SCE

Southern California Edison Company

1980 Annual Report

"...your Company made a major policy commitment in 1980 to the accelerated development of alternative and renewable energy resources..."

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 some 800 cities and communities with a population of more than eight million people.

Edison's gross investment in utility plant totals nearly $8.4 billion. Operating capacity at peak during 1980 totaled 15,504 megawatts (MW), which included 13,221 MW of Company-owned facilities and 2,283 MW of capacity from other sources. Of the Company-owned facilities, 78% was comprised of oil- and gas-fired generating units. SCE's interest in coal-fired generating units accounted for another 12%, and 7% is in hydroelectric plants. The Company's 80% interest in a nuclear plant accounted for the remaining 3%.

The Company, incorporated in 1909 under the laws of California, is a public utility and its retail operations are subject to regulation by the California Public Utilities Commission which has the authority, among other things, to establish retail rates and to regulate security issuances, accounting and depreciation. The Company's resale operations are subject to regulation by the Federal Energy Regulatory Commission as to rates on sales for resale, as well as to other matters including accounting and depreciation.

Under the National Energy Act, the federal Department of Energy has been granted regulatory authority over certain aspects of energy conservation, solar energy development, power plant fuel use, coal conversion, public utility regulatory policy and natural gas pricing.

The Company's planning and siting of new plant construction are subject to the jurisdiction of the California Energy Commission. Edison also is subject to various governmental licensing requirements, to Securities and Exchange Commission filing and disclosure requirements, and to certain other federal, state and local laws and regulations, including those related to nuclear energy and nuclear plant construction, environmental protection, fuel supplies and land use.

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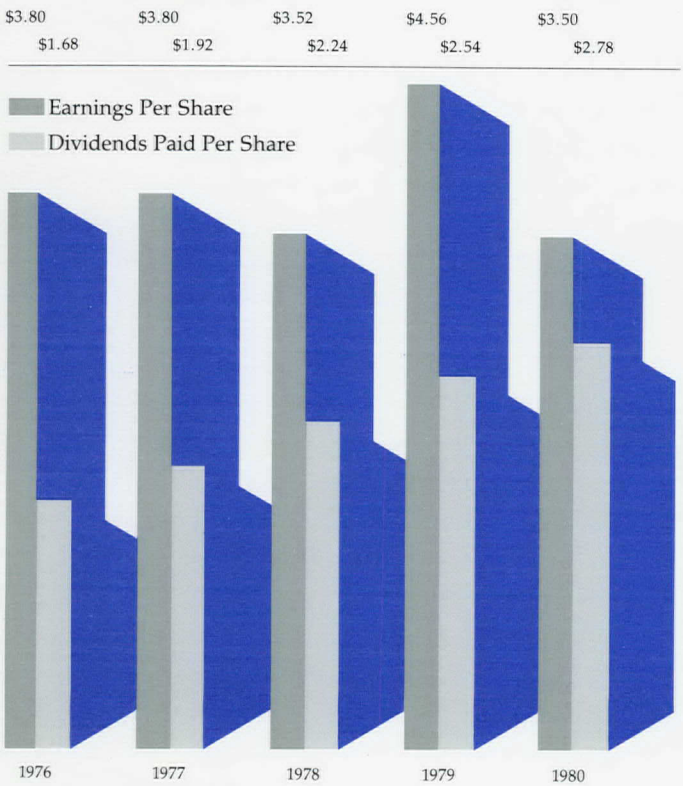
1980 Annual Report

Highlights	1980	1979	% Change	% Five-Year Compound Growth
Earnings Per Share	$ 3.50	$ 4.56	(23.2)%	4.1%
Common Dividends Paid Per Share*	$ 2.78	$ 2.54	9.4	10.6
Operating Revenues (000)	$3,661,117	$2,563,974	42.8	17.3
Energy Costs (000)	$2,371,827	$1,344,023	76.5	23.5
Operating Expenses Net of Energy Costs (000)	$ 917,156	$ 834,955	9.8	10.5
Kilowatt-hour Consumption (000)	59,915,187	59,517,861	0.7	3.1
Customers Served	3,163,968	3,082,382	2.6	2.8
Area Peak Demand (Megawatts)	12,841	12,662	1.4	4.4
Area Generating Capacity at Peak (Megawatts)	15,504	15,071	2.9	2.1

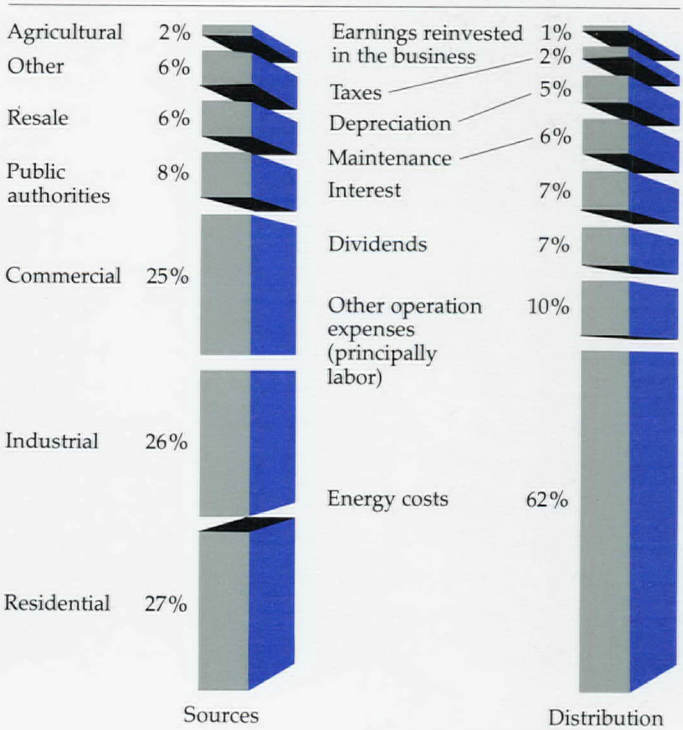
*On September 18, 1980, the Company's Board of Directors authorized an increase in the common stock quarterly dividend to $0.74 from $0.68 per share, effective with the October 31, 1980 payment, which is equivalent to $2.96 per share on an annual basis.

Earnings Per Share and Dividends Paid Per Share



Consistent increases in the common stock dividend underscore the Company's commitment to provide competitive returns to its common stock shareholders. The Company's $294 million general rate increase, effective January 1, 1981, is expected to reverse the earnings decline experienced in 1980.

1980 Sources and Distribution of Income



The Company's sources of income in 1980 reflected a well balanced contribution from each of the major customer classes. Energy costs represented a major portion of the distribution of income, accounting for approximately 62 cents out of every dollar the Company collected in 1980.

To Our Shareholders

The year 1981 began on an encouraging note with increased recognition from both the public and private sectors that we must find solutions to the problems of inflation and lagging productivity, increase our domestic energy resources, reduce our reliance on foreign oil and give greater attention to cost-effective decisions and actions.

Your Company for some time has been working toward these goals, and we pledge to continue and intensify our efforts to improve productivity through increased management effectiveness, stringent cost controls and practical conservation programs. Further, we intend to remain in the forefront of innovation in our planning and operations to economically and efficiently meet the needs of our customers.

In the area of cost control, excluding cost increases since the 1973 oil embargo of low-sulfur, foreign oil and other fuels over which we have no control, Edison's price of electricity has gone up less than the rate of inflation and less than most other commodities and products in Southern California.

In the area of conservation, the Company has implemented nearly 100 conservation programs since the early 1970s which, with positive customer response and cooperation, have saved more than 17 million barrels of costly fuel oil. This effort earned Edison the President's Award for energy efficiency in January 1981 from then-President Carter, and the State of California's first business award for energy conservation in 1980 from Governor Brown.

In the area of innovation, your Company made a major policy commitment in 1980 to the accelerated development of alternative and renewable energy resources including wind, geothermal, solar, fuel cells, small hydro and cogeneration. Our strong existing resource base of hydroelectric, coal, oil and nuclear resources gave us the foundation from which to pursue these promising new energy forms that are important to our future generation mix. Success in their development will contribute to reducing our dependence on expensive fuel oil and eliminating the adverse financial impact of large generating facility development that requires costly construction and long lead times for regulatory approval.

Edison's ability to financially support development of renewable and alternate resources as well as conventional resources is dependent upon timely and adequate rate relief. In this connection, effective January 1, 1981, the California Public Utilities Commission (CPUC) authorized the Company an annual increase in general rates of $294 million. The new rates provide for an increase in the Company's 1981 authorized rate of return on rate base from 9.6% to 11.2% and an increase in return on common equity from 13.49% to 14.95%, the highest return ever authorized by the CPUC for a major California utility.

The increased rates and higher authorized return are of particular importance because earnings per share for 1980 were $3.50, down from $4.56 recorded in 1979. The lower earnings resulted primarily from increases in operating and money costs not covered by 1980 rates and by the dilutive effect of an increased number of common shares outstanding. Earnings also decreased as a result of oil inventory financing costs which were above the level included in 1980 rates. However, a recent energy cost adjustment decision by the CPUC should help provide for the recovery of future inventory carrying costs associated with fuel oil price increases.

The adverse impact of inflation on earnings in 1982 also should be partially alleviated by a $92 million attrition allowance granted by the CPUC to be effective January 1 of the 1982 non-rate-case year.

