
**Statistical Supplement
to the
1979 Annual Report
San Diego Gas & Electric**

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FOREWORD

The purpose of this report is to compile historical, financial and statistical information relating to the company for the use of security analysts and investors. It is not intended to be used in connection with the sale or purchase of securities of the company.

The information within this report covers company operations for 1969 and the period 1974-1979. The financial information does not constitute complete financial statements. Certain prior year numbers have been restated for comparability.

The Notes to Financial Statements in the Annual Report to Shareholders are applicable to the financial statements on pages 1-3 in this report for the years 1978 and 1979.

Additional information relating to the contents of this report or operations of the company is available upon request.

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Statements of Income (In millions except per share amounts)

For the Years Ended December 31	1979	1978	1977	1976	1975	1974	1969
OPERATING REVENUES:							
Electric	\$ 592.5	\$ 468.4	\$ 422.1	\$ 358.1	\$ 284.7	\$ 222.4	\$ 97.7
Gas	151.7	144.2	117.8	93.8	88.9	66.8	42.4
Steam	1.0	1.0	0.9	0.8	0.7	0.5	0.3
Total Operating Revenues	<u>745.2</u>	<u>613.6</u>	<u>540.8</u>	<u>452.7</u>	<u>374.3</u>	<u>289.7</u>	<u>140.4</u>
OPERATING EXPENSES:							
Fuel and Purchased Energy:							
Electric	331.5	262.0	241.6	187.0	160.2	93.2	21.3
Gas	98.8	78.6	60.4	49.3	47.1	33.1	15.3
Other Operating	110.5	87.5	75.8	65.6	56.9	49.0	26.6
Maintenance	31.2	23.8	20.2	17.7	16.6	14.4	8.5
Depreciation and Amortization	47.6	38.0	33.7	30.3	28.9	25.2	15.5
Taxes:							
Property	13.2	16.6	19.5	18.0	15.0	13.7	12.4
Income	12.2	13.3	4.3	11.6	0.6	3.1	11.9
Other	3.0	2.4	2.2	2.0	1.7	1.6	0.6
Total Operating Expenses	<u>648.0</u>	<u>522.2</u>	<u>457.7</u>	<u>381.5</u>	<u>327.0</u>	<u>233.3</u>	<u>112.1</u>
OPERATING INCOME	<u>97.2</u>	<u>91.4</u>	<u>83.1</u>	<u>71.2</u>	<u>47.3</u>	<u>56.4</u>	<u>28.3</u>
OTHER INCOME CREDITS:							
Allowance for Funds Used							
During Construction							
All Funds	—	—	—	13.7	8.2	4.2	0.7
Equity Funds	18.1	13.9	14.8	—	—	—	—
Gain on Sales of Surplus Fuel Oil,							
Before Income Taxes	—	—	—	—	—	9.4	—
Other-Net	11.1	10.6	5.9	5.8	4.3	(3.8)	0.8
Total Other Income Credits	<u>29.2</u>	<u>24.5</u>	<u>20.7</u>	<u>19.5</u>	<u>12.5</u>	<u>9.8</u>	<u>1.5</u>
INCOME BEFORE							
INTEREST CHARGES	<u>126.4</u>	<u>115.9</u>	<u>103.8</u>	<u>90.7</u>	<u>59.8</u>	<u>66.2</u>	<u>29.8</u>
INTEREST CHARGES:							
Long-Term Debt	54.6	47.4	42.4	33.7	29.8	22.5	9.5
Short-Term Debt and Other	8.8	9.6	7.0	6.5	4.3	5.9	0.5
Allowance For Borrowed Funds							
Used During Construction	(7.2)	(7.9)	(5.8)	—	—	—	—
Total Interest Charges	<u>56.2</u>	<u>49.1</u>	<u>43.6</u>	<u>40.2</u>	<u>34.1</u>	<u>28.4</u>	<u>10.0</u>
NET INCOME (before preferred dividend							
requirements)	70.2	66.8	60.2	50.5	25.7	37.8	19.8
PREFERRED DIVIDEND							
REQUIREMENTS	<u>17.7</u>	<u>17.2</u>	<u>13.7</u>	<u>11.9</u>	<u>9.7</u>	<u>9.2</u>	<u>1.3</u>
EARNINGS APPLICABLE TO							
COMMON SHARES	<u>\$ 52.5</u>	<u>\$ 49.6</u>	<u>\$ 46.5</u>	<u>\$ 38.6</u>	<u>\$ 16.0</u>	<u>\$ 28.6</u>	<u>\$ 18.5</u>
AVERAGE COMMON SHARES							
OUTSTANDING	<u>29.2</u>	<u>24.6</u>	<u>20.0</u>	<u>18.0</u>	<u>16.5</u>	<u>13.7</u>	<u>10.0</u>
EARNINGS PER COMMON SHARE	<u>\$ 1.80</u>	<u>\$ 2.02</u>	<u>\$ 2.32</u>	<u>\$ 2.14</u>	<u>\$ 0.97</u>	<u>\$ 2.09</u>	<u>\$ 1.85</u>

Statements of Changes In Financial Position (In millions of dollars)

For the Years Ended December 31

	1979	1978	1977	1976	1975	1974	1969
FUNDS PROVIDED:							
OPERATIONS:							
Net Income	\$ 70.2	\$ 66.8	\$ 60.2	\$ 50.5	\$ 25.7	\$ 37.8	\$ 19.8
Charges (Credits) to Income Not Affecting Funds:							
Depreciation and Amortization ..	47.6	38.0	33.7	30.3	28.9	25.2	15.5
Allowance for Funds Used During Construction	(25.3)	(21.8)	(20.6)	(13.7)	(8.2)	(4.2)	(0.7)
Regulatory Revenue Adjustments ..	(16.3)	(0.2)	(32.4)	7.9	—	—	—
Other-Net	(2.6)	2.2	(2.4)	8.2	2.0	2.5	0.1
Funds Provided From Operations ..	<u>73.6</u>	<u>85.0</u>	<u>38.5</u>	<u>83.2</u>	<u>48.4</u>	<u>61.3</u>	<u>34.7</u>
LONG-TERM FINANCING:							
Proceeds From:							
Sale of Common Stock	51.9	71.8	50.5	29.6	15.4	21.5	—
Sale of Preference Stock	—	26.4	29.8	26.2	—	24.9	—
Sale of First Mortgage Bonds	—	49.4	48.8	44.4	39.3	123.5	—
Sale of Corporate Office Building ..	—	—	—	—	19.6	—	—
Sale of Encina 5	—	131.6	—	—	—	—	—
Other Long-Term Debt	69.6	4.7	45.2	9.7	2.9	1.9	—
Retirement of Long-Term Debt	(53.0)	(13.0)	(2.0)	(0.9)	(0.8)	(55.8)	(0.8)
Funds Provided From Long-Term Financing	<u>68.5</u>	<u>270.9</u>	<u>172.3</u>	<u>109.0</u>	<u>76.4</u>	<u>116.0</u>	<u>(0.8)</u>
OTHER SOURCES:							
Customer Advances for Construction ..	3.3	2.1	4.8	2.7	(0.1)	0.4	0.5
Decrease in Working Capital	116.6	—	26.3	7.3	37.8	—	27.7
Advances to Subsidiaries	1.1	(3.1)	(3.3)	1.9	(10.1)	(6.3)	(0.7)
Other Sources (Uses)	2.3	0.4	1.2	9.0	(3.4)	1.3	1.0
Funds Provided From Other Sources	<u>123.3</u>	<u>(0.6)</u>	<u>29.0</u>	<u>20.9</u>	<u>24.2</u>	<u>(4.6)</u>	<u>28.5</u>
Total	<u>\$ 265.4</u>	<u>\$ 355.3</u>	<u>\$ 239.8</u>	<u>\$ 213.1</u>	<u>\$ 149.0</u>	<u>\$ 172.7</u>	<u>\$ 62.4</u>
FUNDS APPLIED:							
Additions to Utility Plant (Excluding Allowance for Funds Used During Construction)	\$ 200.1	\$ 200.3	\$ 205.5	\$ 175.8	\$ 122.3	\$ 121.2	\$ 50.8
Net Increase (Decrease) In Deferred Charges and Other Assets	4.0	44.1	(5.6)	3.6	(3.0)	5.9	0.1
Dividends on Preferred Stock	17.7	17.2	13.9	11.9	9.7	9.3	1.3
Dividends on Common Stock	43.6	35.5	26.0	21.8	20.0	16.8	10.2
Increase in Working Capital	—	58.2	—	—	—	19.5	—
Total	<u>\$ 265.4</u>	<u>\$ 355.3</u>	<u>\$ 239.8</u>	<u>\$ 213.1</u>	<u>\$ 149.0</u>	<u>\$ 172.7</u>	<u>\$ 62.4</u>
WORKING CAPITAL CHANGES							
(Other Than Current Portion of Long-Term Debt and Regulatory Revenue Adjustments):							
Receivables	\$ (17.2)	\$ 30.3	\$ (23.5)	\$ 32.7	\$ 12.6	\$ 8.0	\$ 4.0
Plant Materials and Operating Supplies ..	(0.3)	2.2	7.6	(1.0)	(2.1)	4.1	—
Fuel Inventory	28.0	(25.8)	33.2	(9.1)	15.0	11.6	0.5
Short-Term Debt	(110.5)	68.1	(11.0)	(21.6)	(50.4)	5.5	(19.5)
Accounts Payable	(18.5)	(1.0)	(25.0)	(0.4)	(12.0)	0.1	(0.4)
Taxes, Interest Accrued and Other	1.9	(15.6)	(7.6)	(7.9)	(0.9)	(9.8)	(12.3)
Increase (Decrease) in Working Capital ..	<u>\$ (116.6)</u>	<u>\$ 58.2</u>	<u>\$ (26.3)</u>	<u>\$ (7.3)</u>	<u>\$ (37.8)</u>	<u>\$ 19.5</u>	<u>\$ (27.7)</u>

Balance Sheets (In millions of dollars)

Balance at December 31	1979	1978	1977	1976	1975	1974	1969
ASSETS							
UTILITY PLANT – At Original Cost:							
Plant In Service	\$ 1,287.7	\$1,190.8	\$1,082.2	\$1,008.4	\$ 940.1	\$ 903.2	\$ 541.3
Construction in Progress	447.9	325.2	385.9	244.0	159.3	87.3	10.7
Plant Held for Future Use	65.6	63.6	36.7	39.0	25.3	22.9	4.0
Total Utility Plant	1,801.2	1,579.6	1,504.8	1,291.4	1,124.7	1,013.4	556.0
Less Accumulated Depreciation	381.4	344.9	315.6	283.8	257.0	235.3	144.6
Net Utility Plant	1,419.8	1,234.7	1,189.2	1,007.6	867.7	778.1	411.4
NON-UTILITY PLANT-NET	5.2	5.5	5.8	5.1	—	—	0.1
INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES	25.8	26.0	23.8	22.1	25.3	16.5	1.2
CURRENT ASSETS:							
Cash and Temporary Investments	15.8	4.3	1.9	1.8	2.6	5.8	2.9
Receivables-Net	65.3	82.5	52.2	75.7	43.0	30.4	14.9
Plant Materials and Operating Supplies— At Average Cost	22.2	22.5	20.3	12.7	13.7	15.8	5.3
Fuel Inventory-At Average Cost	72.6	44.6	70.4	37.2	46.3	31.3	1.8
Regulatory Balancing Accounts – Undercollected	67.9	25.9	25.2	5.1	—	—	—
Other	1.2	1.0	1.2	1.1	0.7	0.7	0.2
Total Current Assets	245.0	180.8	171.2	133.6	106.3	84.0	25.1
DEFERRED CHARGES AND OTHER ASSETS	86.8	93.5	23.2	18.5	10.8	12.8	0.8
TOTAL	\$ 1,782.6	\$1,540.5	\$1,413.2	\$1,186.9	\$1,010.1	\$ 891.4	\$ 438.6
CAPITALIZATION AND LIABILITIES							
CAPITALIZATION:							
Common Equity	\$ 541.2	\$ 480.4	\$ 393.2	\$ 322.5	\$ 274.8	\$ 263.4	\$ 146.7
Preferred Stock:							
Not Subject to Mandatory Redemption ..	128.5	128.5	103.5	103.5	78.5	78.5	27.5
Subject to Mandatory Redemption ..	85.0	85.0	85.0	55.0	55.0	55.0	—
Long-Term Debt	640.1	573.1	572.6	489.6	440.5	398.6	190.2
Total Capitalization	1,394.8	1,267.0	1,154.3	970.6	848.8	795.5	364.4
CURRENT LIABILITIES:							
Bank Loans	—	—	—	26.5	12.0	—	19.5
Commercial Paper	95.4	21.3	66.8	44.9	35.3	30.0	—
Bankers' Acceptances	60.0	23.6	46.2	30.6	33.1	—	—
Accounts Payable	73.8	55.3	54.3	29.3	28.9	16.9	7.5
Dividends Payable	16.3	14.3	11.5	8.9	7.5	7.1	3.0
Customer Deposits	6.3	5.6	5.1	4.6	3.5	2.4	1.1
Taxes Accrued	19.5	12.3	8.2	5.6	3.8	9.5	10.7
Interest Accrued	14.5	13.8	13.2	11.1	8.7	7.9	2.5
Regulatory Balancing Accounts— Overcollected	26.9	1.2	0.7	13.0	—	—	—
Current Portion of Long-Term Debt	3.0	53.0	12.2	2.2	0.8	0.8	16.7
Other	15.7	16.6	6.8	6.7	6.0	4.8	5.2
Total Current Liabilities	331.4	217.0	225.0	183.4	139.6	79.4	66.2
CUSTOMER ADVANCES FOR CONSTRUCTION	24.6	21.3	19.2	14.4	11.7	11.8	3.3
RESERVES AND DEFERRED CREDITS	31.8	35.2	14.7	18.5	10.0	4.7	4.7
TOTAL	\$ 1,782.6	\$1,540.5	\$1,413.2	\$1,186.9	\$1,010.1	\$ 891.4	\$ 438.6

