting principle resulted from adoption of a new accounting standard for asset retirement obligations. Our 2002 loss from a change in accounting principle resulted from

adoption of a new accounting standard for goodwill and other intangible assets. Our 2001 gain from a change in accounting principle resulted from adoption of a new accounting standard for derivative instruments and hedging activities.

	As of December 31,					As of June 30, 2006
	2001	2002	2003(3)	2004(4)	2005	
	(in millions)					(in millions) (unaudited)
Balance Sheet Data						
Assets	$ 10,898	$ 11,220	$ 12,299	$ 7,087	$ 7,023	$ 7,021
Current liabilities	656	1,356	1,203	994	846	523
Long-term obligations	3,978	3,022	2,919	3,530	3,330	3,294
Preferred securities	254	281				
Shareholder's equity	1,664	1,751	1,954	1,745	1,910	2,242

(3)
In the fourth quarter of 2003, we adopted FIN No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51," which required us to reflect the junior subordinated deferrable debentures as a liability, which under the prior accounting treatment would have been eliminated in consolidation, instead of the Monthly Income Preferred Securities.

(4)
Assets decreased in 2004 compared to 2003 due to completion of the sale of substantially all of our international assets.

	Years Ended December 31,					Six Months Ended June 30,	
	2001(1)	2002	2003	2004	2005	2005	2006
	(in millions)					(in millions)	
Other Data							
Ratio of earnings to fixed charges(5)(6)	1.03	1.18			2.23	1.40	1.20

(5)
For purposes of computing the ratio of earnings to fixed charges, earnings are divided by fixed charges. "Earnings" represent the aggregate of income (loss) for continuing operations before income taxes and minority interest. "Fixed charges" represent interest (whether expensed or capitalized), dividends on preferred securities for continuing operations, amortization of debt discount and the interest component of rental expense.

(6)
For the years ended December 31, 2004 and 2003, there was a fixed charge deficiency of $953 million and $85 million, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations is presented in four sections:

MANAGEMENT'S OVERVIEW; CRITICAL ACCOUNTING ESTIMATES

Management's Overview

Introduction

EME is a holding company which operates primarily through its subsidiaries and affiliates which are engaged in the business of developing, acquiring, owning or leasing, operating and selling energy and capacity from independent power production facilities. EME's subsidiaries or affiliates have typically been formed to own all or an interest in one or more power plants and ancillary facilities, with each plant or group of related plants being individually referred to by EME as a project. As of June 30, 2006, EME's subsidiaries and affiliates owned or leased interests in 29 operating power plants.

EME's subsidiaries and affiliates have financed the development and construction or acquisition of its projects by capital contributions from EME and the incurrence of so-called project financed debt obligations by its subsidiaries and affiliates owning the operating facilities. These project level debt obligations are generally structured as non-recourse to EME, with several exceptions, including EME's guarantee of the Powerton and Joliet leases as part of a refinancing of indebtedness incurred by its project subsidiary to purchase the Illinois Plants. As a result, these project level debt obligations have structural priority with respect to revenues, cash flows and assets of the project companies over debt obligations incurred by EME itself. In this regard, EME has, itself, borrowed funds to make the equity contributions required of it for its projects and for general corporate purposes. Since EME does not, itself, directly own any revenue producing generation facilities, it depends for the most part on cash distributions from its projects to meet its debt service obligations, to pay for general and administrative expenses and to pay dividends to its parent, MEHC. Distributions to EME from projects are generally only available after all current debt service obligations at the project level have been paid and are further restricted by contractual restrictions on distributions included in the documentation evidencing the project level debt obligations.

Merchant Operations

The majority of EME's power plant operations are located in the PJM control area and sell power under short-term contracts. These power plants are known as merchant power plants since the generation is not sold under long-term contracts. EME's revenues and the results of operations of its merchant power plants depend upon prevailing market prices for capacity, energy, ancillary services, emission allowances or credits, fuel oil, coal, natural gas and associated transportation costs in the market areas where EME's merchant plants are located. EME's income from continuing operations increased substantially from its merchant operations since 2004 due to higher wholesale energy prices driven largely by increases in the market price of natural gas and oil. The average market price during

2005 at the Northern Illinois Hub (related to the Illinois Plants) increased to $46.39 per megawatt hour (MWh), compared to the average market prices at "Into ComEd" and at the Northern Illinois Hub of $29.52 per MWh during 2004.