By turning more to alternative resources and energy management programs, we believe we can further neutralize some of the inflationary factors which adversely affected 1980 financial results. Largely because of conservation programs, Edison currently projects average annual peak demand to increase by only 2.8% per year in the present decade while kilowatt-hour (KWH) consumption is estimated to increase by only 2.4% annually. This compares with a 1970 projected growth rate of 7.5% annually for both peak demand and KWH consumption for the decade of the 70s.

The Company projects a need for about 6,000 additional megawatts (MW) of generating capacity to meet the requirements of an estimated four million customers by the end of the decade. Renewable and alternative energy resources are now forecast to meet approximately one-third or 2,000 MW of this additional need. Another 2,340 MW are scheduled to be provided by San Onofre Nuclear Generating Station Units 2 and 3, and Palo Verde Nuclear Units 1, 2, and 3 in Arizona.

While extensive studies by the Nuclear Regulatory Commission (NRC) reaffirmed in January 1981 the

seismic design basis of San Onofre Units 2 and 3, continued slow NRC administrative processing has caused scheduled operation of Unit 2 to be moved back from the fourth quarter of 1981 to the second quarter of 1982, and operation of Unit 3 to be moved back from the first quarter of 1983 to the third quarter of 1983. Public hearings for the licensing of Units 2 and 3 are expected to begin in mid-1981.

We also will continue to pursue the licensing of California and out-of-state coal projects in order to maintain our coal option for future energy resources. These power generation projects are important to our resource requirements in the event that renewable and alternative sources are delayed in fulfilling the promise we believe they hold.

On September 18, the Board of Directors declared an 8.8% increase in the common stock quarterly dividend by raising the rate, on an annual basis, to $2.96 per share. At year-end, the dividend was providing a yield on common stock market value of 11.6% The Board's action represented the fifth dividend increase in the past four years. Over that period, the annual dividend increase has averaged 15.2%.

Edison's Board of Directors elected your Chairman and Chief Executive Officer, and your President to their current positions effective July 1 following the retirement of Jack K. Horton who served with distinction as the Company's Chairman since 1968 and its Chief Executive Officer since 1965. Additionally, your President was elected a Director effective July 1.

The elections of H. Fred Christie as Executive Vice President and Chief Financial Officer, and Michael L. Noel as Vice President and Treasurer also became effective on July 1. Mr. Christie was formerly Senior Vice President and Chief Financial Officer while Mr. Noel was Treasurer.

We will continue to benefit from Mr. Horton's experience in his current capacity as a Director and Chairman of the Board's Executive Committee. His contributions to the Company have been well expressed in a resolution of the Los Angeles City Council which termed his career "a unique blending of respected leadership and innovative thinking."

We will miss the able counsel of Company Directors William B. Coberly, Jr., and Terrell C. Drinkwater, who, because of having reached retirement age, are not standing for reelection to the Board on April 16. Mr. Coberly served as a Director since 1953, and Mr. Drinkwater served as a Director since 1964.

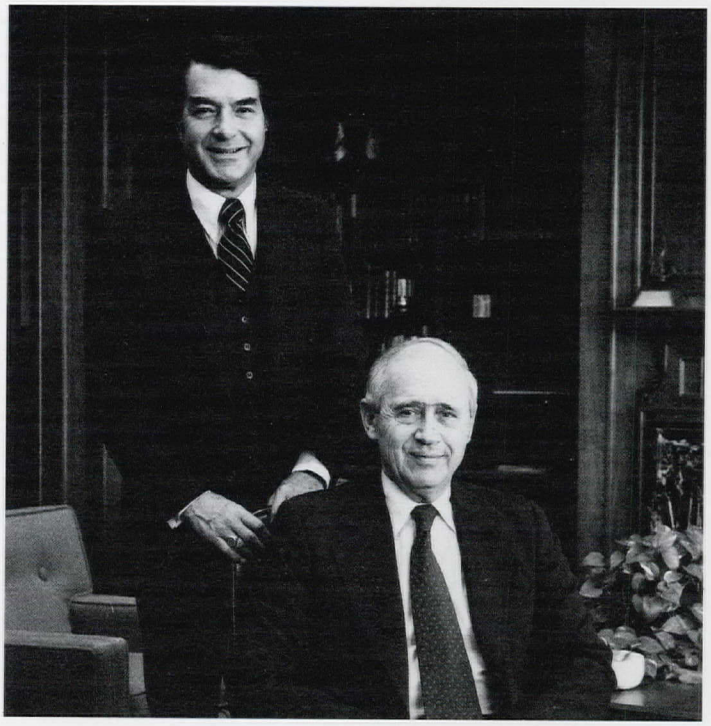
Perhaps never before in the history of our industry has the need for innovation been as apparent as in this first year of the new decade. In this spirit, we reaffirm our commitment to improved productivity, effective conservation programs and the development of alternative and renewable energy resources.

Our new energy policy was cited as "a nationally significant breakthrough in utility resource planning" by John Bryson, President of the California Public Utilities Commission. With the continued counsel of our Directors and the support of you, our shareholders, our employees and our customers, and with a dedication to continued hard work and thoughtful innovation in the way we do business, we plan to live up to that appraisal.

Howard P. Allen
President

William R. Gould
Chairman of the Board

February 19, 1981

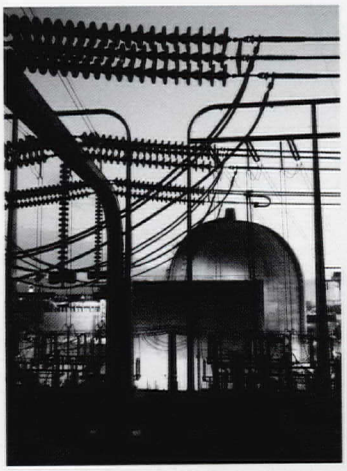


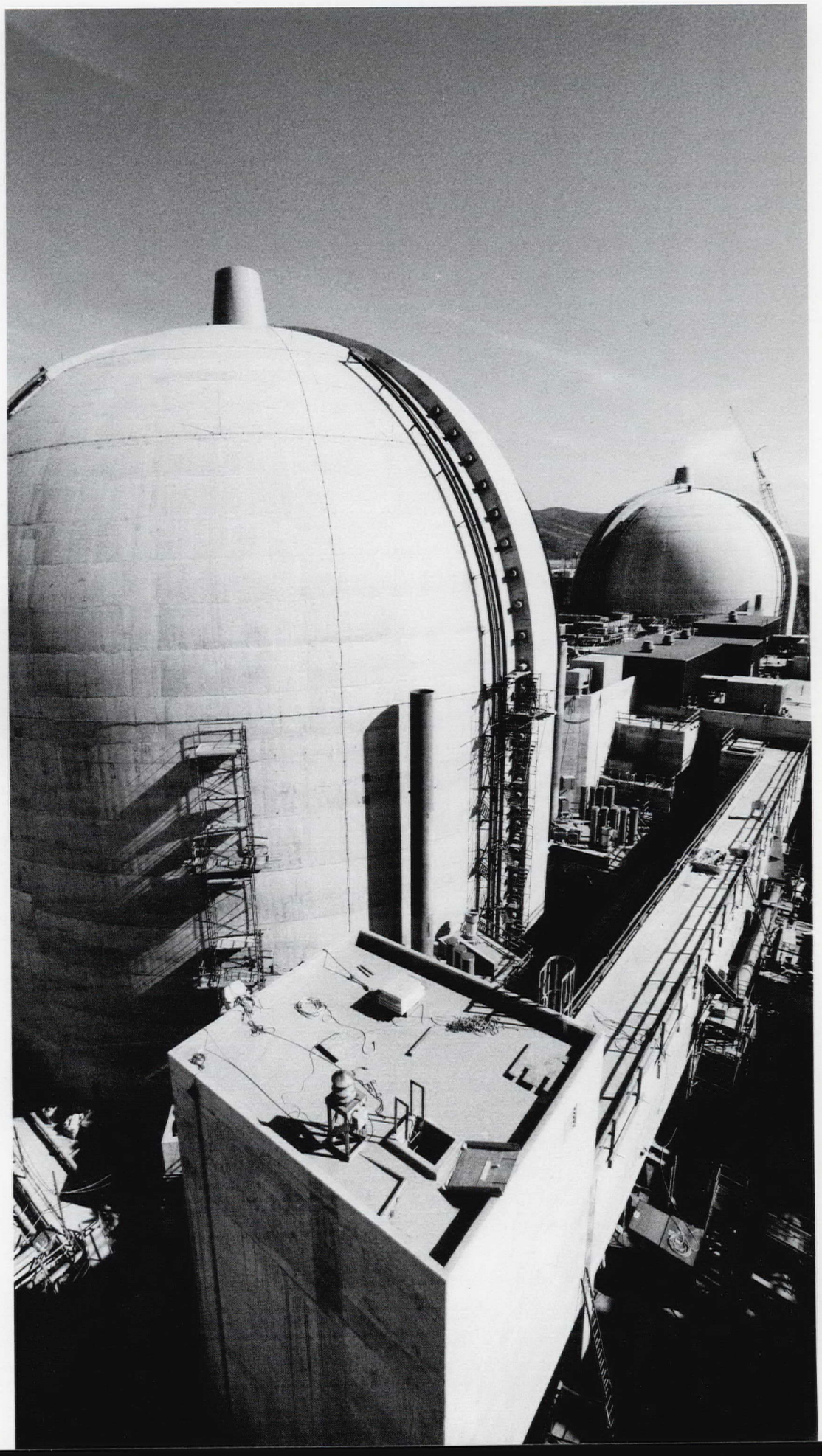
Howard P. Allen William R. Gould

Jack K. Horton

Nuclear

Approximately 1,760 MW will be added to the Edison system by San Onofre Nuclear Generating Station Units 2 and 3 which are now 86% complete. The licensing of the two units (shown below and at right), coupled with the realization of Edison's alternative energy goals, will contribute to the displacement of expensive fuel oil in the last half of the 1980s. Edison also has a 15.8% interest or 579 MW in Palo Verde Nuclear Generating Station Units 1, 2, and 3 which are 56% complete.