Financial Data and Ratios

For the Years Ended December 31	1979	1978	1977	1976	1975	1974	1969
CAPITALIZATION RATIOS*							
Common Equity	38.8%	37.9%	34.1%	33.2%	32.4%	33.1%	40.3%
Preferred Stock:							
Not Subject to Mandatory Redemption ..	9.2	10.2	9.0	10.7	9.2	9.9	7.5
Subject to Mandatory Redemption	6.1	6.7	7.3	5.7	6.5	6.9	—
Long-Term Debt:							
First Mortgage Bonds	35.2	38.7	42.5	46.5	48.0	46.2	43.6
Other Long-Term Debt	10.7	6.5	7.1	3.9	3.9	3.9	8.6
Total Long-Term Debt	45.9	45.2	49.6	50.4	51.9	50.1	52.2
Total Capitalization	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
INTEREST COVERAGE (SEC REQUIREMENTS)							
Before Income Taxes	1.95	2.18	2.18	2.33	1.65	2.56	4.06
After Income Taxes	1.89	2.11	2.19	2.21	1.73	2.38	2.90
Interest & Preferred Dividend Coverage Before Income Taxes	1.56	1.68	1.73	1.79	1.30	1.89	3.38
COMMON STOCK							
Market to Book Ratio*	75.6%	84.7%	89.3%	86.7%	68.0%	59.6%	155.1%
Book Value per Share*	\$ 17.35	\$ 17.41	\$ 17.36	\$ 16.72	\$ 16.17	\$ 16.99	\$ 14.67
Earnings per Share	\$ 1.80	\$ 2.02	\$ 2.32	\$ 2.14	\$ 0.97	\$ 2.09	\$ 1.85
Dividends per Share:							
Paid	\$ 1.46	\$ 1.38	\$ 1.24	\$ 1.20	\$ 1.20	\$ 1.20	\$ 0.99
Declared	\$ 1.48	\$ 1.40	\$ 1.28	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.02
Payout Ratio	83.1%	71.5%	55.9%	56.5%	124.9%	58.7%	55.1%
Dividend Yield	11.3%	9.5%	8.3%	8.3%	10.9%	11.9%	4.5%
Price/Earnings Ratio*	7.3	7.3	6.7	6.8	11.3	4.8	12.3
RATE OF RETURN							
Return on Rate Base	9.54%	9.68%	9.97%	8.97%	6.32%	8.18%	7.38%
Return on Common Equity	10.28%	11.35%	12.99%	12.92%	5.93%	11.60%	12.99%
(Simple Average)							
PERCENT OF OPERATING REVENUE CONTRIBUTED BY:							
Electric	79.5%	76.3%	78.1%	79.1%	76.1%	76.7%	69.5%
Gas	20.4	23.5	21.8	20.7	23.7	23.1	30.2
Steam	0.1	0.2	0.1	0.2	0.2	0.2	0.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
EMBEDDED COSTS*							
Long-Term Debt	8.49%	7.92%	7.67%	7.47%	7.18%	6.82%	4.65%
Preferred Stock:	8.20%	8.20%	8.04%	7.82%	7.35%	7.35%	4.60%
Not Subject to Mandatory Redemption ..	8.16%	8.16%	7.85%	7.85%	7.05%	7.05%	4.60%
Subject to Mandatory Redemption	8.27%	8.27%	8.27%	7.78%	7.78%	7.78%	—
CASH FLOW							
AFUDC Percent Balance for Common	48.0%	43.9%	44.4%	35.5%	51.5%	14.7%	3.7%
Percent Internal Generation of Capital Requirements;	13.3%	16.2%	16.9%	20.7%	11.4%	18.5%	44.6%
Including Regulatory Balancing Accounts	6.9%	16.1%	0.7%	25.3%	11.4%	18.5%	44.6%
Effective Tax Rate	6.3%	6.5%	(1.4%)	9.1%	(14.6%)	11.9%	38.0%
Percent Plant Additions to Total Capitalization	14.3%	15.8%	17.8%	18.1%	14.4%	15.2%	14.0%
ADDITIONS TO UTILITY PLANT—NET OF AFUDC							
(Dollars in Millions)	\$ 200.1	\$ 200.3	\$ 205.5	\$ 175.8	\$ 122.3	\$ 121.2	\$ 50.8

* At December 31

Electric Department (Dollars in Millions)

For the Years Ended December 31

	1979	1978	1977	1976	1975	1974	1969
OPERATING REVENUES							
Residential	\$ 212.4	\$ 183.4	\$ 153.0	\$ 145.0	\$ 117.7	\$ 93.5	\$ 41.9
Commercial and Industrial	326.3	281.7	216.9	210.8	156.9	120.5	53.6
Agricultural	8.4	7.3	6.3	5.8	4.3	3.5	1.7
Street and Highway Lighting	6.2	5.8	4.9	4.6	3.8	3.2	1.5
Other Sales	3.3	0.7	6.3	1.9	0.6	0.4	0.2
Miscellaneous Revenues	8.4	1.0	1.0	(1.5)	1.4	1.3	0.6
Rebates to Customers	—	—	—	—	—	—	(1.8)
Regulatory Revenue Adjustments	27.5	(11.5)	33.7	(8.5)	—	—	—
Total Operating Revenues	<u>592.5</u>	<u>468.4</u>	<u>422.1</u>	<u>358.1</u>	<u>284.7</u>	<u>222.4</u>	<u>97.7</u>
OPERATING EXPENSES							
Fuel	304.1	237.1	233.5	175.2	148.8	87.7	19.0
Purchased Energy	27.4	24.9	8.1	11.8	11.4	5.5	2.3
Other Production	25.7	13.9	10.1	7.6	5.8	6.1	2.3
Transmission	4.5	3.5	3.5	3.1	3.7	2.9	2.0
Distribution	7.3	6.4	5.1	5.0	5.0	4.7	2.9
Customer Accounts & Sales	11.9	9.8	8.8	8.1	7.1	6.1	3.8
Franchise Payments	10.8	9.3	7.6	7.1	5.5	4.3	1.1
Administrative & General	23.3	21.1	18.7	14.6	11.6	8.9	4.5
Maintenance	27.6	20.9	17.6	15.1	14.0	11.8	6.4
Depreciation and Amortization	40.0	30.9	27.1	24.0	22.9	19.9	11.9
Taxes:							
Property	10.7	13.3	15.6	14.5	12.2	11.0	9.4
Income	7.6	7.6	(2.9)	9.7	(1.1)	4.8	9.5
Other	2.3	1.7	1.5	1.3	1.2	1.2	0.3
Total Operating Expenses	<u>503.2</u>	<u>400.4</u>	<u>354.3</u>	<u>297.1</u>	<u>248.1</u>	<u>174.9</u>	<u>75.4</u>
Operating Income	<u>\$ 89.3</u>	<u>\$ 68.0</u>	<u>\$ 67.8</u>	<u>\$ 61.0</u>	<u>\$ 36.6</u>	<u>\$ 47.5</u>	<u>\$ 22.3</u>
WEIGHTED AVERAGE RATE BASE	\$ 878.7	\$ 811.5	\$ 704.8	\$ 668.9	\$ 624.0	\$ 574.0	\$ 302.2
STATISTICS							
NET SYSTEM—Mw							
Generating Capability*	2,438	2,425	2,105	2,105	2,074	2,036	1,517
Firm Contracts*	295	155	168	173	175	168	125
Total	<u>2,733</u>	<u>2,580</u>	<u>2,273</u>	<u>2,278</u>	<u>2,249</u>	<u>2,204</u>	<u>1,642</u>
Peak Load	2,019	1,981	1,746	1,716	1,619	1,498	1,219
GENERATION BY FUEL TYPES							
Kilowatt-hour Output							
Residual Fuel Oil	56.6%	54.4%	69.3%	65.8%	62.9%	45.6%	17.9%
Natural Gas	24.1	17.6	14.2	11.8	14.4	30.1	63.6
Distillate Fuel Oil	0.9	3.6	4.1	1.7	0.5	1.3	0.1
Nuclear Fuel	5.8	4.9	4.6	5.2	7.1	7.2	8.7
Total Generation	87.4	80.5	92.2	84.5	84.9	84.2	90.3
Purchased Energy	12.6	19.5	7.8	15.5	15.1	15.8	9.7
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

* At December 31

Electric Department

For the Years Ended December 31

	1979	1978	1977	1976	1975	1974	1969
(STATISTICS—CONTINUED)							
Annual System Load Factor	59.6%	57.9%	61.0%	60.5%	62.0%	63.8%	56.2%
Average Fuel Cost per Kwhr	3.0¢	2.7¢	2.5¢	2.2¢	1.9¢	1.2¢	0.4¢
Average Heat Rate (BTU per Kwhr—Net)	10,632	10,662	10,524	10,506	10,649	10,945	10,428

SALES—KWHR

(Millions)

Residential	4,004	3,728	3,437	3,295	3,102	2,913	1,933
Commercial and Industrial	5,629	5,341	5,023	4,940	4,842	4,545	3,347
Agricultural	144	133	145	135	124	125	94
Street and Highway Lighting	75	76	71	70	67	64	40
Other Sales	182	185	255	206	183	118	40
Total Sales	<u>10,034</u>	<u>9,463</u>	<u>8,931</u>	<u>8,646</u>	<u>8,318</u>	<u>7,765</u>	<u>5,454</u>

CUSTOMERS*

(Thousands)

Residential	675.5	645.1	613.9	580.0	553.1	532.8	399.7
Commercial and Industrial	71.3	67.8	65.0	61.5	61.0	58.9	47.0
Agricultural	3.3	3.1	3.2	3.2	3.1	3.1	3.2
Street and Highway Lighting	0.8	0.9	0.8	0.7	0.7	0.7	0.4
Total Customers	<u>750.9</u>	<u>716.9</u>	<u>682.9</u>	<u>645.4</u>	<u>617.9</u>	<u>595.5</u>	<u>450.3</u>

AVERAGE USE PER CUSTOMER (KWHR)

Residential—Single Family	5,748	5,594	5,428	5,566	5,721	5,592	4,936
Commercial and Industrial	80,882	80,489	79,592	81,075	80,916	78,624	72,846
Agricultural	45,229	42,049	45,221	42,927	39,443	40,151	29,310
Street and Highway Lighting	88,255	91,971	89,519	94,811	97,034	101,187	99,474

AVERAGE RATE PER KWHR

Residential—Single Family	5.36¢	4.96¢	4.48¢	4.41¢	3.79¢	3.20¢	2.16¢
Commercial and Industrial	5.80¢	5.27¢	4.32¢	4.27¢	3.24¢	2.65¢	1.60¢
Agricultural	5.81¢	5.51¢	4.35¢	4.33¢	3.43¢	2.82¢	1.85¢
Street and Highway Lighting	8.30¢	7.66¢	6.85¢	6.58¢	5.65¢	4.92¢	3.88¢

UTILITY PLANT INVESTMENT

Total (Dollars in Millions)*	\$ 1,565.0	\$ 1,359.2	\$ 1,296.5	\$ 1,094.2	\$ 935.9	\$ 830.5	\$ 430.7
Per Customer *	\$ 2,084	\$ 1,896	\$ 1,898	\$ 1,695	\$ 1,515	\$ 1,395	\$ 956
Per Thousand Kwhr Sold	\$ 156	\$ 144	\$ 145	\$ 127	\$ 113	\$ 107	\$ 79
Per Dollar of Revenue	\$ 2.64	\$ 2.90	\$ 3.07	\$ 3.05	\$ 3.29	\$ 3.73	\$ 4.41

* At December 31

Gas Department (Dollars in Millions)

For the Years Ended December 31

	1979	1978	1977	1976	1975	1974	1969
OPERATING REVENUES							
Residential—Single Family	\$ 73.2	\$ 56.5	\$ 51.9	\$ 52.2	\$ 55.8	\$ 43.5	\$ 30.2
Commercial and Industrial	61.6	52.4	48.8	37.8	32.6	23.0	12.0
Interdepartmental Sales Net of Cost	28.9	24.3	18.4	2.3	—	—	—
Miscellaneous Revenues	1.1	0.7	0.5	0.4	0.5	0.3	0.2
Regulatory Revenue Adjustments	(13.1)	10.3	(1.8)	1.1	—	—	—
Total Operating Revenues	<u>151.7</u>	<u>144.2</u>	<u>117.8</u>	<u>93.8</u>	<u>88.9</u>	<u>66.8</u>	<u>42.4</u>
OPERATING EXPENSES							
Purchased Gas	98.8	78.6	60.4	49.3	47.1	33.1	15.3
Storage & Other Supply	1.3	0.7	0.6	0.5	0.4	0.5	0.1
Transmission	1.0	0.7	0.6	0.5	0.6	0.7	0.4
Distribution	6.4	5.8	5.5	5.6	5.0	4.6	3.3
Customer Accounts & Sales	6.8	5.8	5.3	5.0	4.3	3.8	2.5
Franchise Payments	3.2	2.6	2.5	2.0	2.1	1.6	0.8
Administrative & General	7.5	7.1	6.7	5.7	5.0	4.4	2.6
Maintenance	3.5	2.9	2.5	2.6	2.6	2.5	2.1
Depreciation and Amortization	7.5	7.0	6.6	6.2	6.0	5.2	3.6
Taxes:							
Property	2.4	3.3	3.9	3.5	2.8	2.6	3.0
Income	4.6	5.7	7.3	2.0	1.8	(1.6)	2.4
Other	0.8	0.6	0.6	0.7	0.5	0.5	0.2
Total Operating Expenses	<u>143.8</u>	<u>120.8</u>	<u>102.5</u>	<u>83.6</u>	<u>78.2</u>	<u>57.9</u>	<u>36.3</u>
Operating Income	\$ <u>7.9</u>	\$ <u>23.4</u>	\$ <u>15.3</u>	\$ <u>10.2</u>	\$ <u>10.7</u>	\$ <u>8.9</u>	\$ <u>6.1</u>
WEIGHTED AVERAGE RATE BASE	\$ 139.8	\$ 132.8	\$ 128.3	\$ 125.1	\$ 123.4	\$ 115.9	\$ 81.4

STATISTICS

NATURAL GAS SUPPLY-THERMS

(Thousands)

Capacity per Day*	4,393	4,423	4,410	4,406	4,423	4,452	3,856
Maximum Daily Firm Sendout	3,293	3,615	2,620	3,121	3,379	2,924	2,418
Total Gas Purchased	854,474	734,356	645,217	650,556	749,642	846,546	879,361
Average Cost of Gas Purchased	\$ 183.47	\$ 150.31	\$ 130.52	\$ 98.89	\$ 83.47	\$ 62.19	\$ 34.90
Gas Sold to Electric Department	315,196	220,734	164,932	127,485	155,505	307,032	403,071

SALES-THERMS

(Millions)

Residential—Single Family	286.0	255.6	248.3	270.6	319.0	283.7	260.0
Commercial and Industrial	244.8	230.3	231.6	240.9	261.9	235.3	186.8
Total Sales	<u>530.8</u>	<u>485.9</u>	<u>479.9</u>	<u>511.5</u>	<u>580.9</u>	<u>519.0</u>	<u>446.8</u>

CUSTOMERS*

(Thousands)

Residential—Single Family	453.7	439.7	425.0	408.8	397.4	387.1	326.7
Commercial and Industrial	38.9	37.7	37.0	36.3	35.6	34.8	28.7
Total Customers	<u>492.6</u>	<u>477.4</u>	<u>462.0</u>	<u>445.1</u>	<u>433.0</u>	<u>421.9</u>	<u>355.4</u>

* At December 31

Gas Department

For the Years Ended December 31 (STATISTICS—CONTINUED)	1979	1978	1977	1976	1975	1974	1969
AVERAGE USE PER CUSTOMER—THERMS							
Residential—Single Family	641	591	596	672	814	744	810
Commercial and Industrial	6,387	6,182	6,294	6,710	7,431	6,833	6,644
AVERAGE RATE PER THERM							
Residential—Single Family	25.60¢	22.09¢	20.89¢	19.30¢	17.49¢	15.35¢	11.61¢
Commercial and Industrial	25.15¢	22.78¢	21.07¢	15.69¢	12.47¢	9.77¢	6.43¢
UTILITY PLANT INVESTMENT							
Total (Dollars in Millions)*	\$ 234.7	\$ 218.9	\$ 206.7	\$ 195.6	\$ 187.2	\$ 181.3	\$ 124.6
Per Customer *	\$ 476	\$ 458	\$ 448	\$ 439	\$ 432	\$ 430	\$ 351
Per Thousand Therms Sold	\$ 442	\$ 450	\$ 431	\$ 382	\$ 322	\$ 349	\$ 279
Per Dollar of Revenue	\$ 1.55	\$ 1.52	\$ 1.76	\$ 2.09	\$ 2.11	\$ 2.71	\$ 2.94