Energy Trading Activities

EME seeks to generate profit by utilizing the commercial platform of its subsidiary, EMMT, to engage in trading activities in those markets where merchant power plants are located. EMMT trades power, fuel and transmission primarily in the eastern power grid using financial products available over the counter, through exchanges and from independent system operators. EME's earnings from energy trading activities were $55 million during the first six months of 2006 and $195 million during 2005. Volatile market conditions during the first half of 2006 and in 2005, driven by changes in prices for natural gas and oil and warmer summer temperatures during 2005, have created favorable conditions for EMMT's trading strategies during these periods compared to 2004. Because EMMT is below investment grade, it must post margin and collateral in order to participate in its marketing and trading activities. As of June 30, 2006, margin and collateral posted to support trading activities of EMMT was approximately $61 million. This amount includes collateral posted independent system operators as well as initial and mark-to-market margin posted for outstanding volumes of futures and over-the-counter contracts. Income from trading activities will vary substantially from period to period depending on market conditions.

Business Development

Wind Projects

EME has an active development group seeking opportunities for growth in its electricity generating business. Beginning in 2005, EME has undertaken a number of activities with respect to new wind projects, including:

- Completion in January 2006 of the purchase of development rights for the Wildorado wind project. This project started construction on April 24, 2006 and is scheduled for completion during April 2007, with total construction costs estimated to be $270 million. Upon completion, power from the project will be sold under a twenty-year power purchase agreement to Southwestern Public Service.

- Securing during 2005 and 2006 a supply of 285 turbines for 538 MW of new wind projects which are expected to be developed and constructed by the end of 2007.

- Completion in December 2005 of the acquisition of the San Juan Mesa wind project and subsequent sale of 25% of its ownership interest in the San Juan Mesa wind project to a third party.

- Advancing during 2006 the development of a number of wind projects, including four projects totaling 181 MW that have been approved for investment, subject to completion of specific contractual or permitting arrangements.

In addition, in April 2006 EME received, as a capital contribution, ownership interests in a 192 MW portfolio of wind projects (EME's share is 176 MW) located in Iowa and Minnesota. These projects were previously owned by EME's affiliate, Edison Capital. EME accounted for this acquisition at Edison Capital's historical cost as a transaction between entities under common control for a net book value of approximately $76 million.

Thermal Projects

EME expects to make investments in thermal projects during the next several years. As part of its development efforts, EME is in the process of obtaining permits for two sites in Southern California for peaker plants. Generally, it is expected that thermal projects in which EME invests will sell electricity under long-term power purchase contracts. EME has responded to several requests for proposals to build or acquire generation and recently submitted two indicative bids in response to the request for offers for electricity supply from new generation resources announced by Southern California Edison Company in July 2006. In connection with these thermal development activities, in September 2006, EME entered into an agreement for the purchase of five gas turbines and related equipment for an aggregate purchase price of approximately $140 million. In addition, under the terms of this agreement, EME obtained an option, exercisable through January 26, 2007, to purchase five additional gas turbines and related equipment.

In June 2006, subsidiaries of EME and BP America Inc. formed Carson Hydrogen Power LLC for the development of a power project to be located in Carson, California. Carson Hydrogen is intended as an industrial gasification project that will integrate proven gasification, power generation and enhanced oil recovery technologies. In June 2006, the project submitted an application to the United States Department of Energy (DOE) to qualify for gasification tax credits under the Energy Policy Act of 2005. Funding of tax credits is limited and, accordingly, there is no assurance that the project will be allocated tax credits. A decision from DOE is not expected until the end of 2006. In the meantime, Carson Hydrogen is conducting engineering studies required for project implementation.

Financing Activities

On June 6, 2006, EME completed a private offering of $500 million of its 7.50% senior notes due 2013 and $500 million of its 7.75% senior notes due 2016. The proceeds of the offering were used, together with cash on hand, to purchase substantially all of EME's outstanding 10% senior notes due 2008 and 9.875% senior notes due 2011. In connection with the purchase of these notes, EME recorded a $143 million loss on early extinguishment of debt in the second quarter of 2006.