Year in Review

Monthly Billing Affects Reported Electric Consumption

Electric consumption by Edison's 3.2 million customers in 1980 totaled 59.9 billion KWH. However, Edison's conversion of customer accounts from bi-monthly to monthly billing has caused a distortion in statistical comparison of 1980 KWH consumption with 1979 consumption.

The monthly billing changeover was initiated in April and essentially completed in December. Electric bills, sent to about 1.3 million customers in December, would not have been mailed nor recorded until January of the 1981 reporting year under the previous bi-monthly system. As a result, reported electricity consumption in 1980 was 0.7% over 1979 levels. Excluding the effect of the conversion, total KWH consumption for 1980 would have declined 0.4%.

A total of 81,586 customers were added to the Edison system in 1980 compared to 95,837 in 1979 when the largest yearly customer increase since 1963 was recorded.

The increase in customers during the year subsequently increased total 1980 residential consumption by 1.7% compared with 1979. Customer conservation efforts in 1980 and the higher cost of electricity, however, served to reduce average annual residential consumption to 5,939 KWH as compared with 6,010 KWH in 1979.

Commercial usage gained 2.2% in 1980 as compared with the previous year, while industrial consumption declined 3.3% and consumption by other customer classifications increased by 3.2%.

The average annual growth in total KWH consumption over the last five years has been 3.1%.

Record Peak Set During Heat Wave

A record area peak demand of 12,841 MW was set July 30 as a result of heavy air-conditioning loads during a heat wave. The new record represents a 1.4% increase over the 12,662 MW area peak recorded in September 1979. The annual growth in peak demand over the last five years, including the 1980 peak, was 4.4%.

Generation Resources Under Construction

Edison projects a need for 6,000 MW of new generating capacity for this decade to meet the electric needs of its customers. This generation requirement is equal to about 40 percent of Edison's current resources.

In 1980, Edison spent approximately $782 million on its construction programs and currently projects an expenditure of about $953 million in 1981.

Edison's ownership share of San Onofre Nuclear Generating Station Units 2 and 3, which will each provide 1,100 MW, was reduced from 80% to 76.55% during the year. This resulted from the purchase by the cities of Anaheim and Riverside of 1.66% and 1.79%, respectively, of Edison's interest in the two units, which are now about 86% completed. The Company's ownership interest in San Onofre Unit 1 remains at 80%.

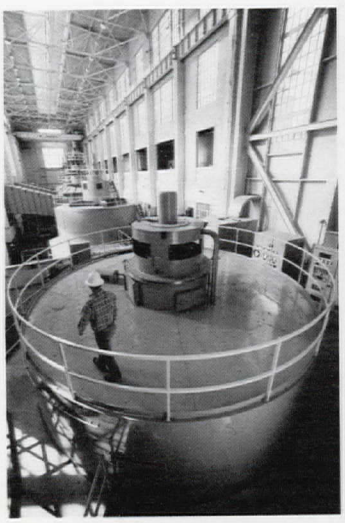
Edison also has a 15.8% interest totaling 579 MW in three 1,222-MW units being constructed at the Palo Verde Nuclear Generating Station near Phoenix, Arizona. Construction is about 56% complete and operation is scheduled for the 1983–86 period.

San Onofre Changes: As a result of evaluations of the Three Mile Island (TMI) accident, the NRC required a review of the design and operating procedures of all operating nuclear power plants. Although San Onofre Unit 1 is different in design from TMI, the Company removed Unit 1 from service from late January to early February to perform certain NRC-required changes. Additional NRC-required changes were implemented during the plant's refueling which commenced in April, and the Company expects to proceed with additional design changes in 1981 and 1982.

During the April refueling of Unit 1 at San Onofre, normal maintenance procedures revealed deterioration of a number of the steam generator tubes. Corrective action involving a new process developed by the steam generator manufacturer, termed "sleeving," has been initiated to correct the tube leaks. The Company presently expects that Unit 1 will return to service in the second quarter of 1981, subject to NRC authorization. Advantage is being

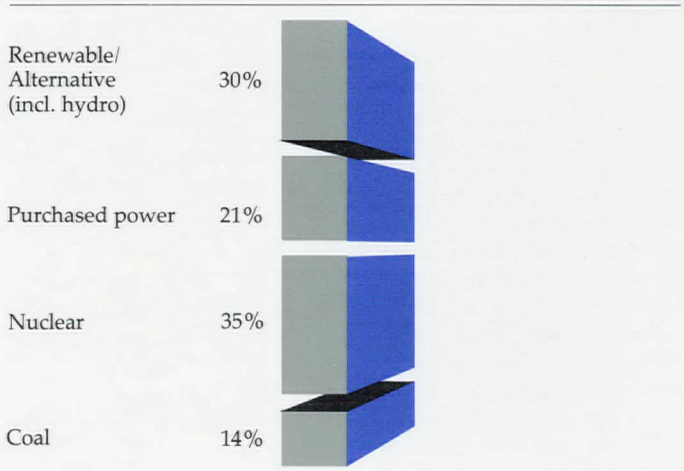
Hydro

Penstocks drop sharply through mountains to Edison's Big Creek Power Station #3 in photo at right below. Photo directly below shows new turbine which was added to the four-turbine power station in early 1980 to contribute another 35 MW to the Edison system. Of Edison's alternative and renewable energy options, hydroelectric power is estimated to be a prime source with a total of 720 MW of additional hydro generation targeted by the Company in the current decade.



Capacity Additions: 1981–1990

The Company has set a goal for renewable and alternative resources during the next ten years to provide about one-third of the approximately 6,000 megawatts of capacity additions required for load growth and retirement of older oil and gas-fired units.



taken of the outage to perform additional NRC-required design changes which would have necessitated unit shutdown.

Generation Resources Planned

Edison's reduced annual load growth projection of 2.8% (down from an earlier forecast of 3.3%) has combined with increased purchased power and the Company's commitment to alternative and renewable energy resources to necessitate the rescheduling of two generating projects in 1980.

In November, Edison applied to the California Energy Commission for a deferral in hearings for its proposed Lucerne Valley 1,290-MW "peaker park" combustion-turbine generating facility. The facility is scheduled as a contingency project should other alternatives not develop as expected.

Edison has rescheduled the California Coal Project from 1988–1990 to 1991–1993. In response to the Company's Notice of Intent to build this three-unit, 1,500-MW coal-fired generating station, the California Energy Commission has recently determined that three sites located in the eastern California desert are acceptable.

Edison has been pursuing the licensing of the Allen-Warner Valley Energy System, a multi-component coal project in Nevada and Utah. The Company withdrew its licensing application on this total project and plans to resubmit the application for a project limited to just the coal-fired Harry Allen Generating Plant in Nevada, which is now more consistent with the Company's current projections for needed capacity.

Edison also continues to actively pursue the acquisition of non-capital generation resources in an effort to reduce the large amount of capital required for annual construction programs, and to further reduce dependence on expensive foreign oil. As opportunities arise, the Company plans to continue to purchase generating resources constructed and owned by other utilities in an effort to reduce the need for capital expenditures.

Non-capital generation resources are being examined in the Western U.S., Mexico and in Canada where a feasibility study is in progress for purchase participation in a 2,000-MW coal-fired generating station near Calgary, Alberta.

Edison Pursues Renewable Energy Resources

Renewable and alternative energy resources are now forecast to meet one-third, or 2,000 MW, of the approximately 6,000 MW of additional electric generating capacity needed by Edison customers during the 1980s, compared to 14% or 900 MW prior to the Company's acceleration of its renewable energy plans.

Significant steps were taken in 1980 toward meeting this goal in four key areas.

- Utilization of hydroelectric energy through hydro purchases from others and through expansion of Edison-owned hydro resources.
- Utilization of solar energy through central station thermal generation and a program to encourage low-cost solar photovoltaic development.
- Utilization of wind energy through wind turbine developments and a program to encourage wind turbine installations by others.
- Utilization of geothermal energy from beneath California's Imperial Valley and through a geothermal purchase agreement with Mexico.