* At December 31

Steam Department (Dollars in Millions)

For the Years Ended December 31	1979	1978	1977	1976	1975	1974	1969
OPERATING REVENUES	\$ 1.0	\$ 1.0	\$ 0.9	\$ 0.8	\$ 0.7	\$ 0.5	\$ 0.3
OPERATING EXPENSES	1.0	1.0	0.9	0.8	0.7	0.5	0.4
Operating Income	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (0.1)
WEIGHTED AVERAGE RATE BASE	\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.3	\$ 0.3	\$ 0.3
STATISTICS							
SALES—POUNDS (Millions)							
Commercial	172.6	203.4	202.5	241.4	272.5	255.5	349.0
CUSTOMERS*							
Commercial	64	64	63	66	67	67	69

* At December 31

Southern California Edison Company

Annual Report

1974

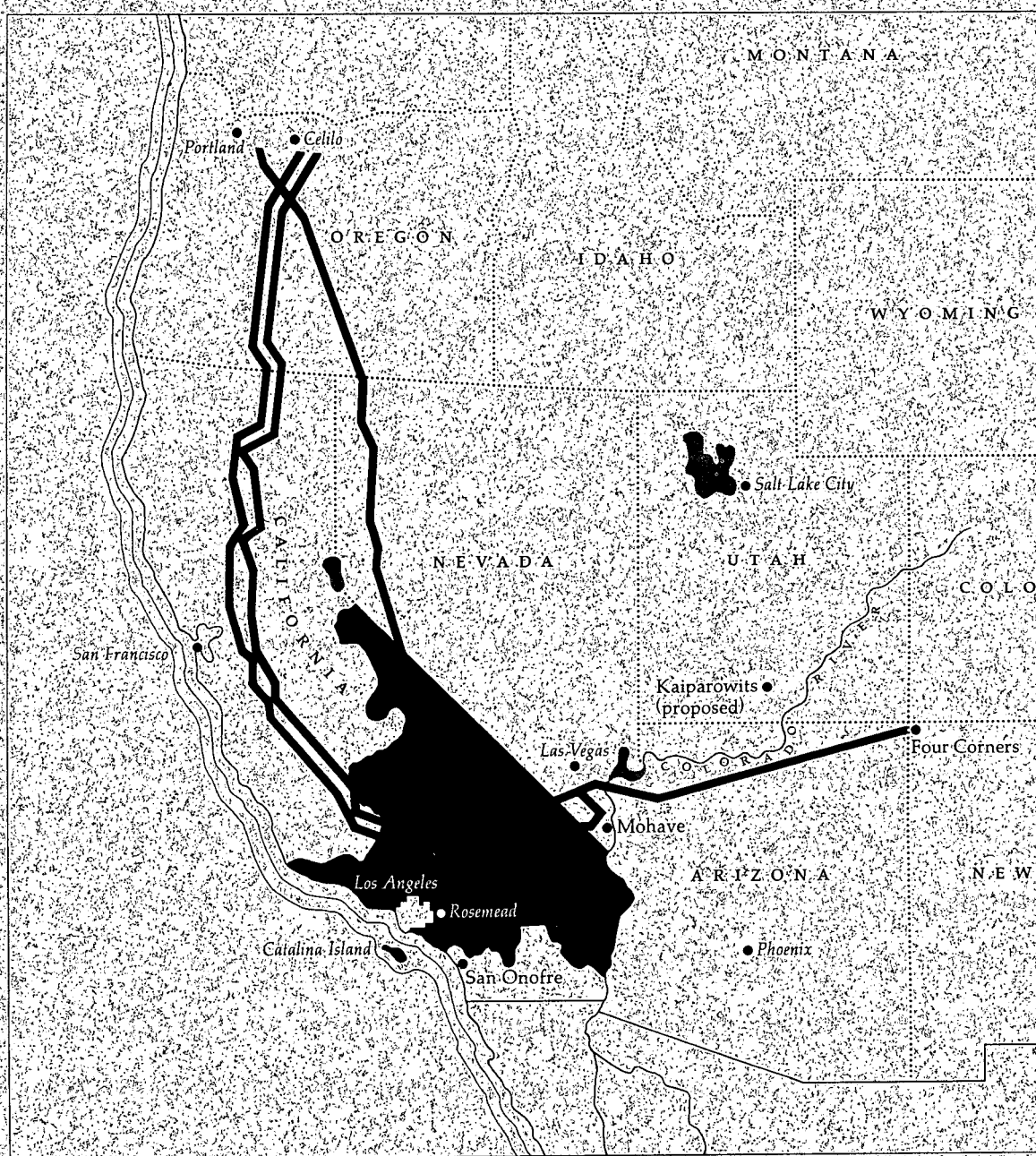
Southern California Edison Company

Southern California Edison Company provides electric service in a 50,000 square-mile area of central and southern California. This area includes nearly 800 cities and communities with a population of more than 7 1/2 million people.

SCE owns and operates 36 hydroelectric plants, 12 fossil-fueled steam electric generating plants, two combustion turbine plants, one diesel electric generating plant and operates the 80% owned San Onofre Nuclear Generating Station. In addition, it operates the two coal-fired steam electric generating units at the 56% owned Mohave Generating Station in Nevada, and owns 48% interest in two coal-fired steam electric generating units at Four Corners, New Mexico.

The Company, incorporated in 1909 under the laws of California, is a public utility subject to regulation by the California Public Utilities Commission and the Federal Power Commission. Certain aspects of its business are subject to regulation by other federal, state and local agencies.

- Service Territory
- Extra-High Voltage (EHV) Transmission Lines



Annual Report 1974

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Highlights

	1974	1973	% increase
Earnings Per Share	\$4.10	\$2.70	51.9
Common Dividends Paid Per Share	\$1.65	\$1.56	5.8
Gross Utility Plant (000)	\$4,766,175	\$4,458,631	6.9
Operating Revenues (000)	\$1,483,432	\$1,079,348	37.4
Operating Expenses (000)	\$1,172,768	\$ 845,308	38.7
Fuel (000) (a)	\$ 505,209	\$ 321,080	57.3
Taxes (000) (a)	\$ 222,056	\$ 135,128	64.3
Net Income (000)	\$ 218,298	\$ 147,731	47.8
Earnings Available for Common and Original			
Preferred Stock (000)	\$ 182,610	\$ 118,889	53.6
Payrolls (000)	\$ 208,892	\$ 198,181	5.4
Number of Customers	2,691,691	2,626,492	2.5
Kilowatt-Hour Sales (000)	51,089,981	54,092,934	(5.6)
Main System Peak (kw)	9,997,000	10,253,000	(2.5)
Operating Capacity (kw) (b)	13,494,849	13,447,095	0.4

(a) Included in Operating Expenses.

(b) Includes 996,554 kw available from others in 1974 and 904,650 kw in 1973.

To Our More Than 170,000 Shareholders

Our nation now faces critical economic and energy problems which directly affect our industry and Company. These problems are receiving increased recognition and attention, and we are encouraged that government leaders have recognized that a viable electric utility industry is essential for energy self-sufficiency and our nation's economic well-being.

Management's efforts during the year were concentrated on coping with inflationary pressures and escalating environmental, fuel and capital costs, while working to effect operating economies and to maintain reliable electric service to our customers.

The following paragraphs highlight the principal activities and results for the year:

1974 Earnings

Total revenues of \$1.5 billion, net income of \$218 million and earnings per share of \$4.10 were all at record levels and all represent substantial increases over 1973. These results, however, should be viewed in perspective. The increase in earnings is attributable almost entirely to unusually favorable weather conditions — record rainfall — which made available more lower-cost hydroelectric power, and the availability of more natural gas fuel than had been anticipated. Such extraordinary conditions cannot be counted on to recur in 1975 and, consequently, earnings for 1975 are expected to be substantially less.

Dividends

In March 1974, Edison's Board of Directors voted to increase the common stock quarterly dividend from 39 cents to 42 cents per share, equivalent to \$1.68 per share on an annual basis. The Company has paid dividends on its common stock each year since its incorporation in 1909.

KWH Sales

For many years, the Company experienced an annual compound growth rate of kilowatt-hour sales of 8-10%. However, the response by our customers to the call for energy conservation, economic conditions and the escalating cost of electricity contributed to a decline in kwh sales in 1974 from the preceding year. Therefore, planning for the 1975-79 period, subject to frequent review, is based on a markedly reduced rate of growth as compared with the high levels of electric energy growth recorded in the 1960s.

Plant Construction

The lower growth rate projected for the near-term future, coupled with adequate reserve margins of generation, made it possible in 1974 for the Company to defer construction schedules for some generating plants and related facilities and to reduce projected five-year construction expenditures by nearly \$1 billion. Despite this reduction, however, our construction budget through 1979, also subject to periodic review, remains high — about \$3.4 billion — and there will be a continuing requirement for relatively large amounts of external financing.

Rate Relief

Recognizing a future need to attain a more adequate level of earnings, Edison filed an application in June with the California Public Utilities Commission requesting a general rate increase designed to produce a 15% return on common equity and additional annual revenues of approximately \$339 million based upon the then anticipated 1976 level of sales. We are hopeful that public hearings can be completed and a decision issued by the latter part of 1975.

Cost Controls

Edison continues to operate under rigid cost controls in order to hold the line on controllable expenses. Substantial reductions in our operating and construction budgets have been made and a freeze on hiring, in effect since December 1973, has been extended into 1975. At the end of 1974, we were operating with 459 fewer employees than at year-end 1973.

Organizational Changes


After many years of valued service, for reasons of health, Mr. Vaile G. Young resigned from the Board of Directors on November 21. On that date, also, Mr. H. Russell Smith, President and Director of Avery Products Corporation, was elected to the Board, and Mr. Joe T. Head, Jr., Manager of the Power Supply Department, was elected Vice President.

1975 Outlook


The outlook for 1975 appears particularly uncertain. Such unpredictable factors as governmental actions in response to President Ford's economic-energy proposals, regulatory decisions, economic conditions, weather and the degree of energy conservation by our customers could have a substantial impact on our operations. Further, rising electric rates inevitably generate both consumer and governmental concern and lead to misunderstanding and dissatisfaction among customers who are trying to conserve.

Our fuel oil requirements for 1975 are substantially covered and, barring unforeseen circumstances, we shall have adequate generating capacity to meet expected peak electric demands of our customers through 1976.

In our judgment, the problems confronting electric utilities, though formidable, are manageable. We are planning for the challenges that lie ahead and counting on the continued dedicated support of our employees.



T. M. McDaniel, Jr.
President



Jack K. Horton
Chairman of the Board

February 20, 1975

Financial Review

Earnings and Revenues Increase In 1974

Earnings for the year increased to \$4.10 per share as compared with \$2.70 on a lower average number of shares in 1973. The primary factors benefiting 1974 earnings were the exceptionally high availability and use of lower-cost hydroelectric power and increased availability of lower-cost natural gas over what had been anticipated. Lesser factors included a general rate increase which became effective in October 1973, and stringent internal cost controls.

Total operating revenues for the year ended 1974 were \$1.5 billion, up 37.4% over the \$1.1 billion reported for 1973. Fuel cost adjustments and the general rate increase contributed substantially to higher revenues.

Net income for 1974 was \$218 million, up 47.8% from the previous year's figure of \$148 million.

Kilowatt-hour sales of electric energy for the year totaled 51 billion kwh, down 5.6% from 1973 sales of 54 billion kwh, primarily reflecting continuing customer conservation efforts and reaction to higher electric rates. Among the major customer categories, residential sales decreased 3.5%, while commercial and industrial sales were down 8.1% and 5.3%, respectively.

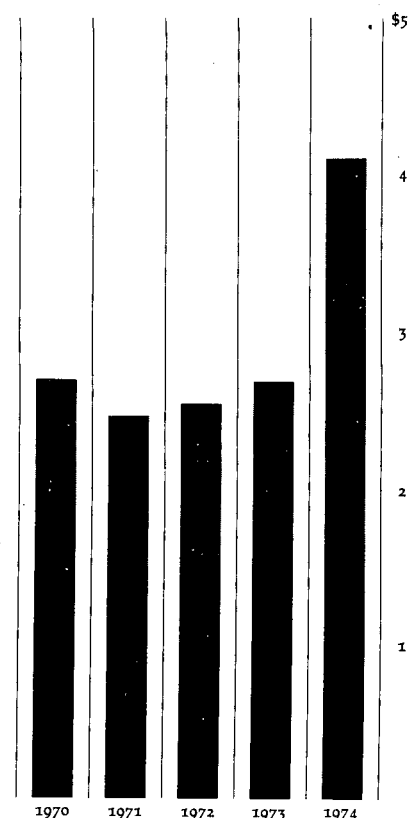
The net increase in the number of customers served at year's end was 65,199, up 8.4% over the gain of 60,151 recorded for 1973.

Edison Increases Common Dividend

The Company's Board of Directors voted on March 21 to raise the common stock quarterly dividend from 39 cents to 42 cents per share. The increased dividend is equivalent to \$1.68 per share on an annual basis, compared with \$1.56 previously. Edison last raised the dividend on common stock in December 1971, when the quarterly rate was raised from 37½ cents to 39 cents.

Earnings per Share

- retained earnings
- dividends



Company Seeks Rate Relief

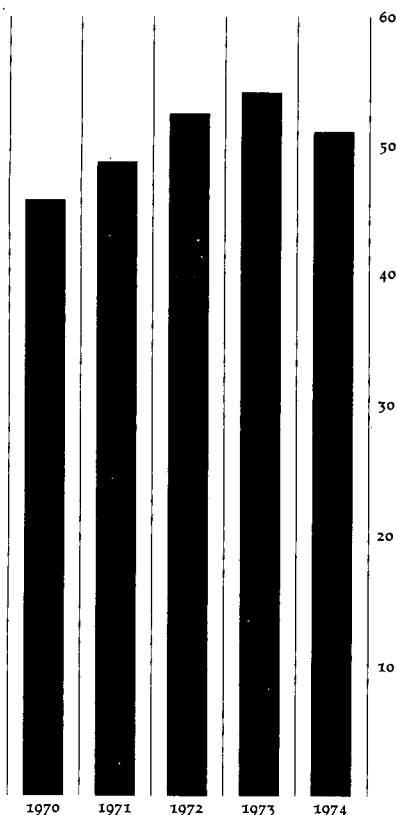
Edison filed an application with the California Public Utilities Commission (CPUC) on June 7, 1974, requesting a general rate increase designed to produce additional annual revenues of \$339 million. The request is predicated upon a return on rate base of 9.6% and a return on common equity of 15% based upon the then estimated level of kwh sales in 1976.

The request was deemed necessary because of substantial increases in the cost of labor and materials, record high interest rates, higher costs related to environmental considerations, and general inflationary pressures. Public hearings on the rate increase application commenced in November and a decision by the CPUC is hoped for in the latter part of 1975.

During the year, the Federal Power Commission (FPC) concluded public hearings on two Edison filings to increase rates for resale customers. On September 7, 1973, and August 4, 1974, pursuant to orders of the FPC, the Company increased

its wholesale base rates, designed to produce about \$16 million and \$11.8 million, respectively, on an annual basis, and on May 2, 1974, made a fuel clause effective, all subject to refund. Certain resale customers have intervened to oppose these filings which are pending final decisions by the FPC.

**Kilowatt-hour
Sales**
billion kwh



Fuel Costs Continue to Increase

Edison's fuel expenses for 1974 were \$505 million, a 57.3% increase over the \$321 million recorded in 1973. For 1975, fuel costs are estimated to total approximately \$1 billion.