On June 15, 2006, EME entered into a new credit agreement providing for $500 million in revolving loan and letter of credit capacity to be used for general corporate purposes including credit support for the hedging and trading activities of EME and its subsidiaries. The new credit agreement replaces EME's $98 million credit agreement.

ERP Initiative

EME has commenced a new initiative as part of an Edison International enterprise-wide project to implement an integrated enterprise resource planning (ERP) application from SAP during the next two years. The implementation of this application will replace EME's existing financial, human resources, materials management, and fuel management information systems with SAP's integrated ERP application. The objective of this initiative is to improve the efficiency and effectiveness of EME's operational systems and enhance the transparency of information throughout the company.

Critical Accounting Estimates

Introduction

The accounting policies described below are viewed by management as "critical" because their correct application requires the use of material judgments and estimates, and they have a material impact on EME's results of operations and financial position.

Derivative Financial Instruments and Hedging Activities

EME uses derivative financial instruments for price risk management activities and trading purposes. Derivative financial instruments are mainly utilized to manage exposure from changes in electricity and fuel prices and interest rates. EME follows Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," or SFAS No. 133, which requires derivative financial instruments to be recorded at their fair value unless an exception applies. SFAS No. 133 also requires that changes in a derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. For derivatives that qualify for hedge accounting, depending on the nature of the hedge, changes in fair value are either offset by changes in the fair value of the hedged assets, liabilities or firm commitments through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

Management's judgment is required to determine if a transaction meets the definition of a derivative and, if it does, whether the normal sales and purchases exception applies or whether individual transactions qualify for hedge accounting treatment. The majority of EME's long-term power sales and fuel supply agreements related to its generation activities either: (1) do not meet the definition of a derivative because they are not readily convertible to cash, or (2) qualify as normal purchases and sales and are, therefore, recorded on an accrual basis.

Derivative financial instruments used for trading purposes include forwards, futures, options, swaps and other financial instruments with third parties. EME records derivative financial instruments used for trading at fair value. The majority of EME's derivative financial instruments with a short-term duration (less than one year) are valued using quoted market prices. In the absence of quoted market prices, derivative financial instruments are valued considering the time value of money, volatility of the underlying commodity, and other factors as determined by EME. Resulting gains and losses are recognized in net gains (losses) from price risk management and energy trading in the accompanying consolidated income statements in the period of change. Assets from price risk management and energy trading activities include open financial positions related to derivative financial instruments recorded at fair value, including cash flow hedges, that are "in-the-money" and the present value of net amounts receivable from structured transactions. Liabilities from price risk management and energy trading activities include open financial positions related to derivative financial instruments, including cash flow hedges, that are "out-of-the-money."

Determining the fair value of derivatives under SFAS No. 133 is a critical accounting estimate because the fair value of a derivative is susceptible to significant change resulting from a number of factors, including: volatility of energy prices, credit risks, market liquidity and discount rates. See "Market Risk Exposures," for a description of risk management activities and sensitivities to change in market prices.

EME enters into master agreements and other arrangements in conducting price risk management and trading activities with a right of setoff in the event of bankruptcy or default by the counterparty.

These types of transactions are reported net in the balance sheet in accordance with Financial Accounting Standards Board Interpretation No. 39, "Offsetting Amounts Related to Certain Contracts."

Impairment of Long-Lived Assets

EME follows Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," or SFAS No. 144. EME evaluates long-lived assets whenever indicators of impairment exist. This accounting standard requires that if the undiscounted expected future cash flow from a company's assets or group of assets (without interest charges) is less than its carrying value, asset impairment must be recognized in the financial statements. The amount of impairment is determined by the difference between the carrying amount and fair value of the asset.