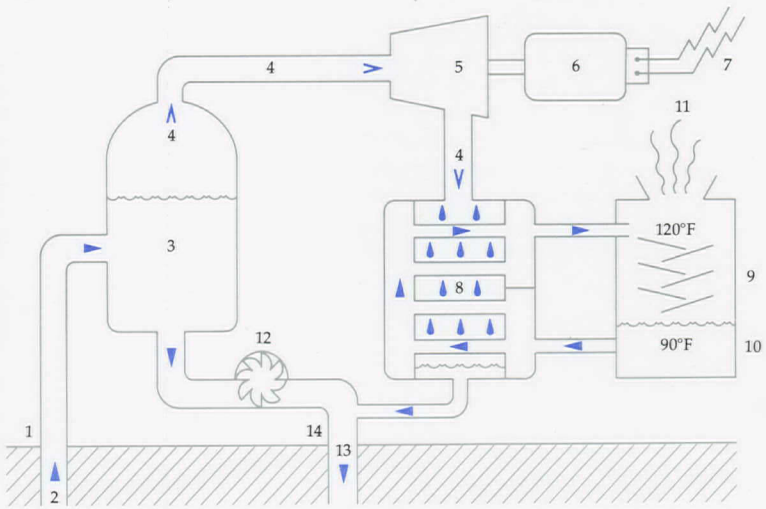
Hydro: On February 24, a hydroelectric unit was placed in operation at Big Creek in the High Sierra which added 35 MW to the Edison system, and an application was filed in February with the Federal Energy Regulatory Commission for the construction of a 200-MW hydroelectric unit near Big Creek in the mid-1980s.

Hydroelectric power remains the Company's prime source of alternative energy with a total of 720 MW of additional hydro generation planned by the end of the current decade.

Edison has entered into contractual agreements to purchase hydro power from the development of a facility of between 200 MW and 300 MW by the Upper San Joaquin

Geothermal

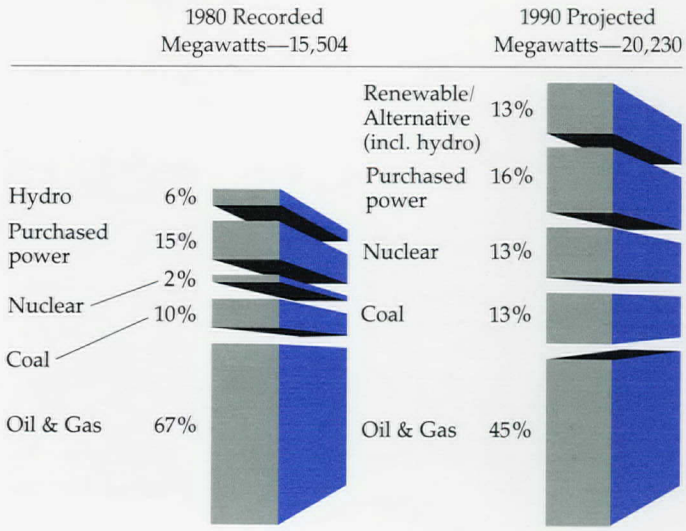
Three Edison generating stations in California's Imperial Valley will provide the base for Edison's accelerated commitment to geothermal energy by 1990. Edison also has completed a benchmark geothermal purchase agreement with Mexico for 70 MW of geothermal power. Shown below is the Company's 10-MW Brawley geothermal plant which is the nation's first utility-owned central station generating system to operate on steam converted from a hot water geothermal source. Schematic at right shows how steam propellant is extracted from Imperial Valley's highly saline geothermal fluids.



- ► Water Flow
- > Steam Flow
1. Production well
2. Hot water & steam
3. Separator
4. Steam
5. Turbine
6. Generator
7. Electricity
8. Condenser
9. Cooling tower
10. Cooled water
11. Water vapor
12. Injection pump
13. Waste water
14. Injection well

In addition to completing nuclear capacity under construction, Edison is pursuing the development of renewable and alternative resources and non-oil-generated purchases to reduce its dependence on foreign oil and to help stabilize the cost of service to its customers.

Generation Capacity Mix



River Water and Power Authority and from a 120-MW Dinkey Creek project by the Kings River Conservation District, both scheduled for operation in the mid-1980s.

An additional 100 MW of small hydro capacity from customer-owned facilities and Edison-owned hydro improvements are also planned in the same time frame.

Solar: On July 23, Edison completed an agreement for the pilot production of silicon solar cells using a new dendritic web process for increased cell efficiencies and lower manufacturing costs, and on October 30 dedicated the nation's largest solar electric central receiver power plant near Daggett, California. The project, termed "Solar One," is scheduled for operation in late 1981 and will become the first electric generating station powered directly by solar energy and connected to a utility grid. Solar One is a cooperative effort by Edison, which serves as project manager of the non-solar portion of the plant, the Department of Energy (DOE), the Los Angeles Department of Water and Power, and the California Energy Commission.

Located at Edison's Cool Water Generating Station, the solar system will produce 10 MW of electric power during peak daylight hours, enough electricity to serve about 5,000 people. The facility also will include a thermal storage subsystem capable of providing steam to generate electricity at approximately 7 MW during periods of cloud cover and in the early evening hours following sunset.

Edison's production goal for solar generation is 310 MW in the current decade through the development of both solar heat conversion systems and solar photovoltaics.

Wind: On October 30, Edison became the first electric utility to issue a proposal for the shared development of wind parks, and on December 16, began operation of California's first wind turbine generator near Palm Springs.

The horizontal axis wind turbine generator is located near Edison's Devers Substation where the Company plans to complete construction of a vertical axis wind turbine generator in early 1981. The horizontal Bendix/Schachle unit is designed to produce approximately 3 MW of electricity while the vertical axis Alcoa Darrieus generator represents a second concept in wind energy conversion and is expected to produce about ½ MW of electricity.

In a further effort toward achieving the development goal of 120 MW of wind-generated electricity by 1990, Edison became the first investor-owned electric utility to solicit proposals from private developers for the commercialization of wind parks. Under the plan, Edison will purchase wind power from energy suppliers who install wind generators of their own selection at sites or parks within Edison's 50,000 square-mile service territory.

Geothermal: On October 15, Edison dedicated the first system to use the Imperial Valley's highly saline geothermal fluids for central station electrical generation, and on November 12 signed the first agreement between the U.S. and Mexico to purchase energy from Mexican geothermal deposits.

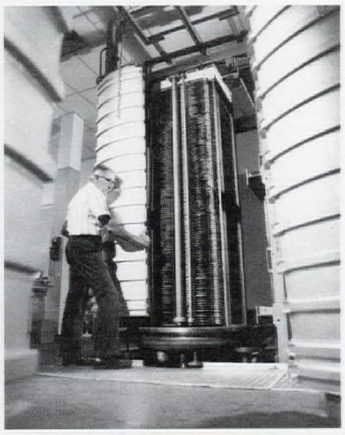
In a cooperative venture with Union Oil Company of California, Edison began utilizing geothermal energy from the Imperial Valley at Brawley in October to produce 10 MW of electricity, enough power for a community of 5,000 people. The Brawley unit is the first utility-owned generating plant in the United States to operate on steam converted from a geothermal hot water resource, as distinguished from a pure steam resource.

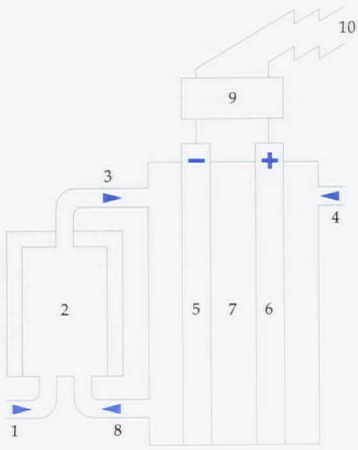
Union and Edison also are developing a 10-MW geothermal plant near Niland, south of the Salton Sea. The plant's initial operation is scheduled for 1982. Also, completion of a commercial size, 41-MW geothermal generating unit at Heber is projected for 1983. The three Imperial Valley developments will provide the base from which Edison plans to meet its goal of 420 MW of geothermal energy by 1990.

Edison signed an agreement in November to purchase electricity from Mexico's geothermal fields near Mexicali. The transaction with Comision Federal de Electricidad (CFE) marks the first international sale of geothermal power in North America. It gives the Company purchase rights to up to 70 MW of electricity beginning in 1984 when Mexico's new geothermal generating units are scheduled to be on line. Another 260 MW in purchase contracts with CFE are also anticipated.