In 1969, the Company's fuel expenses accounted for approximately 20 cents out of each dollar of revenue. In 1974, these expenses accounted for 34 cents of each dollar received, but are expected to jump to about 50 cents in 1975.

Fuel cost increases have been offset largely through the application of a fuel cost adjustment procedure

authorized by the cruc in 1972 which permits the Company, subject to cruc approval, to adjust billings to reflect increases or decreases in fossil fuel costs.

On January 3, 1975, Edison applied for an increased fuel cost adjustment billing factor to become effective February 1, 1975. Public hearings commenced in January and are scheduled to continue into March and involve not only the requested fuel cost offset, but the historical and projected operation of the fuel cost adjustment procedure.

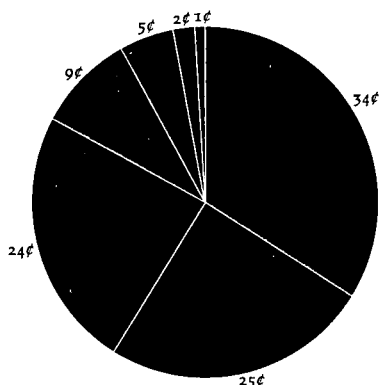
On August 6, the cruc authorized the Company to implement a special fuel cost adjustment for a 12-month period to offset certain fuel oil transportation charges. The special adjustment is expected to increase revenues by \$9.7 million during the one year it will be in effect.

During the past three years, Edison substantially increased its fuel oil storage capacity and its fuel oil inventory to help prevent fuel shortages resulting from possible interruptions in the supply of imported low-sulfur fuel oil. In an effort to offset a major part of the carrying costs incurred as a result of this action and the greatly increased price of fuel oil in inventory, Edison, in September, filed with the cruc an application for an adjustment in rates which, if authorized, would result in additional revenues estimated at approximately \$17 million on an annual basis. Public hearings have been held and a decision is pending.

On December 17, the cruc approved a modification to the fuel adjustment clause to permit Edison to recover its costs associated with certain fuel exploration and development programs carried on by one of its subsidiaries, Mono Power Company. The Commission found reasonable an initial increment which, when implemented, would provide about \$2.7 million in additional annual revenues.

**Source of
Revenue Dollar:
1974**

34¢ Residential
25¢ Commercial
24¢ Industrial
9¢ Public authorities
5¢ Resale
2¢ Agricultural
1¢ Other



**SCE Raises Over
\$325 Million in
New Financings**

Five issues of securities were completed during 1974 which raised in excess of \$325 million in new capital to help finance the Company's continuing construction program.

A \$100 million offering of 25-year First and Refunding Mortgage Bonds, Series CC, was sold on February 21 at a cost to the Company of 8.23%.

Edison netted approximately \$49 million when two million shares of \$25 Cumulative Preferred Stock, 8.85% Series, were sold on April 30 at a cost to the Company of 9.03%.

An offering of four million shares of common stock was sold November 7 at \$17.75 per share, with net proceeds totaling approximately \$67 million. This marked the first issue of common stock by the Company since April 1971.

Also on November 7, a \$100 million offering of 7-year First and Refunding Mortgage Bonds, Series EE, was sold at a cost to the Company of 9.25%.

In addition, on July 30, Edison sold \$15 million of First and Refunding Mortgage Bonds, Series DDP, to the

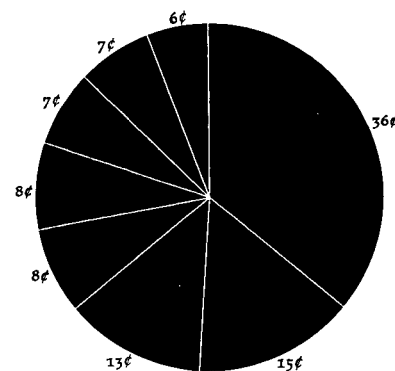
California Pollution Control Financing Authority at a cost to the Company of 7.17%. In turn, the Authority sold to the public a like amount of its pollution control revenue bonds, pledging the Edison bonds to secure the payments of the principal and interest.

Edison maintained its double "A" bond rating during 1974, a year in which many utilities' securities were derated.

Current plans for 1975 include the sale of up to \$150 million of 25-year First and Refunding Mortgage Bonds scheduled for competitive bidding on March 6. Additional external financing will be required during the balance of 1975. The timing and amount will depend to a large degree on future capital requirements and market conditions.

**Use of
Revenue Dollar:
1974**

36¢ Fuel and purchased power
15¢ Taxes
13¢ Other operating expenses
(principally labor)
8¢ Depreciation
8¢ Interest
7¢ Dividends
7¢ Retained earnings reinvested
in the business
6¢ Maintenance



Review of Operations

Power Supply

Energy conservation measures implemented by SCE's customers, economic conditions, the higher price of electricity and the absence of any extended summer heat wave contributed to a lower peak demand (9,997 megawatts) in 1974 than in 1973 when a record 10,253 mw was recorded.

In light of some uncertainty regarding the continuing impact of conservation, economic conditions and rising electric rates upon future load growth, Edison's plans for new system capacity additions are subject to continuing evaluation and rescheduling. For the 1975-79 time period, it is currently anticipated that system peak demand for electricity will grow at an average annual compound rate of about 5%.

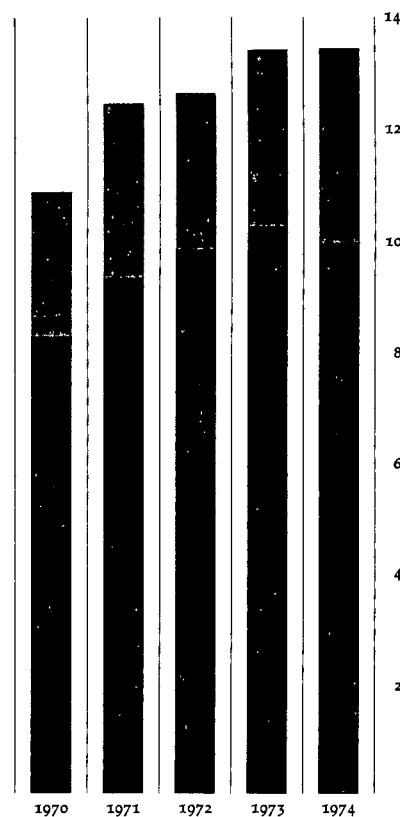
As a result of the lower estimated growth rate, the Company deferred construction schedules for three proposed power generation projects—a 1,356-mw combined-cycle facility at Lucerne Valley, a 1,416-mw combined-cycle facility at Huntington Beach and a 1,540-mw High Temperature Gas-cooled Reactor (HTGR) nuclear plant near Vidal Junction. Edison, however, intends to continue its efforts to secure necessary regulatory approvals for these facilities so that construction timetables can be moved forward in the event power demand increases more sharply than anticipated in the near future.

During 1974, one new generating facility was completed. The 54-mw combustion turbine generator at the Ellwood Energy Support Facility near Santa Barbara became operational on August 1.

Generating Capacity

million kw

- reserve capacity
- peak demand



SCE Constructs and Plans Future Power Projects

San Onofre Units 2 & 3

The major portion of the Company's \$483 million 1975 capital budget is devoted to construction of new generation facilities.

Initial site preparation work for two new 80% Edison-owned 1,100-mw nuclear units at the existing San Onofre Nuclear Generating Station began in March after a four-year delay during which Edison was engaged in the regulatory approval process and attendant lawsuits, some aspects of which are still pending. Actual construction work commenced in November and if construction proceeds as scheduled, the units will be placed in operation in 1981 and 1982.

The new generation to be provided at San Onofre, when fully operational, will enable Edison to utilize nuclear fuel instead of an estimated 20 to 25 million barrels of expensive imported low-sulfur fuel oil which otherwise would have to be used to produce the same amount of electric energy.

*Long Beach
Modernization*

Also, after an extended delay, all of the major regulatory approvals were obtained, and construction of the combined-cycle facility at the existing Long Beach Generating Station was started in May. The addition of seven gas turbine units to the existing steam turbines will increase the station's electrical output from 148 mw to 572 mw. Operation of the units is scheduled for late 1976.

Coolwater Expansion

Regulatory delays in connection with the proposed 472-mw combined-cycle project at the existing Coolwater Generating Station have delayed the start of construction. Subject to the obtaining of required regulatory approvals on a timely basis, the two new units comprising the project are scheduled for operation in 1977 and 1978.

Big Creek

sce applied to the FPC to add a 35-mw generating unit at Big Creek #3 Powerhouse. If approved, the additional low-cost hydro energy will mean a savings of approximately 72,000 barrels of low-sulfur fuel oil annually. Completion is scheduled for 1980.

Yuma-Axis Station

The Company plans to construct a 25-mw combustion turbine generator at the Yuma-Axis Generating Station near Yuma, Arizona, to supply the eastern California desert area with needed electric power. The facility is scheduled for operation in 1978.

Kaiparowits

During the year, Edison, on behalf of participating electric utilities, entered into a preliminary letter of intent to purchase four steam-turbine generators for the proposed Kaiparowits Generating Station which is to be located in southern Utah. Public hearings and a decision by the Bureau of Land Management of the U.S. Department of the Interior on the 3,000-mw coal-fired facility are expected in 1975. Edison, currently with a 40% interest in the project, has been designated Project Director and Operating Agent.

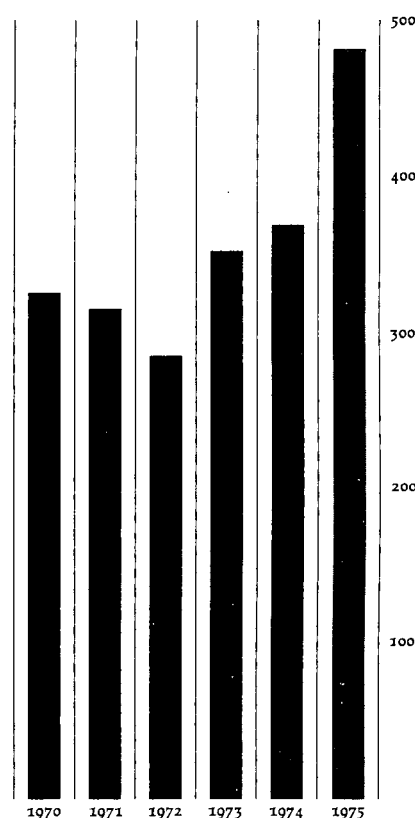
*San Joaquin
Nuclear Project*

On December 30, Mono Power Company, a wholly-owned subsidiary of Edison, and subsidiaries of two other participating electric utilities, signed a memorandum of intent with Kaiser Industries Corporation to develop jointly a 12-million-ton-per-year underground coal mining facility which could provide fuel for the Kaiparowits Generating Station.

Development of the electric generating station and mining facilities is contingent on government approvals and on availability of financing for the power and mining facilities.

The Company is participating with other utilities in a feasibility study of a proposed 5,080-mw nuclear generating station in Kern County, California. Edison's share of this proposed project, if it proceeds, would be approximately 22%.

**Construction
Expenditures**
in millions of dollars
■ estimated



Fossil fuels — low-sulfur oil, natural gas and coal — were utilized by Edison to generate 70% of the electricity transmitted to its customers in 1974. Oil accounted for 38% of the electricity required, while natural gas accounted for 17% and coal, 15%. The remaining 30% was met by nuclear and hydroelectric plants and purchased power.

In 1974, the Company's low-sulfur fuel oil usage totaled 35 million barrels, down from the 42 million barrels consumed in 1973. The reduction was attributable principally to factors referred to earlier such as extremely favorable weather conditions and energy conservation measures which enabled SCE to save the equivalent of approximately 20 million barrels of fuel oil.

If average weather conditions are experienced in 1975, Edison expects to burn about 53 million barrels of oil. This higher-cost low-sulfur fuel oil is estimated to be required to meet 58% of SCE's projected generating requirements in 1975 as compared with 15% in 1970. Lower-cost natural gas, the availability of which is diminishing in southern California, is projected to be available for only 8% of electric generation, as compared with 57% in 1970.

Fuel oil requirements for 1975 are substantially covered and are expected to be met by oil under contract and, in part, by utilizing a portion of the 19.7 million barrels of fuel oil in Company storage facilities at the end of 1974.

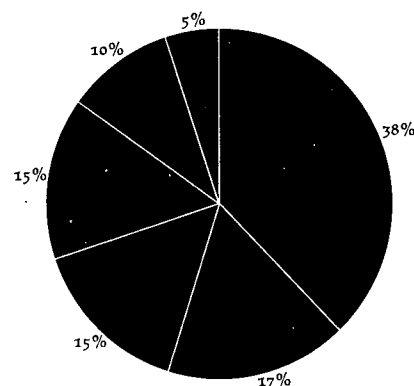
In an effort to reduce dependency on the limited foreign sources for low-sulfur fuel oil required to meet air quality regulations, Edison is continuing its exploration and development of coal, oil, gas, uranium and geothermal energy resources through its subsidiary, Mono Power Company.

Efforts to explore and develop geothermal energy have been confined to areas in and near the Com-

pany's service territory because of the necessity to tie new geothermal energy sources to new generating plants and related transmission facilities. During the year, Mono and its joint venture partner submitted bids on two parcels of land and filed for leases on a number of other parcels. To date, however, no leases have been obtained.

Electric Generation by Source: 1974

38% Oil
17% Natural gas
15% Coal
15% Purchased and interchanged power
10% Hydroelectric
5% Nuclear



R & D Directed Toward Fuels and Advanced Generation

Edison expended a total of \$15 million on research and development activities in 1974.

Because of rising costs for fuel and increased concerns for the environment, a large portion of Edison's R & D program is being concentrated on alternate fuels, advanced generation concepts and environmental research. The program includes efforts in developing liquid fuel from coal, oil from shale, oil desulfurization, geothermal and solar energy, fuel cells and the fast breeder reactor.

SCE Explores for New Energy Resources

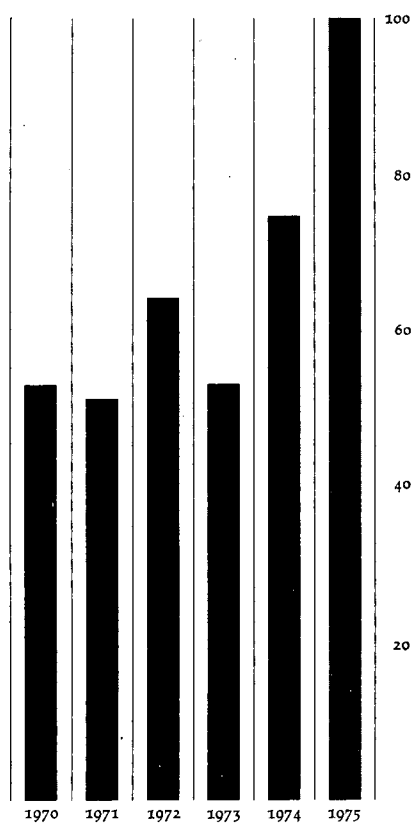
Environmental Preservation

Over the years, SCE has initiated and advanced numerous programs designed to make meaningful improvements to environmental quality which could be justified by favorable cost-benefit ratios. Such a cost-effective approach is of critical importance to the Company's efforts to reconcile shortages of new capital, America's need to achieve an acceptable degree of energy self-sufficiency, growing customer concern over rising electric rates, and the preservation of the environment.