The assessment of impairment is a critical accounting estimate because significant management judgment is required to determine: (1) if an indicator of impairment has occurred, (2) how assets should be grouped, (3) the forecast of undiscounted expected future cash flow over the asset's estimated useful life to determine if an impairment exists, and (4) if an impairment exists, the fair value of the asset or asset group. Factors that EME considers important, which could trigger an impairment, include operating losses from a project, projected future operating losses, the financial condition of counterparties, or significant negative industry or economic trends. During 2005, 2004 and 2003, EME recorded impairment charges of $55 million, $35 million and $304 million, respectively, related to specific assets included in continuing operations. See "Results of Continuing Operations Earnings from Consolidated Operations Illinois Plants" and "Results of Continuing Operations Earnings from Unconsolidated Affiliates Impairment Loss on Equity Method Investment" and " Asset Impairment Charges."

Off-Balance Sheet Financing

EME has entered into sale-leaseback transactions related to the Powerton and Joliet plants in Illinois and the Homer City facilities in Pennsylvania. See "Liquidity and Capital Resources Contractual Obligations, Commitments and Contingencies Operating Lease Obligations." Each of these transactions was completed and accounted for by EME as an operating lease in its consolidated financial statements in accordance with Statement of Financial Accounting Standards No. 98 "Sale-Leaseback Transactions Involving Real Estate," or SFAS No. 98, which requires, among other things, that all the risk and rewards of ownership of assets be transferred to a new owner without continuing involvement in the assets by the former owner other than as normal for a lessee. The sale-leaseback transactions of these power plants were complex matters that involved management judgment to determine compliance with SFAS No. 98, including the transfer of all the risk and rewards of ownership of the power plants to the new owner without EME's continuing involvement other than as normal for a lessee. These transactions were entered into to provide a source of capital either to fund the original acquisition of the assets or to repay indebtedness previously incurred for the acquisition. Each of these leases uses special purpose entities.

Based on existing accounting guidance, EME does not record these lease obligations in its consolidated balance sheet. If these transactions were required to be consolidated as a result of future changes in accounting guidance, it would: (1) increase property, plant and equipment and long-term obligations in the consolidated financial position, and (2) impact the pattern of expense recognition related to these obligations because EME would likely change from its current straight-line recognition of rental expense to an annual recognition of the straight-line depreciation on the leased assets as well as the interest component of the financings which is weighted more heavily toward the early years of the obligations. The difference in expense recognition would not affect EME's cash flows under these transactions. See "Liquidity and Capital Resources Off-Balance Sheet Transactions Sale-Leaseback Transactions."

Contract Indemnities

During 2004, EME sold a majority of its international operations. The asset sale agreements contain indemnities from EME to the purchasers, including indemnification for pre-closing environmental liabilities and for pre-closing foreign taxes imposed with respect to operations of the assets prior to the sale. At June 30, 2006, EME had recorded an estimated liability of $94 million related to these matters.

In addition, Midwest Generation has agreed to reimburse Commonwealth Edison and Exelon Generation for 50% of specific existing asbestos claims and expenses less recovery of insurance costs, and agreed to a sharing arrangement for liabilities and expenses associated with future asbestos-related claims as specified in a supplemental agreement. See "Liquidity and Capital Resources Contractual Obligations, Commitments and Contingencies Commercial Commitments." Midwest Generation engaged an independent actuary during 2004 with extensive experience in performing asbestos studies to estimate future losses based on its claims experience and other available information. In calculating future losses, the actuary made various assumptions, including, but not limited to, the settlement of future claims under the supplemental agreement with Commonwealth Edison as described above, the distribution of exposure sites, and that the filing date of asbestos claims will not be after 2045. At June 30, 2006, Midwest Generation had recorded a liability of $66 million related to this contract indemnity.

Income Taxes

Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," or SFAS No. 109, requires the asset and liability approach for financial accounting and reporting for deferred income taxes. EME uses the asset and liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. See Note 13 to the "Audited Consolidated Financial Statements of Edison Mission Energy Notes to Consolidated Financial Statements" for additional details.

As part of the process of preparing its consolidated financial statements, EME is required to estimate its income taxes in each jurisdiction in which it operates. This process involves estimating actual current tax expense together with assessing temporary differences resulting from differing treatment of items, such as depreciation, for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within EME's consolidated balance sheet. In addition, estimated taxes for uncertain tax positions are accrued and included in other long-term liabilities in the consolidated balance sheet.