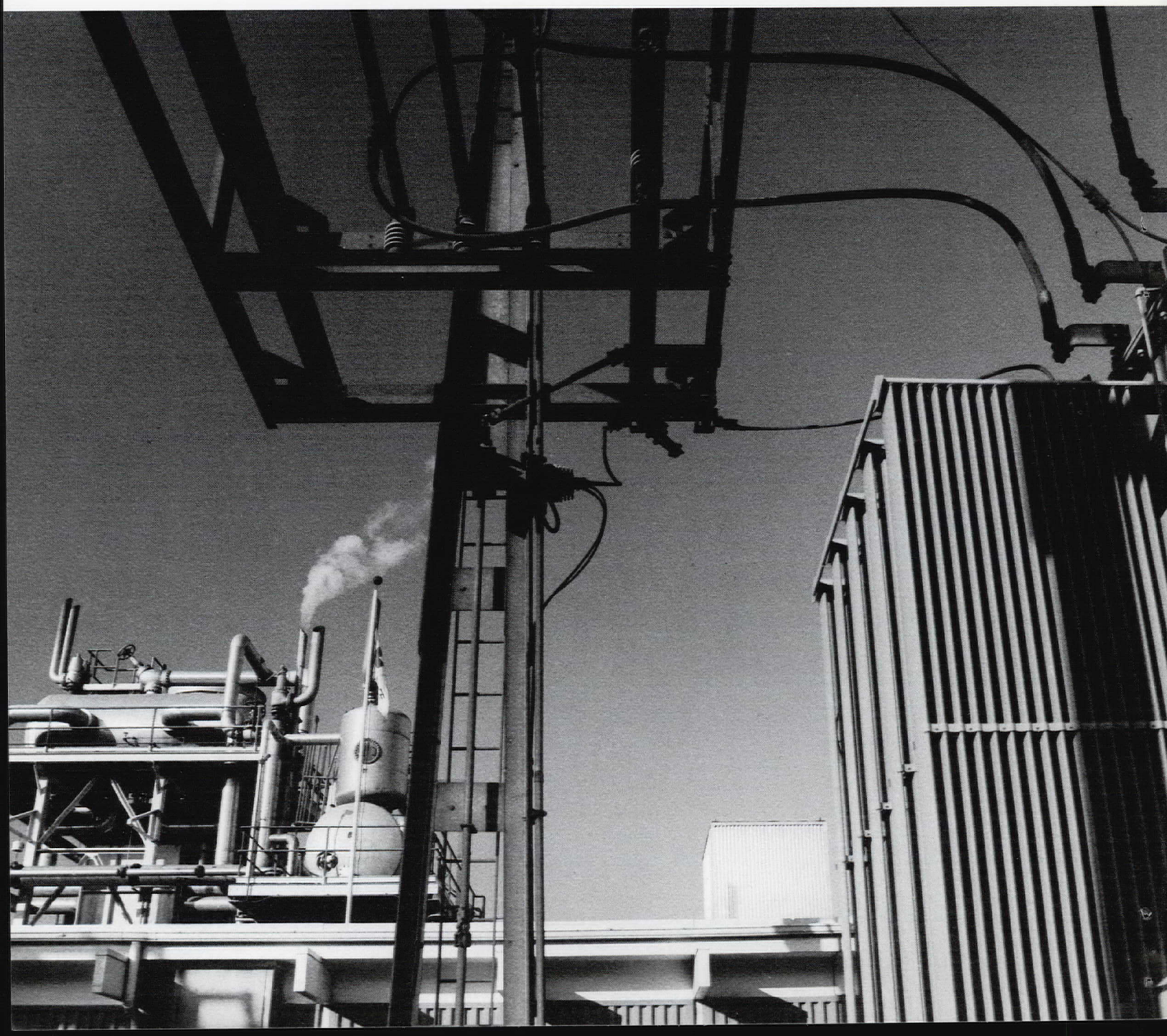
Cogeneration and Fuel Cells

Heat from on-site electricity generation helps paper manufacturing process at Pomona's Garden State Paper Company in photo below. Termed cogeneration, electricity as an industrial by-product, and small power production arrangements within Edison's service territory in 1980 totaled 206 MW. Additional generation capability by 1990 is planned from fuel cell developments. A phosphoric acid fuel cell built by United Technologies Corporation is pictured at right along with schematic showing cell's electrochemical operation.

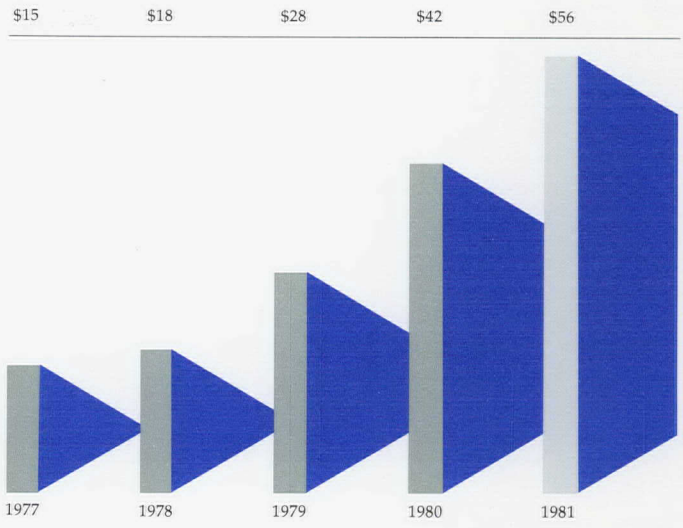




1. Fuel
2. Fuel processing system
3. Hydrogen
4. Air (oxygen)
5. Anode
6. Cathode
7. Electrolyte
8. Steam
9. Power conditioning system
10. AC electricity



Research and Development Expenditures (in millions)



The Company, an industry leader in research and development, has made a major commitment to the accelerated development of renewable and alternative energy resources.

Recorded
Projected

Cogeneration: Edison actively pursued cogeneration contracts with large commercial and industrial customers during the year in a major effort to convert waste heat and gas from industrial processes into usable electricity at the industrial site. At year's end, electrical cogeneration and small power production arrangements within the Company's service territory totaled 206 MW.

Under the Company's accelerated resource plan, cogeneration is projected to contribute an additional 300 MW to the Edison system by 1990.

Research and Development: Edison's research and development expenditures in 1980 totaled more than $40 million. Expenditures of nearly $56 million currently are planned for research and development in 1981 including substantial alternative energy R&D.

The Company's research efforts include support of a solar photovoltaic pilot production facility designed to test production feasibility of a low-cost, continuous silicon ribbon manufacturing process. Development efforts also include a 92-MW coal-gasifier/combined cycle demonstration facility at Edison's Cool Water Generating Station site, a feasibility study near the Salton Sea aimed at generating electricity from solar heated salt ponds, and investigation of a 200-ton-per-day demonstration facility which would utilize thermochemical and bioconversion systems to produce gaseous fuel from wastes.

In addition, Edison plans to produce 130 MW from fuel cells in the current decade through research support at Westinghouse and General Electric and through continued participation in a multi-utility program with United Technologies Corporation.

Conservation Efforts Increase

Customer response to the Company's conservation programs in 1980 resulted in a savings of more than three billion KWH of electricity, equivalent to about five million barrels of expensive fuel oil. This response was due to the combined efforts of nonresidential and residential customers as well as the Company's activities in the areas of voltage regulation, distribution circuit management and streetlight conversion.

Edison has placed increased emphasis on its streetlight conversion program and at the end of 1980, energy-efficient high-pressure sodium vapor lamps had been installed in 102,390 Edison-owned streetlights. The remaining 238,610 Edison-owned streetlights are scheduled for conversion to sodium vapor by 1984.

The Company augmented its commercial and industrial energy audit activities in 1980 to include the testing of financial incentives to further encourage customers to make investments in conservation and load management hardware such as more efficient lighting fixtures and demand limiting equipment and controls. These financial incentives and the ongoing energy audit activities with the Company's commercial, industrial, agricultural and public authority customers achieved a total savings of 1.1 billion KWH and a demand reduction of 276 MW.

While Edison has offered home energy audits to high-use (1,000 KWH per month) residential customers on a continuing basis with more than 15,000 audits conducted in 1980, the service will be expanded in 1981. The expanded program conforms to the federally-mandated Residential Conservation Services program as filed during the year by the California Energy Commission.

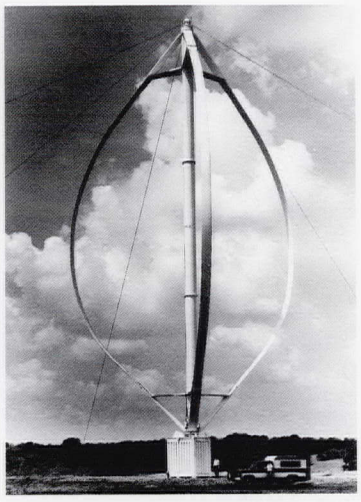
The computerized home energy audit program termed "SAVES" (Sure Actions for Valuable Energy Savings) was expanded in 1980 to respond to inquiries from 115,000 residential customers with personalized detailed conservation and load management suggestions.

The Company plans to test the use of heat pump water heaters in approximately 300 residences in 1981. The heat pump water heater test program is the result of two years of testing concluded in 1980 with DOE and other California electric utilities.

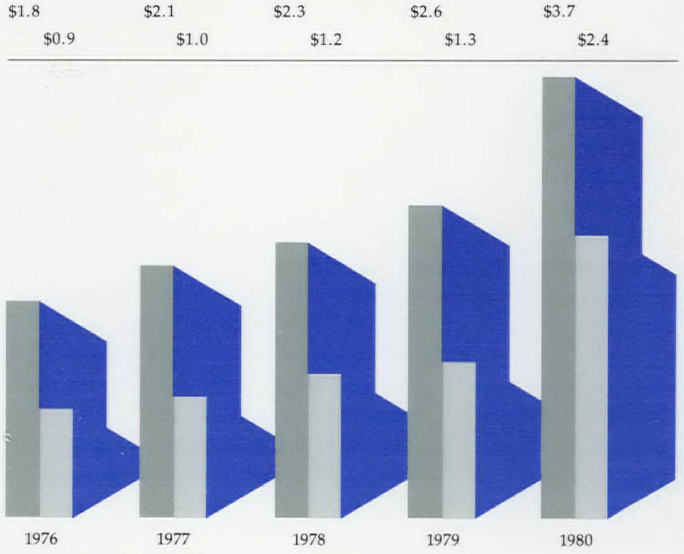
The Company installed more than 37,000 electric water heater insulation jackets in 1980 and distributed approximately 37,700 low-flow shower devices. Since the program's inception in 1978, almost 83,000 jackets and 81,000 shower devices have been installed with energy savings

Wind

Resembling a propeller from a gigantic aircraft, 191-foot tall Bendix/Schachle 3-MW wind turbine generator (WTG) towers above California's first wind energy center near Palm Springs. The wind center was dedicated by Edison in December and will house a second, ½-MW Alcoa Darrieus WTG (at right) in early 1981. Edison plans to help augment its electrical generation base by 1990 through such installations and through a program to encourage wind turbine installations by others.