During 1974, an estimated \$75 million, or about 20% of the Company's \$380 million capital expenditure program, was spent for environmental purposes. For 1975, similar expenditures are forecast at \$100 million, or about 21% of SCE's capital budget.

Air and water quality, protection of marine life, and esthetics of facilities are the major areas, although the full range of environmental problems receives attention including programs designed to monitor and evaluate the effects of coastal and inland power plants on the environment.

Environmental Plant Expenditures
in millions of dollars
■ estimated



SCE Engaged in Air Quality Activities

Beginning in the middle 1950s, Edison initiated a program to reduce the oxides of nitrogen (NO_x) emissions from its electric generating facilities. These activities led to the development and application of various techniques which have permitted NO_x reductions up to 90%. These operating modes since have been adopted as an industry standard for the control of NO_x .

Edison, as Project Manager, along with other utilities, is constructing and testing two experimental sulfur dioxide (SO_2) and particulate removal scrubber modules at the existing coal-fired Mohave Generating Station. Upon completion of the testing of these modules in early 1975, one type is scheduled to be selected for a production scrubber full-scale installation to comply with the Clark County, Nevada, air pollution control requirements.

Water Quality Programs Receive Continued Attention

In 1974, SCE marine biologists, together with biological and oceanographic consultants, continued to carry out extensive studies of marine life in the near-shore water at Edison's coastal generating stations. Results of these studies provide increased understanding of the effects of power plant cooling water on the marine environment which aids the Company's effort to provide continued marine life protection.

Edison is providing environmental information on the Company's marine water discharges to the U.S. Environmental Protection Agency (EPA), to cooperate with that agency's development of national water quality regulations. Edison, along with other major electric utilities, is urging the EPA to balance environmental protection controls with reasonable cost-benefit ratios.

More Cable Installed Underground

The Company installed 7.5 circuit miles of underground higher-voltage 66 kv subtransmission cable in 1974. A total of nearly 20 circuit miles now has been installed under the program initiated in 1970 to evaluate the performance and economics of this higher-voltage cable under actual operating conditions. The trial installation program is expected to be completed in 1975.

In addition, more than 75% of the new customers served by Edison in 1974 were connected to underground lower-voltage distribution systems.

Affirmative Action

Over a period of years, Equal Employment Opportunity, a Company policy of long standing, has evolved into the concept of Affirmative Action. The ultimate objective of Edison's program is to employ qualified minorities and females throughout the workforce in numbers similar to their availability in the Company's labor market area.

Edison has been operating under various Affirmative Action Programs for a number of years. In 1972, the Company developed a revised program for minorities and females which was accepted by the California Fair Employment Practice Commission.

Employment of Minorities and Females Increase

The results of SCE's Affirmative Action program, shown in the accompanying chart which covers the period from year-end 1970 through year-end 1974, were achieved despite the Company-wide, self-imposed hiring freeze which began in late 1973. Despite the manpower reduction, which could be expected to impact adversely entry level jobs, minorities as a percentage of the workforce increased from 14.9% to 16.1% and females from 14.7% to 15.4% during 1974.

The Company is involved in conciliation and litigation proceedings relative to alleged discriminatory employment practices which are discussed more fully in Note 3 of Notes to Financial Statements.

Percentage of Male, Female and Minority Employees at Year End 1970 and 1974⁽¹⁾

	Male %		Female %		Black %		Oriental %		American Indian %		Spanish- Surnamed American %		Total Minorities %	
	Year End 1970	Year End 1974	Year End 1970	Year End 1974	Year End 1970	Year End 1974	Year End 1970	Year End 1974	Year End 1970	Year End 1974	Year End 1970	Year End 1974	Year End 1970	Year End 1974
Management ⁽²⁾	96.7	94.1	3.3	5.9	0.7	1.8	1.2	3.5	0.2	0.4	2.2	3.9	4.3	9.6
Non-Management ⁽³⁾	84.2	80.5	15.8	19.5	4.0	6.4	0.6	1.3	0.2	0.6	4.5	10.5	9.3	18.8
Total Company	87.5	84.6	12.5	15.4 ⁽⁴⁾	3.1	5.0	0.8	2.0	0.2	0.6	3.9	8.5	8.0	16.1 ⁽⁴⁾

(1) Data as of December 27, 1974.

(2) Management employees include the "Officials and Managers," and "Professionals" Affirmative Action Categories.

(3) Non-Management employees include the "Technicians," "Office and Clerical," "Craftsmen," "Operatives," "Laborers" and "Service Workers" Affirmative Action Categories.

(4) Comparable figures in 1973 were 14.7% for females and 14.9% for minorities.

Statements of Income

Year ended December 31,
1974 1973
Thousands of Dollars

Operating Revenues:			
	Sales (Notes 1 and 3)	\$1,471,952	\$1,070,180
	Other	11,480	9,168
	Total operating revenues	<u>1,483,432</u>	<u>1,079,348</u>
Operating Expenses:			
	Fuel (Notes 3 and 9)	505,209	321,080
	Other operation expense (Notes 3 and 4) . . .	237,409	194,038
	Maintenance (Note 1)	91,905	85,184
	Provision for depreciation (Notes 1 and 6) . .	116,189	109,878
	Taxes on income (Note 6)	135,137	48,274
	Property and other taxes	86,919	86,854
	Total operating expenses	<u>1,172,768</u>	<u>845,308</u>
Operating Income		<u>310,664</u>	<u>234,040</u>
Other Income and Income Deductions:			
	Allowance for funds used during construction (Note 1)	16,163	10,190
	Other — net (Notes 2 and 6)	4,430	1,229
	Total other income and income deductions . .	<u>20,593</u>	<u>11,419</u>
Total Income before Interest Charges		<u>331,257</u>	<u>245,459</u>
Interest Charges:			
	Interest on long-term debt	104,145	95,473
	Other interest and amortization (Note 1) . . .	8,814	2,255
	Total interest charges	<u>112,959</u>	<u>97,728</u>
Net Income		<u>218,298</u>	<u>147,731</u>
Dividends on Cumulative Preferred and Preference Stock		<u>35,688</u>	<u>28,842</u>
Earnings Available for Common and Original Preferred Stock		<u>\$ 182,610</u>	<u>\$ 118,889</u>
Weighted Average Shares of Common and Original Preferred Stock Outstanding (000)		44,580	43,965
Earnings Per Share (Note 8):			
	Primary	\$4.10	\$2.70
	Fully diluted	\$3.89	\$2.60

Statements of Changes in Financial Position

Year ended December 31,
1974 1973
Thousands of Dollars

Funds Provided By:

Operations —

Net income	\$ 218,298	\$ 147,731
Non-fund items —		
Depreciation	116,189	109,878
Equity in earnings in unconsolidated subsidiary companies (Notes 1 and 2)	(1,040)	(995)
Allowance for funds used during construction (Note 1)	(16,163)	(10,190)
Other (net)	5,822	1,749
Total from operations	<u>323,106</u>	<u>248,173</u>

Long-term financing —

Preferred stock	50,000	75,000
Long-term debt	222,486	4,558
Common stock	67,200	—
Total from long-term financing	<u>339,686</u>	<u>79,558</u>

Other sources —

Construction advances and other	169	7,540
Decrease in working capital items	—	148,784
Total from other sources	<u>169</u>	<u>156,324</u>

Total funds provided	<u>\$ 662,961</u>	<u>\$ 484,055</u>
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Funds Applied To:

Construction additions—net	\$ 335,784	\$ 325,681
Less — allowance for funds used during construction (Note 1)	16,163	10,190
Funds used for capital expenditures	319,621	315,491
Advances to unconsolidated subsidiaries	13,870	—
Dividends	111,584	97,886
Repayment of long-term debt	—	70,678
Other	4,210	—
Increase in working capital items	<u>213,676</u>	<u>—</u>
Total funds applied	<u>\$ 662,961</u>	<u>\$ 484,055</u>

Working Capital Changes:

Temporary investments and notes payable (net)	\$ 159,173	\$ (202,420)
Fuel stock	135,966	86,223
Other	<u>(81,463)</u>	<u>(32,587)</u>
Increase (Decrease) in working capital	<u>\$ 213,676</u>	<u>\$ (148,784)</u>

The accompanying notes are an integral part of these statements.

Balance Sheets

December 31,
1974 1973
Thousands of Dollars

ASSETS

Utility Plant:

Plant in service, at original cost		
less contributions (Notes 1, 2 and 3)	\$4,320,577	\$4,089,100
Less — Accumulated provision for depreciation (Notes 1 and 2)	<u>1,051,024</u>	<u>958,210</u>
Net utility plant in service	3,269,553	3,130,890
Construction work in progress (Note 4)	422,834	352,352
Nuclear fuel, at amortized cost	22,764	17,179
Total utility plant	<u>3,715,151</u>	<u>3,500,421</u>

Other Property and Investments:

Real estate and other, at cost — less accumulated provisions for depreciation	15,605	11,949
Subsidiary companies, at equity including \$15,813,000 in 1974 and \$76,000 in 1973 of accounts receivable (Notes 1 and 2)	<u>72,961</u>	<u>58,051</u>
Total other property and investments	<u>88,566</u>	<u>70,000</u>

Current Assets:

Cash (Note 3)	8,003	8,787
Temporary cash investments	66,673	—
Receivables, less reserves for uncollectible accounts (Notes 1 and 7)	122,487	90,808
Materials and supplies, at average cost	26,547	22,562
Fuel stock, at cost (first-in, first-out) (Note 9)	276,268	140,302
Prepayments and other (taxes, insurance, etc.) (Note 3)	<u>82,848</u>	<u>41,918</u>
Total current assets	<u>582,826</u>	<u>304,377</u>

Deferred Debits:

Unamortized debt expense (Note 1)	3,427	2,605
Other deferred charges	<u>13,974</u>	<u>12,358</u>
Total deferred debits	<u>17,401</u>	<u>14,963</u>
	<u>\$4,403,944</u>	<u>\$3,889,761</u>

		December 31,	
		1974	1973
		Thousands of Dollars	
CAPITALIZATION AND LIABILITIES			
Shareholders' Equity:	Original preferred stock	\$ 4,000	\$ 4,000
	Cumulative preferred stock	483,755	433,755
	Preference stock	74,998	74,998
	Common stock, including additional stated capital	395,709	362,376
	Total capital stock — stated value	958,462	875,129
	Additional paid-in capital	350,503	316,636
	Capital stock expense (Note 2)	—	(1,538)
	Retained earnings (Note 2)	677,839	573,261
	Total shareholders' equity	1,986,804	1,763,488
Long-Term Debt (Notes 1 and 7)		1,944,272	1,722,710
	Total capitalization	3,931,076	3,486,198
Current Liabilities:	Accounts payable	114,748	100,620
	Notes payable to banks (Note 3)	—	92,500
	Taxes accrued (Note 6)	160,639	64,552
	Interest accrued	31,134	26,515
	Customer deposits	10,958	8,643
	Dividends declared	24,820	20,729
	Other (Note 3)	45,345	9,312
	Total current liabilities	387,644	322,871
Commitments and Contingencies (Note 3)			
Reserves and Deferred Credits:	Customer advances for construction	19,095	18,926
	Other deferred credits	6,506	4,957
	Accumulated deferred income taxes (Note 6)	29,678	31,807
	Pension reserves (Note 5)	18,143	19,818
	Insurance, casualty and other reserves (Note 2)	11,802	5,184
	Total reserves and deferred credits	85,224	80,692
		\$4,403,944	\$3,889,761

The accompanying notes are an integral part of these balance sheets.

Statements of Retained Earnings and Additional Paid-in Capital

Year ended December 31,
1974 1973
Thousands of Dollars

RETAINED EARNINGS :

Balance at January 1	\$573,261	\$513,866
Add:		
Net income for the year	218,298	147,731
Adjustments — net (Note 2)	(2,136)	9,550
	<u>789,423</u>	<u>671,147</u>
Deduct:		
Dividends declared on capital stock		
Original preferred — \$1.65 per share		
for 1974 and \$1.56 per share for 1973	792	749
Cumulative preferred	32,157	25,401
Preference	<u>3,900</u>	<u>3,900</u>
	36,849	30,050
Common — \$1.68 per share for 1974 and		
\$1.56 per share for 1973	74,735	67,836
	<u>111,584</u>	<u>97,886</u>
Balance at December 31	<u>\$677,839</u>	<u>\$573,261</u>

ADDITIONAL PAID-IN CAPITAL:

Balance at January 1	\$316,636	\$316,636
Premium received on sale of		
common stock	33,867	—
Balance at December 31	<u>\$350,503</u>	<u>\$316,636</u>

Statements of Capital Stock

	December 31, 1974		December 31,	
	Shares Outstanding	Redemption Price Per Share	1974 Thousands of Dollars	1973
Original Preferred — 5%, prior, cumulative, participating, not redeemable, authorized 480,000 shares, par value \$8 $\frac{1}{3}$ per share	480,000		<u>\$ 4,000</u>	<u>\$ 4,000</u>
Cumulative Preferred — authorized 12,000,000 shares, par value \$25 per share (a) (b)				
4.08% Series	1,000,000	\$ 25.50	25,000	25,000
4.24% Series	1,200,000	25.80	30,000	30,000
4.32% Series	1,653,429	28.75	41,336	41,336
4.78% Series	1,296,769	25.80	32,419	32,419
5.80% Series	2,200,000	27.00	55,000	55,000
8.85% Series	2,000,000	27.20	50,000	—
\$100 Cumulative Preferred — authorized 6,000,000 shares, par value \$100 per share (a) (b)				
7.325% Series	750,000	115.00	75,000	75,000
7.58% Series	750,000	108.00	75,000	75,000
8.70% Series	500,000	111.00	50,000	50,000
8.96% Series	500,000	111.00	50,000	50,000
			<u>483,755</u>	<u>433,755</u>
Preference — authorized 10,000,000 shares, par value \$25 per share (a) (c)				
5.20% Convertible Series	2,999,900	25.00	74,998	74,998
Common — authorized 60,000,000 shares, par value \$8 $\frac{1}{3}$ per share, including additional stated capital (b) (c)	47,484,883		395,709	362,376
Total capital stock — stated value (d)			<u>\$958,462</u>	<u>\$875,129</u>

(a) All series of Cumulative Preferred and Preference Stock are redeemable at the option of the Company. The various series of \$100 Cumulative Preferred Stock are subject to certain restrictions on redemption for refunding purposes. The \$100 Cumulative Preferred Stock, 7.325% Series, has a cumulative sinking fund provision requiring the redemption of 30,000 shares annually at \$100 per share, plus accumulated unpaid dividends, commencing July 31, 1983, and continuing until all shares are redeemed.

(b) The transactions in the capital stock accounts for 1974 were the sale and issuance of 2,000,000 shares of Cumulative Preferred Stock, 8.85% Series and 4,000,000 shares of Common Stock. In 1973, 750,000 shares of \$100 Cumulative Preferred Stock, 7.325% Series were issued.

(c) At December 31, 1974 there were 2,026,960 shares of Common Stock reserved for conversion of Preference Stock, 5.20% Convertible Series, at the adjusted conversion price of \$37.00 per share. Also, at that date, there were 1,804,868 shares of Common Stock reserved for conversion of the 3 $\frac{1}{8}$ % Convertible Debentures, Due 1980, at the adjusted rate of one share of Common Stock for each \$41.50 principal amount of such debentures.