For additional information regarding EME's accounting policies, see "Audited Consolidated Financial Statements of Edison Mission Energy Notes to Consolidated Financial Statements Note 2. Summary of Significant Accounting Policies."

RESULTS OF OPERATIONS

EME operates in one line of business, independent power production. Operating revenues are primarily derived from the sale of power generated from the Illinois Plants and the Homer City facilities. Intercompany interest expense and income between EME and its consolidated subsidiaries have been eliminated in the following project results, except as described below with respect to loans provided to EME from a wholly owned subsidiary, Midwest Generation. Equity in income from unconsolidated affiliates relates to energy projects accounted for under the equity method. EME recognizes its proportional share of the income or loss of such entities.

On April 1, 2006, EME received, as a capital contribution, ownership interests in a portfolio of wind projects located in Iowa and Minnesota and a small biomass project. These projects were previously owned by EME's affiliate, Edison Capital. Edison Mission Group is a subsidiary of Edison International and is the holding company for its wholly owned subsidiaries, Mission Energy Holding Company (MEHC) and Edison Capital. MEHC is the holding company of its wholly owned subsidiary EME. EME accounted for this acquisition at Edison Capital's historical cost as a transaction between entities under common control. Therefore, these consolidated financial statements include the results of operations, financial position and cash flows of the acquired projects as though EME had such ownership throughout the periods presented.

EME uses the words "earnings" or "losses" in this section to describe income or loss from continuing operations before income taxes.

Interim Results of Continuing Operations

The following section provides a summary of the operating results for the second quarters of 2006 and 2005 and six months ended June 30, 2006 and 2005 together with discussions of the contributions by specific projects and of other significant factors affecting these results.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(in millions)			
Project Earnings (Losses)(1)				
Consolidated operations				
Illinois Plants	$ 25	$ 18	$ 152	$ 110
Homer City	35	8	33	50
Energy Trading(2)	26	19	55	41
San Juan Mesa	1		5	
Storm Lake	3	2	3	2
Other	(1)			
Unconsolidated affiliates				
Big 4 projects	32	40	55	61
Sunrise	5	5	3	2
March Point		(4)		4
Doga	5	1	4	5
Other	2	1	3	5
	133	90	313	280
Corporate interest income	20	13	37	24
Corporate interest expense	(64)	(68)	(130)	(136)
Corporate administrative and general	(25)	(26)	(49)	(59)
Gain on sale of assets			4	
Loss on early extinguishment of debt	(143)		(143)	(4)
Other income (expense), net			10	(6)
	$ (79)	$ 9	$ 42	$ 99

(1) Project earnings are equal to income from continuing operations before income taxes, except for production tax credits. Accordingly, project earnings for the wind projects include $4 million and $3 million of production tax credits for the second quarters of 2006 and 2005, respectively, and $9 million and $4 million for the six months ended June 30, 2006 and 2005,

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respectively. Production tax credits are recognized as wind energy is generated based upon a per kilowatt-hour rate prescribed in applicable federal and state statutes. Under generally accepted accounting principles (GAAP), production tax credits generated by the wind projects are recorded as a reduction in income taxes. Accordingly, project earnings (losses) represent a non-GAAP performance measure which may not be comparable to those of other companies. Management believes that inclusion of production tax credits in project earnings for wind projects is more meaningful for investors as federal and state subsidies are an integral part of the economics of these projects. The following table reconciles the total project earnings as shown above with income from continuing operations before income taxes under GAAP:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(in millions)			
Project earnings (losses)	$ (79)	$ 9	$ 42	$ 99
Less: Production tax credits	(4)	(3)	(9)	(4)
Income (loss) from continuing operations before income taxes	$ (83)	$ 6	$ 33	$ 95

(2) Income from energy trading represents the gains recognized from price volatility associated with the purchase and sale of contracts for electricity, fuels and transmission. The indirect cost of energy trading is included in administrative and general expenses.