Total Revenues and Energy Costs (in billions)



Energy costs, the Company's largest expense, continue to rise. However, recent modifications to the Energy Cost Adjustment Clause (ECAC) procedure have enabled the Company to recover its energy costs on a timely basis.

Total Revenues
Energy Costs

from the combined installations totaling approximately 206 million KWH.

Load Management Activities Increase

Complementing Edison's conservation efforts are a number of nonresidential and residential load management programs designed to reduce peak demand and defer the need for constructing additional generation facilities. These programs are expected to reduce the Company's projected peak demand by 700 MW by 1985, a capacity equivalent to an amount which could serve more than 350,000 people.

To meet Edison's goal to reduce peak demand, the Company has developed a number of load management programs for commercial, industrial and agricultural customers. Edison's load deferral experiments are designed to test load shifting equipment performance, while load management programs have been implemented to include several rate categories such as time-of-use (TOU) rates and interruptible rates, both designed to limit peak demand.

Historically, residential customers are the single largest contributors to Edison's demand peak. In 1980, Edison initiated an innovative approach to residential load management called Demand Subscription Service (DSS).

The DSS concept allows a customer to select a level of kilowatt demand and is designed to automatically limit the customer's demand for electricity to that level when the device is activated during periods of critical capacity availability. DSS utilizes a load management device installed in conjunction with the customer's meter which will trip (shut off) the customer's total electrical load if the predetermined demand level is exceeded. The customer may manually reset the device and restore service after the electrical load has been reduced to the predetermined level or below.

The Company's Swimming Pool Pump program is designed to shift swimming pool pumping to off-peak hours and to reduce the customer's pool pumping time by installing time-clock trippers. Approximately 54,000 new participants were added to the program in 1980, bringing total participation to more than 95,600 customers and resulting in an on-peak demand reduction of 108 MW.

Energy Costs Continue To Rise

Energy costs continue to represent the Company's largest expense, amounting to $2.4 billion in 1980, compared with $1.3 billion in 1979. These costs consumed approximately 62 cents out of each income dollar.

Fuel oil consumption in 1980 totaled 30 million barrels, down from 48 million barrels in 1979, primarily because the Company was able to utilize significant amounts of natural gas in addition to purchased energy from the Pacific Northwest and Southwest.

More than 196 billion cubic feet of natural gas, equal to about 33 million barrels of oil, was burned during 1980, compared to approximately 150 billion cubic feet, equal to about 25 million barrels of oil, in 1979. Natural gas supplies met more than 50% of the fuel requirements of the Company's oil- and gas-fired generating plants for the first time since 1972.

Synthetic Fuels

The Company, through Mono Power Company, its wholly-owned fuel resources exploration and development subsidiary, is participating in a feasibility study of the proposed Emery, Utah, Coal Conversion Project, which is intended to produce substitute natural gas and methanol. Mono also is one of 12 participants in the Paraho Project, an $8 million engineering effort for an oil shale commercial demonstration module.

Resale Rates

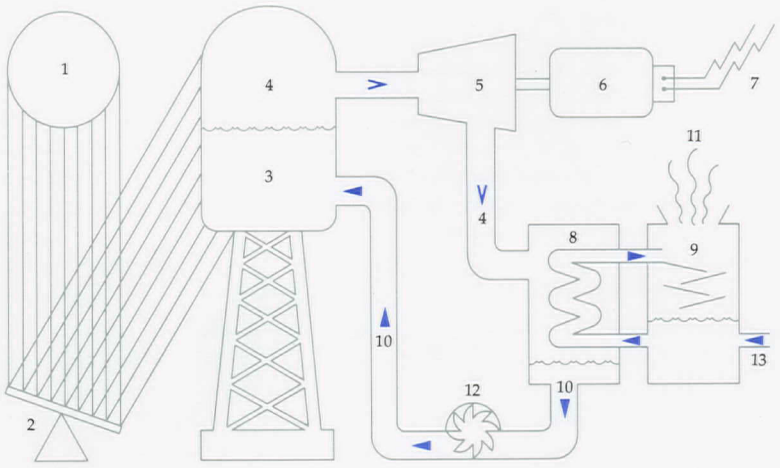
In December 1980, the Company filed an application with the Federal Energy Regulatory Commission for higher resale rates and an optional TOU rate for resale customers. These rates, if approved, would produce annual increases in resale revenues of approximately $18.6 million.

Costly Air Quality Rule

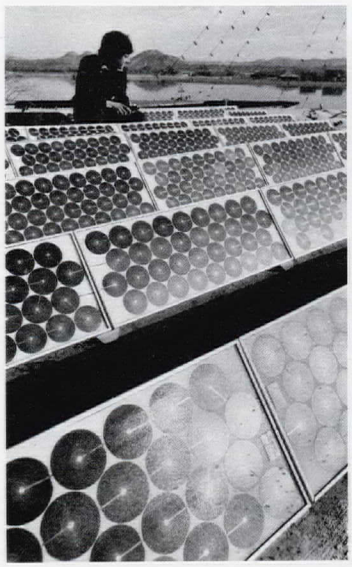
In 1980, Edison initiated a court challenge to a rule adopted by the California Air Resources Board which required a 90% reduction of oxides of nitrogen (NO_X) from power plants by 1990. This rule could have cost the Company's ratepayers as much as $1.5 billion by requiring massive NO_X control equipment retrofitting at 16 Edison

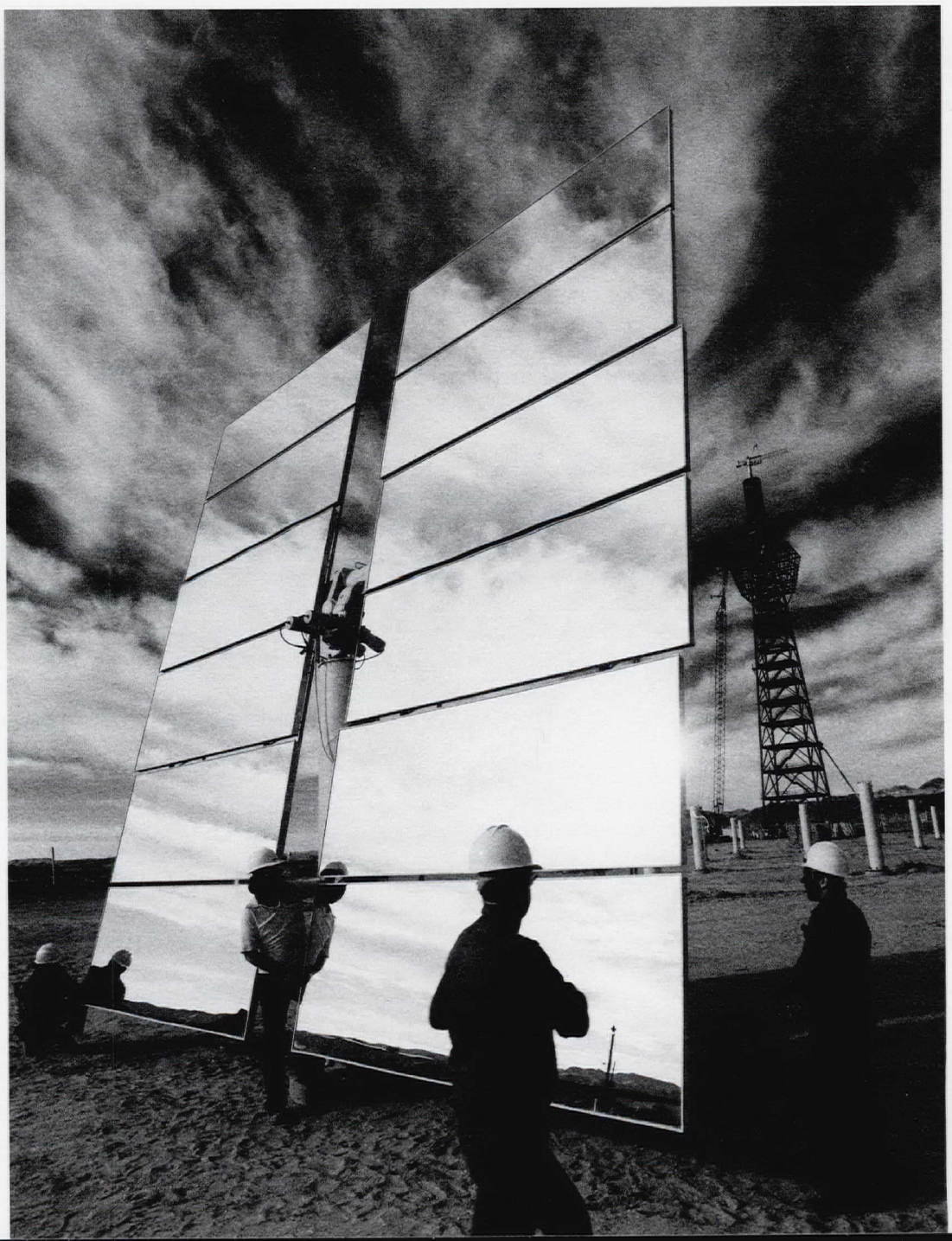
Solar

Technicians install first of 1,818 heliostats (mirrors) at nation's largest central station solar generating facility near Daggett, California, in photo at right below. When completed in late 1981, computer-directed heliostats will reflect sun's heat to 300-foot central tower (shown in background and in schematic at right) to produce 10 MW of electricity during daylight hours. Edison plans to increase its generating capacity in the 1980s from both solar thermal systems like Solar One and high efficiency, low-cost solar photovoltaic systems similar in configuration to system shown directly below.