(d) The Company's Articles of Incorporation authorize the issue of 2,000,000 shares of \$100 Preference Stock, \$100 par value, none of which was outstanding at December 31, 1974 or 1973.

Statements of Long-term Debt

December 31,
1974 1973
Thousands of Dollars

First and Refunding Mortgage Bonds (a):	Series C, Due 1976 (2 $\frac{7}{8}$ %)	\$ 35,000	\$ 35,000
	Series D, Due 1976 (3 $\frac{1}{8}$ %)	30,000	30,000
	Series E, Due 1978 (3 $\frac{5}{8}$ %)	30,000	30,000
	Series F, Due 1979 (3 %)	30,000	30,000
	Series G, Due 1981 (3 $\frac{5}{8}$ %)	40,000	40,000
	Series H, Due 1982 (4 $\frac{1}{4}$ %)	37,500	37,500
	Series I, Due 1982 (4 $\frac{3}{4}$ %)	40,000	40,000
	Series J, Due 1982 (4 $\frac{7}{8}$ %)	40,000	40,000
	Series K, Due 1983 (4 $\frac{5}{8}$ %)	50,000	50,000
	Series L, Due 1985 (5 %)	30,000	30,000
	Series M, Due 1985 (4 $\frac{3}{8}$ %)	60,000	60,000
	Series N, Due 1986 (4 $\frac{1}{2}$ %)	30,000	30,000
	Series O, Due 1987 (4 $\frac{1}{4}$ %)	40,000	40,000
	Series P, Due 1987 (4 $\frac{1}{4}$ %)	50,000	50,000
	Series Q, Due 1988 (4 $\frac{3}{8}$ %)	60,000	60,000
	Series R, Due 1989 (4 $\frac{3}{8}$ %)	60,000	60,000
	Series S, Due 1990 (4 $\frac{1}{2}$ %)	60,000	60,000
	Series T, Due 1991 (5 $\frac{1}{4}$ %)	75,000	75,000
	Series U, Due 1991 (6 $\frac{1}{8}$ %)	80,000	80,000
	Series V, Due 1992 (5 $\frac{7}{8}$ %)	80,000	80,000
	Series W, Due 1993 (6 $\frac{3}{8}$ %)	100,000	100,000
	Series X, Due 1994 (7 $\frac{1}{8}$ %)	75,000	75,000
	Series Y, Due 1994 (8 $\frac{1}{8}$ %)	100,000	100,000
	Series Z, Due 1995 (7 $\frac{7}{8}$ %)	100,000	100,000
	Series AA, Due 1996 (8 %)	100,000	100,000
	Series BB, Due 1997 (7 $\frac{3}{8}$ %)	125,000	125,000
	Series CC, Due 1999 (8 $\frac{1}{4}$ %)	100,000	—
	Series DDP, Due 1999 (7 %)	15,030	—
	Series EE, Due 1981 (9 %)	100,000	—
		<u>1,772,530</u>	<u>1,557,500</u>
First Mortgage Bonds (Caletric) (a)	Due 1976-1991 (2 $\frac{7}{8}$ % - 5 $\frac{1}{8}$ %)	87,340	87,340
Convertible Debentures (b)	Due 1980 (3 $\frac{1}{8}$ %)	74,902	74,902
Promissory Notes (Note 7)	Due 1979-1981 (5 $\frac{1}{2}$ %)	14,327	6,871
		<u>1,949,099</u>	<u>1,726,613</u>
Principal amounts outstanding			
Unamortized premium or discount (net)		(4,827)	(3,903)
Total long-term debt (c)		<u>\$1,944,272</u>	<u>\$1,722,710</u>

(a) All mortgage bonds are secured by utility plant, substantially all of which is subject to a lien under the trust indentures. Additional First and Refunding Mortgage Bonds may be issued subject to the provisions of the applicable trust indenture. Each of the bond indentures requires special deposits with the trustees, which are based primarily upon the amount of bonds outstanding. These deposit requirements of \$52,571,000 in 1974 were satisfied by property additions and replacements. The First and Refunding Mortgage Bonds, Series DDP, are subject to a mandatory sinking fund commencing on July 1, 1990.

(b) At December 31, 1974 and 1973 the 3 $\frac{1}{8}$ % Convertible Debentures, Due 1980, were convertible at the adjusted rate of one share of Common Stock for each \$41.50 and \$43.50, respectively of the principal amount of such debentures. Any 3 $\frac{1}{8}$ % Convertible Debentures, Due 1980, which are converted may not be reissued.

(c) The Company has scheduled an issue to be offered for sale during March 1975 of \$150,000,000 principal amount of First and Refunding Mortgage Bonds, Series FF, Due 2000. The net proceeds will be used to reimburse the Company for monies expended for its construction program. The amount of long-term debt maturing for each of the following years will be: none in 1975; \$80,840,000 in 1976; none in 1977; \$35,500,000 in 1978; and \$35,763,000 in 1979.

Notes To Financial Statements

Note 1—Summary of Significant Accounting Policies

The accounting records of the Company are maintained in accordance with the uniform system of accounts prescribed by the Federal Power Commission (FPC), and adopted by the California Public Utilities Commission (PUC).

Additions to utility plant and replacements of retirement units of property are capitalized at original cost less contributions, which cost includes labor, material, indirect charges for engineering, supervision, transportation, etc., and an allowance for funds used during construction. Maintenance is charged with the cost of repairs and minor renewals; plant accounts with the replacement of property units; and the depreciation reserve with the cost, less net salvage, of property units retired.

Allowance for funds used during construction (ADC) is the generally accepted utility accounting procedure designed to capitalize the cost of both debt and equity funds used to finance plant additions during construction periods and to restore net income to that which would have been experienced without the construction program through a transfer of such costs from the income statement to the balance sheet as utility plant construction work in progress. Such funds are recovered from ratepayers as a cost of service through provisions for depreciation in future periods. The ADC rate authorized by the PUC was 8.0% for 1974 and 7.5% for 1973.

Depreciation of utility plant is computed on a straight-line remaining life basis for financial statement purposes and approximated 2.9% and 2.8% of average depreciable plant for the years 1974 and 1973 respectively. Income tax expense has been reduced by the current tax reductions arising from investment tax credits and the use of liberalized methods and lives in computing depreciation for income tax purposes.

Debt premium or discount and related expenses are being amortized to income over the lives of the issues to which they pertain.

Customers are billed monthly, except for most residential customers who are billed bimonthly. Revenues are recorded when customers are billed.

Investments in unconsolidated subsidiary companies, all of which are wholly owned, are stated on an equity basis.

Note 2—Changes in Accounting Methods

Retained earnings were increased in 1973 by \$9,550,000, which consisted of the balance of undistributed earnings of unconsolidated subsidiary companies of \$10,667,000 at the date the Company adopted the equity method of accounting, less \$1,117,000 transferred from retained earnings to increase the required reserve for certain federally licensed hydroelectric projects. On December 31, 1974, the unamortized balance of capital stock expense, \$2,136,000,

was transferred to retained earnings since it is the Company's intention to charge retained earnings directly for capital stock expenses incurred in future periods. In 1974 and prior years, capital stock expense was amortized to income over a five-year period from the dates incurred.

In years prior to 1974, contributions received by the Company in aid of construction were presented as an account on the liability side of the balance sheet. In 1974, these contributions were credited directly to utility plant; accordingly, the balance of such contributions at December 31, 1973 has been reclassified by crediting utility plant for \$86,917,000 and the accumulated reserve for depreciation for \$13,179,000 (relating to retired utility plant) in order to conform the balance sheet presentations.

These accounting changes have not had a significant effect on net income and are in compliance with the orders and authorizations of the regulatory agencies exercising jurisdiction over the Company's accounting.

Note 3—Commitments and Contingencies

Construction program, Environmental

The Company has significant purchase commitments in connection with its continuing construction program. The construction program is currently estimated at \$483,000,000 for 1975.

Increasingly stringent air quality standards imposed in Nevada and New Mexico affecting coal-fired generating plants have required the Company to participate with the other co-owners of the Mohave and Four Corners Projects in the installation of additional air pollution control equipment which is expected to involve added investment by the Company in excess of \$117,400,000.

Fuel supply

Long-term commitments, approximating \$8 billion, exist under fuel supply and transportation contracts, including short-term commitments under a fuel supply arrangement entered into in 1974 with a trust, whereby the Company concurrently assigned its principal long-term fuel supply contract to the trust and agreed to purchase fuel oil delivered to the trust by the original fuel supplier. Payments to the trust for fuel oil purchases consist of the trust's cost of oil determined on a first-in, first-out basis plus related administrative and carrying costs. For financial reporting purposes, purchases of the trust are assumed to have been made on behalf of the Company. Accordingly, the balance sheet at December 31, 1974 includes \$33,453,000, recorded in current assets—prepayments and other, and current liabilities—other, reflecting the Company's commitments to purchase the trust's fuel oil inventory during 1975.

Government licenses

Major hydroelectric plants together with certain reservoirs are located in whole or in part on lands of the United States under Government licenses and permits which expire be-

Note 3 — Commitments and Contingencies (continued)
between 1975 and 2009. Such licenses and permits contain numerous restrictions and obligations, including the right of the United States to acquire the projects, under certain conditions, upon payment of specified compensation.

Revenues

Pursuant to FPC authorizations, the Company has increased rates during 1973 and 1974 for certain of its resale customers prior to the final determination of the rate proceedings pending before the FPC. Additional revenues of approximately \$34,100,000 collected thereunder are subject to refund with interest to the extent that any of the increases are subsequently determined by the FPC to be inappropriate. The Company believes that, based on present facts, the amount of revenues, if any, which may be required to be refunded would not have a significant effect on net income.

Leases and rentals

The Company rents or leases computer equipment, office space and other incidental equipment and property. The total annual gross lease expense in 1974 is less than 1% of operating revenues.

The present value of the minimum commitments of non-capitalized financing leases is less than 5% of capitalization. The majority of the Company's lease commitments is charged to other operation expense. The impact on net income, had these commitments been required to be capitalized, would not have been significant.

Compensating balances and short-term debt

In order to continue lines of credit with various banks, which amounted to approximately \$157 million at December 31, 1974 and \$148 million at December 31, 1973, the Company maintains deposits aggregating approximately \$15 million, which are not legally restricted as to withdrawal. The unused lines of credit at December 31, 1974, and 1973 were approximately \$157 million and \$55.5 million, respectively, \$8 million of which may be utilized only through the issuance of commercial paper.

The average interest rate on notes payable to banks outstanding at December 31, 1973 was 9.74%. The maximum amount of short-term borrowing was \$115.3 million during 1974 and \$92.5 million during 1973, with average daily borrowings outstanding of \$48.1 million and \$13.4 million, respectively. The approximate weighted average interest rate for these borrowings (total interest divided by average daily borrowings) was 10.15% for 1974 and 9.28% for 1973.

The maximum amount of commercial paper outstanding during 1974 was \$88.9 million with average daily borrowings of \$28.5 million. The approximate weighted average

interest rate for these borrowings (total interest divided by average daily borrowings) was 10.83%. There was no commercial paper outstanding during 1973.

The variation between cash reported on the Company's balance sheet and the minimum aggregate deposits recorded by the banks is considered "float," which is principally due to timing differences in recording deposits and withdrawals by the Company and the banks.

Legal matters

In connection with a charge filed with the Federal Equal Employment Opportunity Commission (EEOC) on January 31, 1972 against the Company and two labor unions, the EEOC, on September 6, 1973 and on March 22, 1974, determined that there is reasonable cause to believe that, with respect to certain of the allegations, the Company and the unions have engaged in employment practices, with regard to women and certain minorities, which are in violation of Title VII of the Civil Rights Act of 1964. The EEOC, the Company, the two unions and the representatives of the plaintiffs mentioned below are currently meeting in conciliation in an attempt to resolve the alleged discriminatory practices. While denying that it has engaged in any unlawful practices, the Company will endeavor to resolve the issues raised by the determination in these proceedings.

On January 15, 1974, a class action suit was filed against the Company and the two labor unions in the U.S. District Court for the Central District of California. This suit alleges that the defendants have engaged and are continuing to engage in unlawful employment practices, with respect to Blacks and Mexican-Americans, which are in violation of certain civil rights acts and encompasses a number of the issues raised by the EEOC determination mentioned above. If the plaintiffs in such action should prevail against the Company, the court, in addition to awarding monetary damages and back pay to class members (plaintiffs' claim is in excess of \$20,000,000), could enjoin any employment practices it determines are unlawful and order that the Company undertake further affirmative action with respect to future hiring and promotional practices, as well as such other equitable relief as the court deems appropriate. Settlements, consent decrees and decisions arising out of charges filed against other employers under such civil rights acts have resulted in the imposition of uneconomical hiring, promotional and other employment practices and requirements, as well as substantial monetary awards or settlements. In the opinion of the Company's counsel, based upon the results of the Company's investigations to date, although there are no controlling judicial precedents concerning a number of issues raised in the case, the Company has numerous defenses to this action which should be sustained by the court, and the plaintiffs' recovery of damages, if any, should not be material in amount.

In addition to the above class action, class actions could be instituted by the EEOC if the matter is not resolved in conciliation, and by others raising issues other than those included in the class action now pending. Also, other proceedings alleging discrimination could be instituted against the Company by other Federal agencies for the termination of contracts for the processing of nuclear fuel, the sale or purchase of power or purchase of water, and of easements, rights of way and permits over Federal lands on which numerous Company transmission and distribution facilities are located or are planned to be located in the future.

Note 4 — Research and Development

Plant related research and development (R&D) expenditures are accumulated in construction work in progress (CWIP) until a determination is made whether or not such projects will result in construction of electric plant. If no construction of electric plant ultimately results, the expenditures are charged to operating expense. The balance of R&D expenditures included in CWIP at December 31, 1974 was \$8,399,000. R&D expenditures are expensed currently if they are of a general nature. Total R&D expenditures amounted to \$15,402,000 in 1974 and \$17,441,000 in 1973. The net amounts of R&D charged to CWIP amounted to \$(542,000) in 1974 and \$9,407,000 in 1973. The amounts of R&D expensed were \$15,944,000 in 1974 and \$8,034,000 in 1973.

Note 5 — Retirement Plans

The Company's current pension program is based on a trustee non-contributory pension plan. Since January 1, 1966, the required Company contributions have been determined on the basis of a level premium funding method. Past service costs incurred prior to that date have been funded. Pension costs are funded or reserved for on an actuarial basis and amounted to \$19,789,000 for 1974 and \$14,895,000 for 1973. The costs of pension benefit improvements made in 1973 under the plan were partially offset by an increase in the interest rate assumption used in determining pension costs.

Provisions of the Employee Retirement Income Security Act of 1974, which will become effective in 1976, will require the Company to amend its pension plan which amendments will have the effect of increasing the annual pension cost by approximately \$1,250,000 commencing in 1976.

Under the employee stock purchase plan adopted to supplement employees' income after retirement, employees may elect to contribute specified percentages of their compensation to a trustee for the purchase of Company Common Stock and the Company contributes to the plan an amount equivalent to one-half of the aggregate contributions of employees, less forfeitures. The Company's contribution amounted to \$2,272,000 for 1974 and \$2,080,000 for 1973.

Note 6 — Taxes on Income

As required by the PUC, no provisions are made for income tax reductions (net) which result from reporting certain transactions for income tax purposes in a period different from that in which they are reported in the financial statements. The most significant of these transactions is the deduction of additional depreciation in income tax returns as a result of using liberalized methods and lives. Provisions to account for the deferral of income taxes due to accelerated amortization were permitted by the PUC in certain prior years, and the accumulated amounts deferred are being amortized to income as such taxes become payable.