Earnings from Consolidated Operations

Illinois Plants

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(in millions)			
Operating Revenues				
Energy revenues	$ 261	$ 244	$ 599	$ 571
Capacity revenues	7	8	13	14
Other revenues	2	2	4	4
Net losses from price risk management	(4)	(1)	(4)	(11)
Total operating revenues	266	253	612	578
Operating Expenses				
Fuel	72	72	166	171
Gain on sale of emission allowances(1)			(6)	
Plant operations	115	107	196	191
Plant operating leases	18	19	37	37
Depreciation and amortization	25	25	50	50
Asset impairment charges		7		7
Administrative and general	7	5	12	10
Total operating expenses	237	235	455	466
Operating Income	29	18	157	112
Other Income (Expense)				
Interest income on note receivable from EME	28	29	56	57
Interest expense and other	(32)	(29)	(61)	(59)
Total other income (expense)	(4)		(5)	(2)
Income Before Taxes	$ 25	$ 18	$ 152	$ 110
Statistics				
Coal-Fired Generation(2)				
Generation (in GWh)	5,493	5,834	12,738	14,229
Equivalent availability(3)	66.0%	62.1%	76.4%	71.1%
Capacity factor(4)	44.8%	47.6%	52.3%	58.4%
Load factor(5)	67.9%	76.7%	68.4%	82.1%
Forced outage rate(6)	7.7%	9.6%	5.0%	8.7%
Average energy price/MWh	$ 47.63	$ 41.83	$ 47.09	$ 40.12
Average fuel costs/MWh	$ 13.42	$ 12.51	$ 13.14	$ 12.12

(1) EME recorded $6 million of intercompany profit during the first quarter of 2006 on emission allowances sold by the Illinois Plants to the Homer City facilities in the fourth quarter of 2005 but not used by the Homer City facilities until the first quarter of 2006.

(2) This table summarizes key performance measures related to coal-fired generation, which represents the majority of the operations of the Illinois Plants.

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

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

(5) The load factor is determined by dividing capacity factor by the equivalent availability factor.

(6) Midwest Generation refers to unplanned maintenance as a forced outage.

Earnings from the Illinois Plants were $25 million and $152 million during the second quarter of 2006 and six months ended June 30, 2006, respectively, compared to $18 million and $110 million for the comparable periods in the prior year. The increase in the second quarter earnings of $7 million was primarily due to higher energy margin (energy revenues less fuel expenses) and an asset impairment charge recorded during the second quarter of 2005 primarily associated with a redefined capital program related to coal dust mitigation partially offset by higher planned maintenance costs. Although generation in the second quarter of 2006 was lower than the second quarter of 2005, energy margin increased primarily due to a 14% increase in average energy prices.

Earnings for the six months ended June 30, 2006 increased $42 million primarily due to higher energy margin driven by higher average energy prices, recognition of income in 2006 from the sale of emission allowances to the Homer City facilities, and the 2005 asset impairment charge described above.

Losses from price risk management activities are due to price changes on power contracts that did not qualify for hedge accounting under SFAS No. 133. At June 30, 2006, cumulative unrealized losses of $12 million (pre-tax) have been recognized on hedge contracts that pertain to the remainder of 2006, 2007 and 2008. See "Market Risk Exposures Commodity Price Risk" for more information regarding forward market prices.

The earnings of the Illinois Plants included interest income of $28 million and $29 million for the second quarters of 2006 and 2005, respectively, and $56 million and $57 million for the six months ended June 30, 2006 and 2005, respectively, related to loans to EME. In August 2000, Midwest Generation, which owns or leases the Illinois Plants, entered into a sale-leaseback transaction of the Powerton-Joliet facilities. The proceeds from the sale of these facilities were loaned to EME, which also provided a guarantee of the related lease obligations of Midwest Generation. The Powerton-Joliet sale-leaseback is recorded as an operating lease for accounting purposes.