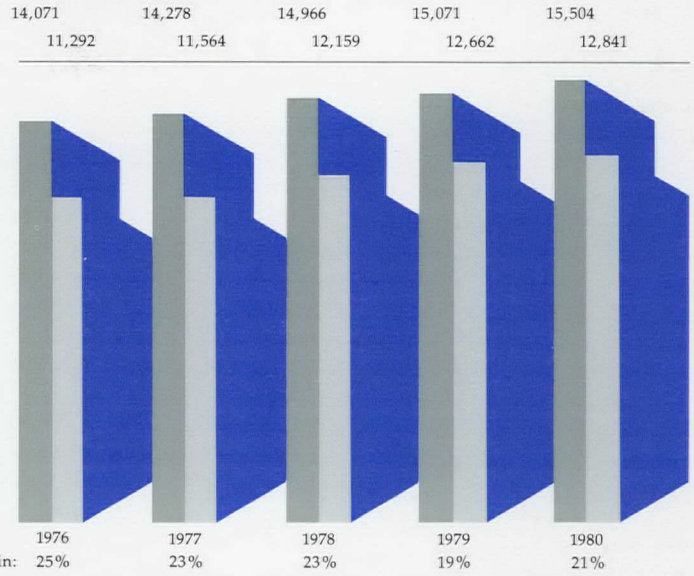


- ► Water flow
- ➢ Steam flow
1. Sun
2. Heliostat
3. Boiler
4. Steam
5. Turbine
6. Generator
7. Electricity
8. Condenser
9. Cooling tower
10. Cooled water
11. Water vapor
12. Pump
13. Make-up water





Area Capacity and Peak Demand (in megawatts)



In 1980, a July heat wave pushed the demand for electricity to a record peak of 12,841 megawatts. However, Edison's load management programs and conservation efforts by its customers helped hold the 1980 peak to only 1.4% above the 1979 peak.

Area Capacity
Area Peak Demand

power plants. However, revisions to the rule adopted by the Board at year's end are expected to reduce the cost burden to ratepayers to between $300 million and $500 million by limiting the retrofit to seven power plants. Substantial cost exposures remain, however, and the Company plans to continue its challenges through the courts to the most recent version of the rule.

Edison Van Pool Program

In May, Edison initiated a van pool program for Company employees which, when fully operational, is expected to save more than 400,000 gallons of gasoline annually by removing approximately 500 vehicles per workday from roads and freeways. Fares charged to employees currently in the program are used to pay for Edison's lease on the vans and for fuel, insurance and upkeep. The Company pays for the administrative costs of the program, which is the first ever underwritten in California by a publicly-held utility.

Management Appointments

Effective January 1, 1981, Alan M. Nedry was appointed Vice President-Washington D.C. Region, and Geoffrey Cook was appointed Vice President-Sacramento Region.

R. D. Blake, formerly Central Division manager, and R. L. Whelchel, formerly Southeastern Division manager, were appointed Central and Southeastern Division Vice Presidents, respectively, effective June 1, 1980.

Jack K. Horton Humanitarian Award

Edison has established an award to provide recognition for those deserving employees who have distinguished themselves by displaying acts of exceptional courage and initiative in an emergency situation, or who perform any other noteworthy act or service of a humanitarian nature. The award is named in honor of Jack K. Horton who, while serving as Edison Chairman for 22 years, contributed much toward the achievement of excellence for which this Company stands.

Affirmative Action Program Continues

Efforts to increase the representation of minorities and females in the work force continued during 1980 through the Company's Affirmative Action Program.

During 1980, minority representation increased from 22.2% at the beginning of the year to 24.8% at year-end. During the same period, female representation increased from 18.9% to 20.2%.

During the five-year period from year-end 1975 through year-end 1980, minority representation in the Company's work force increased from 16.5% to 24.8% and female employees increased from 15.4% to 20.2%.

Percentage of Male, Female and Minority Employees at Year-End 1975 and 1980

	Male % Year-End		Female % Year-End		Black % Year-End		Asian American % Year-End		American Indian % Year-End		Hispanic % Year-End		Total Minorities % Year-End	
	1975	1980	1975	1980	1975	1980	1975	1980	1975	1980	1975	1980	1975	1980
Management[1]	93.5	88.0	6.5	12.0	1.7	3.0	3.5	5.1	0.6	0.5	4.1	6.2	9.9	14.9
Non-Management[2]	80.7	76.1	19.3	23.9	6.4	9.0	1.4	2.8	0.7	0.9	10.8	16.6	19.4	29.3
Total Company[3]	84.6	79.8	15.4	20.2	5.0	7.1	2.1	3.6	0.7	0.8	8.8	13.4	16.5	24.8

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

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

(3) Includes all classes of employees.

Financial Review

The following discussion highlights the events and occurrences which the Company believes had a significant impact on its financial position during 1980. A more detailed review of the factors affecting Edison's operations is contained in Management's Discussion and Analysis of Financial Condition and Results of Operations in this report.

Revenues surpassed the three and one-half billion dollar level during 1980, totaling $3.66 billion for the year. This represented an increase of $1.097 billion or 43% over 1979 revenues. However, most of the increase reflected reimbursement for expensive foreign oil and other energy costs and did not affect earnings. Therefore, despite this record level of revenues, earnings per share for 1980 were down considerably from the $4.56 recorded in 1979, resulting primarily from increases in operating expenses and financing costs in the year between general rate case decisions and the dilutive effect of an increased number of common shares outstanding. Earnings also decreased as a result of oil inventory financing costs which were above the level included in 1980 rates. However, a recent Energy Cost Adjustment Clause (ECAC) decision by the California Public Utilities Commission (CPUC) should help provide for the recovery of certain inventory carrying costs associated with fuel oil price increases.

General Rate Increase Granted

As discussed in the Letter to Shareholders, the Company was granted a $294 million general rate increase effective January 1, 1981. In granting this increase, the CPUC recognized substantial inflationary increases in operating and capital costs along with added expenses for customer conservation programs and the further development of renewable and alternate energy resources.

The biennial rate review process, in effect since 1979, and inflation caused the Company to experience lower earnings in the non-rate-case year. This condition, which affected the Company in 1980, should be partially alleviated as a result of the CPUC's authorization of an additional $92 million attrition allowance for 1982. This allowance is designed to offset some of the increases in operating and maintenance costs generally experienced in the year following a rate-case year.

Energy Cost Adjustments

Under the ECAC procedure, electric rates are adjusted up or down three times annually to reflect the cost of fuel and purchased power used to generate electricity in a given period. Energy costs above or below those used in the established rates are accumulated in a balancing account, and the accumulated amount is reflected in succeeding rate adjustments. Although cash flow is affected, the ECAC procedure is designed to prevent fluctuations in earnings as a result of changes in energy costs.

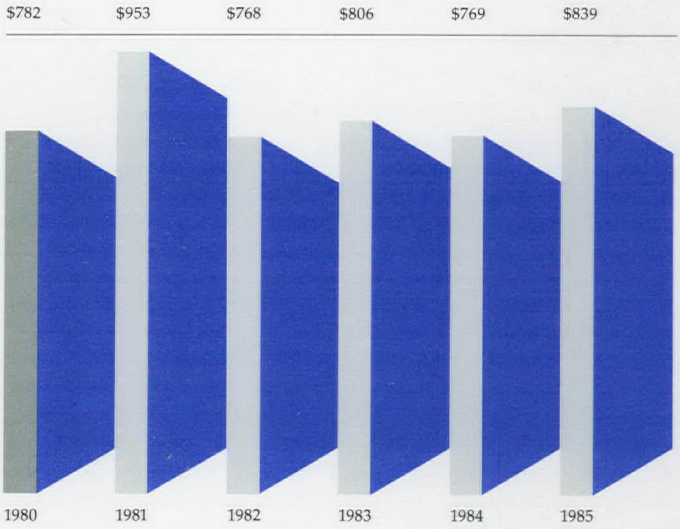
The ECAC procedure was modified by the CPUC early in 1980 and, as a result, the 1979 year-end undercollection of over $300 million, together with interest, was fully recovered during 1980. This was accomplished through two ECAC increases granted by the Commission which, in part, were designed to eliminate the undercollection in the balancing account. The first increase, of $338 million annually, became effective in February concurrent with the changes in the ECAC procedure. The second increase, of $560 million annually, was effective in May.

In recent months, substantial quantities of natural gas have been available to the Company, reducing the need to burn higher-priced foreign oil. Consequently, at the request of the Company, the CPUC granted two ECAC rate reductions. The first, a decrease of $236 million annually, was effective in October. The second, of $194 million annually, became effective concurrent with the general rate increase on January 1, 1981.

Financing Program Continues

Continued double-digit inflation, the Federal Reserve Board's restrictive monetary policy, and uncertain domestic and world affairs all contributed to extreme volatility in interest rates and financial markets during 1980. The prime rate, the interest rate charged by large U.S. commercial banks to their most credit-worthy business borrowers, reached a record high of 20% in April, then plunged to below 11% in July. Late in the year, interest rates soared again and ended the year at an all-time high of 21½%.