In addition, investment tax credits deferred in certain prior years were amortized to income in equal annual amounts pursuant to PUC authorizations. At December 31, 1974, the balance of these deferred investment tax credits had been completely amortized. The estimated amount of investment tax credit generated in 1974 and 1973 has been applied as a reduction of income tax expense.

The provision for state taxes on income is provided on taxable income of the current year; however, for Federal purposes such taxes are not deductible until the following year. The provision for 1973 state taxes on income includes approximately \$3,000,000 for under provisions of prior years.

Supplementary information regarding taxes on income is set forth as follows:

	Year Ended December 31,	
	1974	1973
	Thousands of Dollars	
Computed "expected" federal income tax	\$168,468	\$ 92,398
Reduction in tax:		
Excess of tax over book depreciation	(27,631)	(27,495)
Allowance for funds used during construction	(7,758)	(4,891)
Removal costs expensed for tax purposes	(5,023)	(5,136)
State taxes on income	(3,614)	(3,272)
Other timing differences	(5,132)	(6,451)
Investment tax credit	(7,951)	(8,460)
Federal tax provision	111,359	36,693
State tax provision	24,241	10,980
Total provision for taxes on income	135,600	47,673
Amortization of previously deferred:		
Taxes on income	(2,129)	(2,114)
Investment tax credits	(781)	(781)
Taxes on income (credit) allocated to other income	2,447	3,496
Taxes on income included in operating expenses	\$135,137	\$ 48,274
Pretax income	\$350,988	\$192,509
Effective tax rate (Taxes on income included in operating expenses ÷ Pretax income)	38.5%	25.1%

Note 7 — Long-term Debt Payable in Foreign Currency

The Company has entered into a financing agreement, as amended, with certain English banks pursuant to which it expects to issue over a period ending not later than January 31, 1977, promissory notes payable in pounds sterling in the maximum aggregate principal amount of £11,833,624 (but not to exceed \$28,400,000). At December 31, 1974 and 1973 promissory notes were outstanding in the amounts of £5,966,800 (recorded at \$14,327,000) and £2,816,720 (recorded at \$6,871,000), respectively. These notes were issued at various dates, are secured by a pledge of the Company's customer accounts receivable and are recorded at historical exchange rates. At the December 31, 1974 exchange rate (\$2.347 per £), the Company has an unrecognized exchange gain of approximately \$322,000.

Note 8 — Earnings Per Share

Primary earnings per share are based on the weighted average shares of Common and Original Preferred Stock outstanding in each year, giving effect to the participating provisions of the Original Preferred Stock, and after providing for preferred and preference dividend requirements. Fully diluted earnings per share also give effect to the dilution which would result from the conversion of the Preference Stock, 5.20% Convertible Series and the 3 $\frac{1}{8}$ % Convertible Debentures.

Note 9 — Fuel Transportation Charges

Net income for the year ended December 31, 1973 did not include transportation charges applicable to certain 1973 fuel oil deliveries by a major fuel oil supplier, since such charges were being negotiated with the supplier at the end of that year and any related amounts paid were to be subjected to separate rate making procedures in 1974. These charges as finally agreed to and paid in 1974 amounted to \$17,721,000 exclusive of related sales tax of \$979,000. In August 1974, the PUC authorized the Company to put into effect revised tariff schedules reflecting a special fuel cost adjustment designed to offset, during the succeeding twelve months, a major portion of such fuel oil transportation charges net of certain credits totaling \$8,059,000 arising in 1974 from certain fuel oil purchases. Unamortized transportation costs at December 31, 1974 of \$6,452,000 are included in fuel stock and will be amortized to income in equal amounts over the next seven months.

Report of Independent Accountants

To the Shareholders and the Board of Directors,
Southern California Edison Company:

We have examined the balance sheets and statements of capital stock and long-term debt of SOUTHERN CALIFORNIA EDISON COMPANY (a California corporation) as of December 31, 1974 and 1973, and the related statements of income, retained earnings and additional paid-in capital, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Company as of December 31, 1974 and 1973, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the years.

ARTHUR ANDERSEN & CO.

Los Angeles, California
January 31, 1975

Capital Stock-Price and Dividend Information

	1974					1973				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year
Original Preferred:										
High Price	\$ 20 ³ / ₈	\$ 20 ³ / ₄	\$ 19 ³ / ₈	\$ 18 ⁵ / ₈	\$ 20 ³ / ₄	\$ 25 ⁵ / ₈	\$ 24	\$ 22 ⁵ / ₈	\$ 22 ¹ / ₄	\$ 25 ⁵ / ₈
Low Price	18 ³ / ₄	18 ¹ / ₂	16 ¹ / ₂	16 ⁵ / ₈	16 ¹ / ₂	23 ¹ / ₈	23	18 ¹ / ₄	18	18
Dividends Paid	.39	.42	.42	.42	1.65	.39	.39	.39	.39	1.56
Cumulative Preferred:										
4.08% Series										
High Price	13 ¹ / ₂	12 ¹ / ₂	11 ³ / ₈	11 ¹ / ₂	13 ¹ / ₂	14 ³ / ₈	14 ¹ / ₂	14 ³ / ₈	13 ³ / ₄	14 ¹ / ₂
Low Price	12 ³ / ₄	11 ¹ / ₈	10 ¹ / ₂	10 ³ / ₄	10 ¹ / ₂	13 ⁷ / ₈	14	12 ⁷ / ₈	13 ¹ / ₈	12 ⁷ / ₈
Dividends Paid	.25 ¹ / ₂	.25 ¹ / ₂	.25 ¹ / ₂	.25 ¹ / ₂	1.02	.25 ¹ / ₂	.25 ¹ / ₂	.25 ¹ / ₂	.25 ¹ / ₂	1.02
4.24% Series										
High Price	13 ⁷ / ₈	13 ¹ / ₄	11 ³ / ₄	12 ¹ / ₄	13 ⁷ / ₈	15 ¹ / ₂	14 ⁷ / ₈	14 ³ / ₈	14 ³ / ₄	15 ¹ / ₂
Low Price	13	11 ³ / ₈	10 ¹ / ₂	10 ⁵ / ₈	10 ¹ / ₂	14 ¹ / ₄	14 ¹ / ₄	13 ⁵ / ₈	13 ³ / ₈	13 ³ / ₈
Dividends Paid	.26 ¹ / ₂	.26 ¹ / ₂	.26 ¹ / ₂	.26 ¹ / ₂	1.06	.26 ¹ / ₂	.26 ¹ / ₂	.26 ¹ / ₂	.26 ¹ / ₂	1.06
4.32% Series										
High Price	14 ¹ / ₄	13 ³ / ₈	12 ³ / ₈	12 ¹ / ₄	14 ¹ / ₄	15 ³ / ₈	15 ¹ / ₈	14 ¹ / ₂	15	15 ³ / ₈
Low Price	12 ³ / ₄	11 ¹ / ₄	10 ¹ / ₈	10 ¹ / ₈	10 ¹ / ₈	14 ¹ / ₄	14	13 ³ / ₄	12 ⁷ / ₈	12 ⁷ / ₈
Dividends Paid	.27	.27	.27	.27	1.08	.27	.27	.27	.27	1.08
4.78% Series										
High Price	16	14 ¹ / ₂	13 ³ / ₈	13 ³ / ₄	16	17	16 ⁷ / ₈	17	16 ⁷ / ₈	17
Low Price	14 ³ / ₈	12 ³ / ₄	11 ¹ / ₈	11 ¹ / ₂	11 ¹ / ₈	16	16	15	15 ¹ / ₈	15
Dividends Paid	.29 ⁷ / ₈	.29 ⁷ / ₈	.29 ⁷ / ₈	.29 ⁷ / ₈	1.19 ¹ / ₂	.29 ⁷ / ₈	.29 ⁷ / ₈	.29 ⁷ / ₈	.29 ⁷ / ₈	1.19 ¹ / ₂
5.80% Series										
High Price	18 ⁷ / ₈	17 ¹ / ₂	15 ⁷ / ₈	16	18 ⁷ / ₈	20 ⁷ / ₈	20 ³ / ₈	20	20	20 ⁷ / ₈
Low Price	17 ³ / ₄	15 ⁵ / ₈	14 ¹ / ₄	14 ¹ / ₈	14 ¹ / ₈	19 ¹ / ₄	19 ³ / ₈	18 ¹ / ₄	18 ¹ / ₈	18 ¹ / ₈
Dividends Paid	.36 ¹ / ₄	.36 ¹ / ₄	.36 ¹ / ₄	.36 ¹ / ₄	1.45	.36 ¹ / ₄	.36 ¹ / ₄	.36 ¹ / ₄	.36 ¹ / ₄	1.45
8.85% Series										
High Price	—	25 ⁵ / ₈	24 ¹ / ₈	24 ¹ / ₂	25 ⁵ / ₈	—	—	—	—	—
Low Price	—	24	21 ⁵ / ₈	21 ³ / ₈	21 ³ / ₈	—	—	—	—	—
Dividends Paid	—	—	.559271 ^(a)	.553125	1.112	—	—	—	—	—
\$100 Cumulative Preferred:										
7.325% Series ^(b)										
High Price	—	—	—	—	—	—	—	—	—	—
Low Price	—	—	—	—	—	—	—	—	—	—
Dividends Paid	1.83 ¹ / ₈	1.83 ¹ / ₈	1.83 ¹ / ₈	1.83 ¹ / ₈	7.325	—	—	1.567 ^(b)	.285 ^(b)	1.852
7.58% Series										
High Price	97 ¹ / ₈	88	80	84	97 ¹ / ₈	105 ¹ / ₈	104 ³ / ₄	101 ³ / ₄	103 ³ / ₄	105 ¹ / ₈
Low Price	92	84 ¹ / ₂	74	71	71	103	100 ¹ / ₄	97 ⁷ / ₈	96	96
Dividends Paid	1.89 ¹ / ₂	1.89 ¹ / ₂	1.89 ¹ / ₂	1.89 ¹ / ₂	7.58	1.89 ¹ / ₂	1.89 ¹ / ₂	1.89 ¹ / ₂	1.89 ¹ / ₂	7.58
8.70% Series										
High Price	107	101	93 ³ / ₄	97 ¹ / ₂	107	114 ¹ / ₄	113 ¹ / ₈	112 ¹ / ₂	113	114 ¹ / ₄
Low Price	102 ³ / ₄	94 ³ / ₄	83 ⁵ / ₈	82 ¹ / ₂	82 ¹ / ₂	111	110	107 ¹ / ₂	104 ¹ / ₄	104 ¹ / ₄
Dividends Paid	2.17 ¹ / ₂	2.17 ¹ / ₂	2.17 ¹ / ₂	2.17 ¹ / ₂	8.70	2.17 ¹ / ₂	2.17 ¹ / ₂	2.17 ¹ / ₂	2.17 ¹ / ₂	8.70
8.96% Series										
High Price	109 ¹ / ₂	105	96 ¹ / ₂	98	109 ¹ / ₂	115 ¹ / ₂	116 ¹ / ₂	113 ¹ / ₂	112 ¹ / ₂	116 ¹ / ₂
Low Price	105	98	87	85 ³ / ₄	85 ³ / ₄	112 ⁵ / ₈	113	108 ¹ / ₄	108	108
Dividends Paid	2.24	2.24	2.24	2.24	8.96	2.24	2.24	2.24	2.24	8.96
Preference:										
5.20% Convertible Series										
High Price	16 ³ / ₄	16	14 ¹ / ₂	16	16 ³ / ₄	22 ¹ / ₄	19 ³ / ₄	18 ³ / ₈	18 ³ / ₈	22 ¹ / ₄
Low Price	15 ¹ / ₈	14 ¹ / ₈	12 ³ / ₈	12 ³ / ₄	12 ³ / ₈	18 ¹ / ₂	18	16 ¹ / ₄	14 ³ / ₄	14 ³ / ₄
Dividends Paid	.32 ¹ / ₂	.32 ¹ / ₂	.32 ¹ / ₂	.32 ¹ / ₂	1.30	.32 ¹ / ₂	.32 ¹ / ₂	.32 ¹ / ₂	.32 ¹ / ₂	1.30
Common:										
High Price	19 ⁷ / ₈	19 ¹ / ₂	18 ⁷ / ₈	18 ⁷ / ₈	19 ⁷ / ₈	28 ¹ / ₂	25 ⁵ / ₈	24 ⁷ / ₈	24 ¹ / ₈	28 ¹ / ₂
Low Price	18 ¹ / ₄	17 ¹ / ₈	14 ⁵ / ₈	15 ¹ / ₄	14 ⁵ / ₈	24	23 ¹ / ₈	20 ¹ / ₈	17 ¹ / ₄	17 ¹ / ₄
Dividends Paid	.39	.42	.42	.42	1.65	.39	.39	.39	.39	1.56

(a) In payment of pro rata dividend No. 1 at \$.006146 per share and dividend No. 2 at \$.553125 per share.

(b) The initial dividend was paid at the per share rates of \$1.567 and \$.285 respectively for the 375,000 shares issued on August 14, 1973, and on October 17, 1973. There are no prices as this issue was a private placement and shares are not listed on any securities exchange.

Summary of Operations and Comparative Statistics of Progress 1964-1974

	1974	1973
Summary of Operations <i>in thousands</i>		
Operating Revenues	\$1,483,432	\$1,079,348
Operating Expenses	1,172,768	845,308
Fuel (a)	505,209	321,080
Taxes on Income (a)	135,137	48,274
Allowance for Funds Used During Construction	16,163	10,190
Interest Charges	112,959	97,728
Net Income	218,298	147,731
Earnings Available for Common and Original Preferred Stock	\$ 182,610	\$ 118,889
Weighted Average Shares of Common and Original Preferred Stock Outstanding	44,580	43,965
Per Share Data:		
Primary Earnings	\$4.10	\$2.70
Dividends Declared on Common Stock	1.68	1.56
Balance Sheet Data <i>in thousands</i>		
Gross Utility Plant	\$4,766,175	\$4,458,631
Accumulated Provision for Depreciation	1,051,024	958,210
Percent of Gross Utility Plant	22.1	21.5
Long-Term Debt (b):		
Bonds	1,854,544	1,640,349
Debentures	75,401	75,490
Other	14,327	6,871
Preferred & Preference Stock	562,753	512,753
Common Stock, Including Additional Stated Capital	395,709	362,500
Additional Paid-in Capital	350,503	316,636
Retained Earnings	\$ 677,839	\$ 573,261
Capital Structure (percent):		
Long-Term Debt:		
Bonds	47.2	47.0
Debentures	1.9	2.2
Other	0.4	0.2
Preferred & Preference Stock	14.3	14.7
Common Equity	36.2	35.9
Book Value Per Common Share	\$29.77	\$28.54
Operating and Sales Data		
Operating Capacity (kw) (c)	13,494,849	13,447,095
Kilowatt-Hours Transmitted (000)	55,105,988	57,730,121
Percent Output:		
Hydro-Company Plants	10.0	9.0
Hydro-Hoover Dam	1.5	1.3
Thermal	75.1	84.7
Purchased Power & Other Sources	13.4	5.0
Kilowatt-Hour Sales (000)	51,089,981	54,092,934
Number of Customers	2,691,691	2,626,492
Average Annual Kwh Sales Per Residential Customer	5,541	5,885
Number of Employees	13,468	13,927
Main System Peak (kw)	9,997,000	10,253,000

(a) Included in Operating Expenses.