Homer City

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(in millions)			
Operating Revenues				
Energy revenues	$ 143	$ 133	$ 277	$ 288
Capacity revenues	4	5	6	9
Other revenues	3		4	
Net gains (losses) from price risk management	1	(2)	(13)	(4)
Total operating revenues	151	136	274	293
Operating Expenses				
Fuel(1)	68	60	129	124
Gain on sale of emission allowances(2)				
Plant operations	28	37	63	59
Plant operating leases	26	26	51	51
Depreciation and amortization	4	4	8	8
Administrative and general	1	2	2	4
Total operating expenses	127	129	253	246
Operating Income	24	7	21	47
Other Income (Expense)				
Interest and other income	12	2	13	4
Interest expense	(1)	(1)	(1)	(1)
Total other income (expense)	11	1	12	3
Income Before Taxes	$ 35	$ 8	$ 33	$ 50
Statistics				
Generation (in GWh)	2,866	3,102	5,387	6,636
Equivalent availability(3)	74.3%	77.1%	73.1%	82.6%
Capacity factor(4)	69.5%	75.2%	65.7%	80.8%
Load factor(5)	93.6%	97.6%	89.9%	97.9%
Forced outage rate(6)	19.9%	3.6%	22.8%	5.6%
Average energy price/MWh	$ 50.02	$ 42.93	$ 51.43	$ 43.38
Average fuel costs/MWh	$ 24.13	$ 19.36	$ 24.03	$ 18.65

(1) Included in fuel costs were $9 million and $14 million during the second quarters of 2006 and 2005, respectively, and $21 million and $29 million during the six months ended June 30, 2006 and 2005, respectively, related to the net cost of SO2 emission allowances. See "Market Risk Exposures Commodity Price Risk Emission Allowances Price Risk" for more information regarding the price of SO2 allowances.

(2) The Homer City facilities sold excess NOx emission allowances to the Illinois Plants at fair market value. Sales to the Illinois Plants were $6 million in the first quarter of 2006. EME eliminated the intercompany transaction for emission allowances sold but not yet used by the Illinois Plants at June 30, 2006.

(3)

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

(4)

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

(5) The load factor is determined by dividing capacity factor by the equivalent availability factor.

(6) Homer City refers to unplanned maintenance as a forced outage.

Earnings from Homer City increased $27 million and decreased $17 million for the second quarter of 2006 and six months ended June 30, 2006, respectively, compared to the corresponding periods of 2005. The second quarter increase is primarily attributable to higher energy margin, lower planned maintenance costs and estimated insurance recovery related to the Unit 3 outage described below. Although generation in the second quarter of 2006 was lower than the second quarter of 2005, due to the unplanned outage at Unit 3, there was a 17% increase in average energy prices. The 2006 year-to-date decrease is primarily attributable to lower energy margin and higher plant operating costs in 2006 due to the unplanned outage at Unit 3, partially offset by estimated insurance recovery. Homer City is generally classified as a baseload plant, which means the amount of generation is largely based on the availability of the plant. Accordingly, the Unit 3 outage reduced the amount of generation during the first six months of 2006.

Homer City Unit 3 Outage

On January 29, 2006, the main power transformer on Unit 3 of the Homer City facilities failed resulting in a suspension of operations at this unit. Homer City secured a replacement transformer and Unit 3 returned to service on May 5, 2006. Homer City has adjusted its previously planned outage schedules for Unit 3 and the other Homer City units in order to minimize to the extent practicable overall outage activities for all units through the first half of 2007. Taking into consideration the impact of the outage, generation for the year is currently expected to be approximately 13 terawatt hours (TWh). The actual financial impact and generation levels in 2006 will depend on the effect of market conditions upon the dispatch of the plant and on prevailing power prices during the balance of the year.

The main transformer failure will result in claims under Homer City's property and business interruption insurance policies. At June 30, 2006, Homer City recorded a $17 million receivable related to these claims. Resolution of the claims is subject to a number of uncertainties, including computations of the lost profit during the outage period.

Price Risk Management

Homer City recorded gains (losses) of approximately $(5) million and $1 million during the second quarters of 2006 and 2005, respectively, and $(16) million and $(3) million during the six months ended June 30, 2006 and 2005, respectively, representing the amount of cash flow hedges' ineffectiveness. Losses related to the ineffective portion of hedge contracts were primarily due to changes in the difference between energy prices at PJM West Hub (the settlement point under forward contracts) and the energy prices at the Homer City busbar (the delivery point where power generated by the Homer City facilities is delivered into the transmission system). Also included in net gains (losses) from price risk management activities are economic hedges that did not qualify for hedge accounting under SFAS No. 133 of $6 million and $(3) million in the second quarters of 2006 and 2005, respectively, and $3 million and $(1) million during the six months ended June 30, 2006 and 2005, respectively. At June 30, 2006, cumulative unrealized losses of $42 million (pre-tax) have been recognized on hedge contracts that pertain to the remainder of 2006, 2007 and 2008. See "Market Risk Exposures Commodity Price Risk" for more information regarding forward market prices.

Energy Trading

EME seeks to generate profit by utilizing the commercial platform of its subsidiary, EMMT, to engage in trading activities in those markets in which it is active as a result of its management of the merchant power plants of Midwest Generation and Homer City. EMMT trades power, fuel and transmission primarily in the eastern power grid using products available over the counter, through exchanges and from independent system operators. Earnings from energy trading activities increased $7 million and $14 million for the second quarter of 2006 and six months ended June 30, 2006, respectively, compared to the corresponding periods of 2005. The increase in earnings from energy trading activities was primarily due to increased congestion at specific delivery points in the eastern power grid in which EMMT purchased financial transmission rights. See "Business Regulatory Matters MISO Revenue Sufficiency Guarantee Charges" for information regarding potential refund exposure related to virtual supply offers made by EMMT in MISO after April 1, 2005.

San Juan Mesa

EME's earnings from the San Juan Mesa wind project were $1 million and $5 million for the second quarter of 2006 and six months ended June 30, 2006, with no earnings recorded in 2005 due to the acquisition of the San Juan Mesa wind project on December 27, 2005.

During the first quarter of 2006, EME completed the sale of 25% of its ownership interest in the San Juan Mesa wind project to Citi Renewable Investments I LLC, a wholly owned subsidiary of Citicorp North America, Inc. Proceeds from the sale were $43 million. EME recorded a pre-tax gain on the sale of approximately $4 million during the first quarter of 2006.

Earnings from Unconsolidated Affiliates

Big 4 Projects

Earnings from the Big 4 projects decreased $8 million and $6 million for the second quarter of 2006 and six months ended June 30, 2006, respectively, compared to the corresponding periods of 2005. The decreases in earnings were primarily due to lower earnings from the Kern River project during the first six months of 2006, compared to the first six months of 2005, resulting from the expiration of the project's long-term power purchase and steam supply agreements in August 2005. Effective June 1, 2006, the project commenced selling electricity under a five-year bilateral agreement with Southern California Edison Company. The decrease in year-to-date earnings was partially offset by generally higher steam and energy prices in 2006 over 2005.

The earnings from the Big 4 projects included interest expense from Edison Mission Energy Funding of $1 million and $2 million for the second quarters of 2006 and 2005, respectively, and $3 million and $5 million for the six months ended June 30, 2006 and 2005, respectively.

March Point

EME's share of earnings from its ownership interest in March Point was $(4) million for the second quarter of 2005 and $4 million for the six months ended June 30, 2005, respectively, resulting, in part, from mark-to-market gains (losses) related to gas purchase contracts. During the third quarter of 2005, EME recorded an impairment charge related to its March Point investment which resulted in suspension of equity accounting. Accordingly, no earnings were recorded during the first six months of 2006.

Doga

Earnings from the Doga project increased $4 million in the second quarter of 2006 compared to the second quarter of 2005 and were about the same for the respective six-month periods. The second quarter increase in earnings was primarily due to higher energy margin, lower maintenance expenses and lower taxes.

In June 2006, the corporate tax rate in Turkey was reduced from 30% to 20%. Although this will reduce future income tax payments, Doga will report a loss from a reduction in deferred tax assets (related to levelization of income under the power purchase agreement for financial reporting purposes). EME records its share of earnings from Doga on a lag, which means that the impact of the reduction in deferred tax assets will be recorded in the third quarter of 2006. EME's share of the loss related to reduction in deferred tax assets is estimated to be approximately $11 million.

Corporate Interest Income

EME corporate interest income increased $7 million and $13 million for the second quarter of 2006 and six months ended June 30, 2006, respectively, compared to the corresponding periods of 2005. The increase was primarily attributable to higher interest rates in 2006 compared to 2005.

Corporate Interest Expense

	Three Months Ended June 30,