(b) The years subsequent to 1971 include unamortized premium or discount related to each category of long-term debt.

(c) Includes 996,554 kw available from others in 1974 and 904,650 kw for 1973.

	1972	1971	1970	1969	1968	1967	1966	1965	1964
\$	931,216	\$ 802,434	\$ 720,661	\$ 642,124	\$ 588,829	\$ 552,240	\$ 515,859	\$ 472,498	\$ 449,718
	711,564	612,732	535,846	482,663	440,646	411,059	388,450	355,780	335,903
	220,630	164,891	126,592	111,357	111,825	98,974	98,586	83,399	82,912
	46,382	38,542	38,635	36,480	37,592	45,785	45,286	46,290	46,354
	7,152	15,859	17,007	17,471	10,007	6,762	5,679	3,257	2,357
	91,752	82,308	77,633	68,246	58,760	50,498	43,734	37,407	35,073
	137,350	127,297	127,495	107,869	99,894	99,329	90,791	84,374	82,322
\$	112,171	\$ 105,752	\$ 110,497	\$ 95,152	\$ 89,419	\$ 90,805	\$ 85,163	\$ 78,741	\$ 76,701
	43,965	43,041	40,963	40,501	39,348	37,963	37,963	37,963	36,799
	\$2.55	\$2.46	\$2.70	\$2.35	\$2.28	\$2.39	\$2.24	\$2.07	\$2.08
	1.56	1.51½	1.50	1.40	1.40	1.36¼	1.25	1.22½	1.12½
\$	4,233,067	\$3,998,045	\$3,737,837	\$3,461,836	\$3,188,708	\$2,880,652	\$2,591,120	\$2,369,473	\$2,171,199
	851,910	779,409	707,928	649,702	592,366	559,361	508,407	468,919	426,515
	20.1	19.5	18.9	18.8	18.6	19.4	19.6	19.8	19.6
	1,705,139	1,584,840	1,484,840	1,384,840	1,210,000	1,110,000	1,030,000	875,000	852,884
	75,579	74,902	74,987	74,987	74,987	74,987	74,987	75,000	—
	7,991	7,991	438	—	—	—	—	—	—
	437,753	362,753	362,753	262,753	262,755	187,755	176,967	132,755	132,755
	62,376	362,376	337,360	337,360	324,857	312,357	312,357	312,355	213,355
	316,636	316,636	243,437	243,437	202,599	162,774	162,774	162,764	162,764
\$	513,866	\$ 470,754	\$ 430,477	\$ 381,040	\$ 342,712	\$ 308,541	\$ 269,407	\$ 231,700	\$ 199,442
	50.0	49.9	50.6	51.6	50.1	51.5	50.9	48.9	51.4
	2.2	2.3	2.6	2.8	3.1	3.5	3.7	4.2	—
	0.2	0.3	—	—	—	—	—	—	—
	12.8	11.4	12.4	9.8	10.9	8.7	8.7	7.4	8.0
	34.8	36.1	34.4	35.8	35.9	36.3	36.7	39.5	40.6
	\$27.18	\$26.60	\$24.72	\$23.53	\$22.09	\$20.72	\$19.69	\$18.72	\$17.60
	12,615,665	12,458,165	10,904,845	10,238,627	9,277,515	8,594,915	7,767,915	6,806,840	6,451,910
	55,686,776	52,672,084	49,674,757	46,344,845	42,905,380	39,847,438	36,739,031	33,793,186	31,218,901
	6.4	8.4	9.2	12.8	8.2	15.2	10.9	16.7	11.3
	1.2	1.1	1.1	1.0	1.1	1.2	1.1	1.2	1.5
	86.6	80.0	82.5	78.9	88.3	84.0	88.4	80.8	86.4
	5.8	10.5	7.2	7.3	2.4	(0.4)	(0.4)	1.3	0.8
\$	2,309,906	48,856,493	45,881,076	42,601,606	39,365,088	36,418,891	33,686,652	30,128,140	27,960,830
	2,566,341	2,497,342	2,438,584	2,383,251	2,330,751	2,277,976	2,225,225	2,171,881	2,087,982
	5,777	5,642	5,240	5,031	4,609	4,425	4,094	3,820	3,566
	13,269	12,831	12,299	11,911	11,090	10,662	10,370	10,121	9,913
	8,815,000	9,350,000	8,274,000	7,804,000	7,425,000	7,001,000	6,173,000	5,863,000	5,455,000

Management's Discussion and Analysis of Summary of Operations

General

The Company's rates subject to California Public Utilities Commission (PUC) jurisdiction (accounting for approximately 90% of sales during 1974) are determined by the PUC on the basis of projected revenues and expenses (including projected fuel costs) for an average year, *i.e.*, a year in which the amounts of power available to the Company from hydroelectric facilities of the Company and others are those which would be available under historical average weather conditions and the amounts of natural gas available to the Company are those which its suppliers advise it should be available under historical average weather conditions.

In May 1972, the PUC established an expedited procedure, consistent with the average year method followed in establishing the Company's base rates, for making upward and downward adjustments, no more frequently than every three months, in billings for service to reflect changes in fossil fuel costs. This procedure is set forth in a fuel adjustment clause designed to adjust billings in such a manner as to produce changes in revenues which track fossil fuel expenses projected on an average year basis. Changes in the fuel cost adjustment billing factor must be authorized by the PUC. In the case of the Company's last four filings, the PUC ordered into effect fuel cost adjustment billing factors less than those proposed by the Company.

To the extent that the amount of hydroelectric power available is more or less than that available under average-year conditions and the amount of natural gas available is more or less than that projected, the Company may incur fuel costs in a greater or lesser amount than projected with a related unfavorable or favorable impact on net income. Substantially all the increase in net income from 1973 to 1974 was due to unusually greater than average-year availability of low-cost hydroelectric power from the Company's own facilities and to an even greater extent from the Pacific Northwest, a greater amount of natural gas available than projected and a less than projected use of higher-cost fuel oil, in conjunction with the operation of the Company's base rates and the fuel adjustment clause. This combination of favorable circumstances occurred primarily in the first three quarters of 1974 and the Company believes that such favorable circumstances are not likely to recur in 1975. In addition, because the fuel adjustment

clause provides for a projection of fuel costs during a 12-month period based on the average cost of fuel in inventory at the beginning of the period and the cost of fuel necessary for the remainder of the period based on prices in effect at the commencement period and because fuel expense is accounted for by the Company on a first-in, first-out basis, during a period when fuel prices are falling the fuel adjustment clause may be implemented to produce decreases in revenues greater than decreases in fuel costs.

In connection with the Company's current application for an increased fuel cost adjustment billing factor which was requested to become effective on February 1, 1975, the PUC asked the Company to provide specified information with respect to the historical and projected operation of the fuel adjustment clause and, for the first time since such clause was authorized, set the Company's request for a change in the fuel cost adjustment billing factor for public hearing. Hearings commenced on January 22, 1975, and are scheduled to continue into March. The Staff of the PUC, in the hearings, has urged the commission to reduce the Company's existing fuel cost adjustment billing factor upon bases which the Company believes to be improper and is contesting. Intervening participants in the proceedings have urged the PUC to reconsider both the design and operation of the fuel adjustment clause. The Company is unable to predict the outcome of the proceedings and when or if any upward or downward changes in the fuel cost adjustment billing factor may be made effective.

Operating Revenues

The increases in total operating revenues for 1972, 1973 and 1974 reflect principally general rate increases and upward fuel adjustments in the Company's rates to reflect increased fuel costs. Revenues for 1973 and 1974 of \$4,400,000 and \$29,700,000, respectively, are attributable to increased rates for certain resale customers and are subject to refund with interest if any of the increases are subsequently determined by the Federal Power Commission (FPC) to be inappropriate. (See Note 3 of "Notes to Financial Statements.")

Fuel shortages developing in late 1973 prompted state and federal governmental agencies to implement voluntary and mandatory conservation restraints on energy usage. As a result of these restraints and customer reaction to sharply higher rates per kilowatt-hour, which for 1974 averaged 45.5% higher than for 1973, the Company has experienced a decrease in the level of energy consumption by its customers which amounted to a 5.6% reduction of total kilowatt-hour sales for 1974 compared with 1973.

Fuel

Fuel costs increased during 1972, 1973 and 1974 primarily because of decreased availability of natural gas and increasing prices of environmentally acceptable low-sulphur fuel oil as an alternative fuel.

The amount of hydroelectric and purchased and interchanged power available in 1975 is expected to be less than in 1974. In addition, the Company has been advised that significant quantities of gas will not be available to it in 1976 and subsequent years. As a result, the Company expects to be relying more heavily on higher cost fuel oil.

The Company expects future increases in fuel costs, including costs resulting from a tariff imposed by the Federal Government on oil imported after January 31, 1975. (For a discussion of fuel adjustment clause authorized by the PUC, see the discussion above under "General.")

Taxes and ADC

The increases in taxes on income for the years 1972 and 1974 over the respective prior years resulted from increases in net income before taxes with no commensurate increases in tax reductions. (See Note 6 of "Notes to Financial Statements.")

The allowance for funds used during construction (ADC) decreased in 1972 due to a slowdown in construction activity and related costs. The increase in ADC during 1973 reflected the impact of an increase in construction activities, and the increase of ADC in 1974 reflected, in part, an increase in the ADC rate from 7.5% to 8.0% and, in part, an increase in construction activity and related costs. (See Note 1 of "Notes to Financial Statements.")

Net Income

The significant increase in net income for 1974, as compared with 1973, is unusual and substantially all of such increase is attributable to the availability to the Company of substantially above-average amounts of low-cost hydroelectric energy purchased from and interchanged with others and, to a lesser extent, generated on its own facilities, the greater than anticipated availability of low-cost natural gas and a less than projected use of higher-cost fuel oil, in conjunction with the operation of the Company's base rates and the fuel adjustment clause as discussed above. The Company believes that the availability of low-cost hydroelectric energy and natural gas cannot be expected to continue at 1974 levels and, as a result, net income in 1975 is expected to be substantially less than in 1974.

Operating Revenues and Kilowatt-Hour Sales

Class of Service	Operating Revenues (000)			Kilowatt-Hour Sales (000)		
	1974	1973	% increase	1974	1973	% increase
Residential	\$ 506,154	\$ 394,827	28.2	13,059,518	13,532,182	(3.5)
Agricultural	33,788	22,132	52.7	1,049,878	974,477	7.7
Commercial	364,994	276,261	32.1	11,514,671	12,523,975	(8.1)
Industrial	354,334	229,563	54.4	15,553,144	16,423,255	(5.3)
Public Authorities	141,376	104,494	35.3	5,575,587	6,098,515	(8.6)
Interdepartmental	28	24	13.8	927	813	14.0
Resale	71,278	42,879	66.2	4,336,256	4,539,717	(4.5)
Other	11,480	9,168	25.2	—	—	—
Total	<u>\$1,483,432</u>	<u>\$1,079,348</u>	37.4	<u>51,089,981</u>	<u>54,092,934</u>	(5.6)

Southern California Edison Company

Board of Directors

Jack K. Horton	<i>Chairman of the Board</i>
Norman Barker, Jr.	<i>Chairman of the Board, United California Bank, Los Angeles</i>
Edward W. Carter	<i>Chairman of the Board, Carter Hawley Hale Stores, Inc., Los Angeles</i>
Warren Christopher	<i>Partner, Law Firm of Messrs. O'Melveny & Myers, Los Angeles</i>
William B. Coberly, Jr.	<i>President, California Cotton Oil Corporation, Los Angeles</i>
Terrell C. Drinkwater	<i>Retired Airline Executive, Los Angeles</i>
William R. Gould	<i>Executive Vice President</i>
Stanton G. Hale	<i>Chairman of the Board, Pacific Mutual Life Insurance Company, Los Angeles</i>
Daniel J. Haughton	<i>Chairman of the Board, Lockheed Aircraft Corporation, Burbank</i>
Frederick G. Larkin, Jr.	<i>Chairman of the Board, Security Pacific National Bank, Los Angeles</i>
T. M. McDaniel, Jr.	<i>President</i>
John V. Newman	<i>Chairman of the Board, Sunkist Growers, Inc. (Citrus Marketing Cooperative), Van Nuys</i>
Gerald H. Phipps	<i>President, Gerald H. Phipps, Inc. (General Contractors), Denver</i>
Henry T. Segerstrom	<i>General Partner, C. J. Segerstrom & Sons (Real Estate Development and Farming), Costa Mesa</i>
H. Russell Smith	<i>President, Avery Products Corporation (Manufacturer of Self-Adhesive Products), San Marino</i>
Richard R. Von Hagen	<i>President, Lloyd Corporation, Ltd. (Real Estate Development and Oil Production), Beverly Hills</i>

Executive Officers

Jack K. Horton	<i>Chairman of the Board and Chief Executive Officer</i>
T. M. McDaniel, Jr.	<i>President</i>
William R. Gould	<i>Executive Vice President</i>
Howard P. Allen	<i>Executive Vice President</i>
Robert N. Coe	<i>Senior Vice President (Power Supply and System Development)</i>
Sherman F. Buese	<i>Vice President (Administration and Personnel)</i>
Smith B. Davis	<i>Vice President (Finance)</i>
J. H. Drake	<i>Vice President (Engineering and Construction)</i>
David J. Fogarty	<i>Vice President (Power Supply)</i>
Joe T. Head, Jr.	<i>Vice President (System Development)</i>
Jack B. Moore	<i>Vice President (Advanced Engineering)</i>
Edward A. Myers, Jr.	<i>Vice President (Corporate Communications)</i>
William H. Seaman	<i>Vice President (Fuel Supply)</i>
G. E. Wilcox	<i>Vice President (Customer Service)</i>
Rollin E. Woodbury	<i>Vice President and General Counsel</i>
A. L. Maxwell	<i>Comptroller</i>
H. Fred Christie	<i>Treasurer</i>
C. D. Lester	<i>Secretary</i>

1975 Annual Shareholders Meeting	The annual meeting of shareholders of Southern California Edison Company will be held at 10 a.m. Thursday, April 17, 1975, at the Company's Corporate Headquarters, 2244 Walnut Grove Avenue, Rosemead, California 91770. Telephone (213) 572-1212.
Stock Transfer Agents	Southern California Edison Company, Rosemead, California Bankers Trust Company, New York, New York
Registrars of Stock	Security Pacific National Bank, Los Angeles, California Manufacturers Hanover Trust Company, New York, New York
Stock Exchange Listings	Common Stock: New York Stock Exchange, Inc. Pacific Stock Exchange, Inc. Preferred and Preference Stocks: American Stock Exchange Inc. Pacific Stock Exchange, Inc.
Ticker Symbol	SCE (Common Stock)
Statistical Supplement	A comprehensive financial and statistical supplement to this report is available in limited quantity. If you wish a copy, please write to the Treasurer, Southern California Edison Company, P. O. Box 800, Rosemead, California 91770.

This Annual Report and the statements and statistics contained herein have been assembled for general informative purposes and are not intended to induce, or for use in connection with, any sale or purchase of securities. Under no circumstances is this report or any part of its contents to be considered a prospectus, or as an offer to sell, or the solicitation of an offer to buy, any securities.



Southern California Edison Company, 2244 Walnut Grove Avenue, Rosemead, California 91770