Funds Required for Construction (in millions)



Construction expenditures are projected to be within the Company's objective to maintain a financially manageable growth in plant additions. Construction expenditures for 1981 reflect the near-term completion of San Onofre Nuclear Units 2 and 3.

Recorded

Projected

Despite these difficulties in the capital market, the Company raised $726 million in new capital through four public securities issues, one private placement, and the sale of common stock under Edison's Dividend Reinvestment and Stock Purchase Plan, Employee Stock Purchase Plan, and Employee Stock Ownership Plan. This capital was used to finance the Company's continuing construction program and to refund maturing debt obligations of $85 million. Details of these issues are provided in the accompanying table.

Of particular note, in September the Company privately placed $50 million in 9⅝% mortgage bonds through an agreement, negotiated in September 1979, with a syndicate of foreign banks.

Reflecting the $726 million in total new capital raised in 1980, Edison's capital structure at year-end 1980 was 47.5% debt, 13.6% preferred and preference stock, and 38.9% common equity.

Looking to 1981, the Company's capital expenditures are expected to amount to approximately $953 million for the construction of new facilities and the development of renewable and alternative resources. Additionally, $144 million will be required to refund maturing debt obligations. To help finance these capital needs, Edison plans to issue common and preferred stock, and mortgage bonds. Some of the non-conventional sources of capital which Edison plans to pursue include Eurodollar funds, U.S. government loan guarantees and grants for its research and development programs in renewable and alternative resources, and tax-exempt financing for pollution control equipment.

The first financing of the new year, eight million shares of common stock, was issued on January 29 at an initial public offering price of $24⅜ per share, raising approximately $188 million in net proceeds.

Over the five-year period 1981 to 1985, construction expenditures are projected to amount to approximately $4.1 billion. Construction expenditures as a percent of total capitalization are expected to average less than 10% annually during this period, which is within the Company's objective to maintain financially manageable growth in plant additions.

Dividend Reinvestment Plan Continues to Grow

At the end of 1980, more than 20,000 shareholders, or about 13% of the holders of Edison's common stock, were participating in the Dividend Reinvestment and Stock Purchase Plan.

During the year, participants purchased 1.7 million shares with over $40 million of dividends and optional cash payments. Since the plan was started in 1976, over $93 million has been invested in new shares. This represented approximately 4 million shares, or 5%, of the Company's total common stock outstanding on December 31, 1980.

1980 Financings

Month	Issue	Amount (Millions)
February	Common Stock—7,000,000 shares @ $23⅛	$162
March	25-Year First & Refunding Mortgage Bonds Coupon Rate—15⅛%	200
September	7-year First & Refunding Mortgage Bonds Coupon Rate—9⅝%	50*
October	Cumulative Preferred Stock Dividend Rate—12%	75
November	30-year First & Refunding Mortgage Bonds Coupon Rate—13½%	150
Ongoing	Dividend Reinvestment and Stock Purchase Plan, Employee Stock Purchase Plan, and Employee Stock Ownership Plan	89
		$726

*Reported as long-term debt in 1979 Balance Sheet and Statement of Changes in Financial Position.

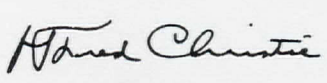
Report of Management

The accompanying financial statements have been prepared by Company personnel in conformity with generally accepted accounting principles appropriate in the circumstances applied on a consistent basis. The integrity and objectivity of the data in these financial statements are the responsibility of management. In order to assure this integrity and objectivity, the Company maintains a highly developed system of internal controls. This system includes communication by written policies and procedures, organization structures that provide for appropriate division of responsibility, and the selection and training of qualified personnel and is augmented by programs of internal audits.

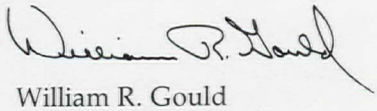
An independent examination of these financial statements has been conducted by Arthur Andersen & Co., independent public accountants, in accordance with generally accepted auditing standards. The accompanying Report of the Independent Public Accountants expresses an informed opinion as to whether the financial statements, considered in their entirety, present fairly the Company's financial position, results of operations and changes in financial position, in conformity with generally accepted accounting principles applied on a consistent basis.

The Audit Committee of the Board of Directors is entirely composed of Directors who are free from any relationships that, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment as Audit Committee members. The Audit Committee meets periodically with the management of the Company, the independent public accountants and the internal auditors to make inquiries as to the manner in which the responsibilities of each are being discharged and reports thereon to the Board of Directors. In addition, the Audit Committee recommends to the Board of Directors the annual appointment of the independent public accountants with whom the Audit Committee reviews the scope of the audit and non-audit assignments and the related fees, the accounting principles being applied by the Company in financial reporting, the scope of internal financial auditing procedures, and the adequacy of internal accounting controls.

To further assure independence in performing and reporting the results of audits, representatives of the independent public accountants and the Company's staff of internal auditors have full and free access to meet with the Audit Committee, without members of Company management being present, to discuss any accounting, auditing, or financial reporting matter.



H. Fred Christie
Executive Vice President and Chief Financial Officer



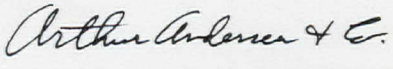
William R. Gould
Chairman of the Board and Chief Executive Officer

Report of Independent Public 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, hereinafter referred to as the "Company"), as of December 31, 1980 and 1979, and the related statements of income, earnings reinvested in the business, additional paid-in capital and changes in financial position for each of the three years in the period ended December 31, 1980. 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, and also included similar examinations of the financial statements for each quarter within each of the years.

In our opinion, the financial statements referred to above present fairly the financial position of the Company as of December 31, 1980 and 1979, and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1980, and further, in our opinion, the quarterly financial data set forth in Note 7 of "Notes to Financial Statements" summarize fairly the results of operations for each quarter within such years, all in conformity with generally accepted accounting principles applied on a consistent basis.



Los Angeles, California
February 6, 1981

ARTHUR ANDERSEN & CO.

Statements of Income

		Year Ended December 31, 1980	1979	1978
		Thousands of Dollars		
Operating Revenues:	Sales *(Note 1)*	**$3,631,373**	$2,553,126	$2,294,543
	Other	**29,744**	10,848	34,255
	Total operating revenues *(Note 7)*	**3,661,117**	2,563,974	2,328,798
Operating Expenses:	Fuel *(Note 2)*	**1,729,552**	1,433,658	1,086,051
	Purchased power *(Note 9)*	**280,675**	99,245	118,698
	Provision for energy cost adjustments *(Notes 1 and 4)*	**361,600**	(188,880)	35,280
	Subtotal—energy costs	**2,371,827**	1,344,023	1,240,029
	Other operation expenses *(Notes 2, 5 and 6)*	**392,593**	322,191	283,622
	Maintenance *(Note 1)*	**228,269**	177,407	164,111
	Provision for depreciation *(Note 1)*	**187,959**	178,637	157,203
	Taxes on income—current and deferred *(Notes 1 and 4)*	**38,683**	100,292	72,803
	Property and other taxes *(Note 4)*	**69,652**	56,428	86,429
	Total operating expenses	**3,288,983**	2,178,978	2,004,197
Operating Income *(Note 7)*		**372,134**	384,996	324,601
Other Income and Income Deductions:	Allowance for equity funds used during construction *(Note 1)*	**121,488**	92,019	58,471
	Other—net *(Notes 1 and 4)*	**65,771**	47,739	31,319
	Total other income and income deductions	**187,259**	139,758	89,790
Total Income before Interest Charges		**559,393**	524,754	414,391
Interest Charges:	Interest on long-term debt	**227,163**	179,626	154,301
	Other interest and amortization *(Note 1)*	**55,493**	25,456	28,357
	Total interest charges	**282,656**	205,082	182,658
	Allowance for debt funds used during construction *(Note 1)*	**(40,799)**	(26,547)	(19,950)
	Net interest charges	**241,857**	178,535	162,708
Net Income *(Note 7)*		**317,536**	346,219	251,683
Dividends on Cumulative Preferred and Preference Stock		**60,950**	53,738	49,457
Earnings Available for Common and Original Preferred Stock		**$ 256,586**	$ 292,481	$ 202,226
Weighted Average Shares of Common and Original Preferred Stock Outstanding and Common Stock Equivalents (000)		**73,241**	64,202	57,477
Earnings Per Share:	Primary *(Notes 1 and 7)*	**$3.50**	$4.56	$3.52
	Fully diluted *(Notes 1 and 7)*	**$3.48**	$4.39	$3.38
Dividends Declared Per Common Share		**$2.84**	$2.60	$2.30

The accompanying notes are an integral part of these statements.

Balance Sheets

ASSETS		December 31, 1980	1979
		Thousands of Dollars	
Utility Plant:	Utility plant, at original cost *(Notes 1, 2 and 8)*	**$5,785,200**	$5,502,984
	Less—Accumulated provision for depreciation *(Notes 1 and 8)*	**1,840,233**	1,676,148
	Net utility plant	**3,944,967**	3,826,836
	Construction work in progress *(Notes 5 and 8)*	**2,600,460**	2,058,958
	Nuclear fuel, at amortized cost	**20,649**	15,728
	Total utility plant	**6,566,076**	5,901,522
Other Property and Investments:	Real estate and other, at cost—less accumulated provision for depreciation	**9,754**	11,110
	Subsidiary companies *(Note 1)*	**96,757**	93,725
	Total other property and investments	**106,511**	104,835
Current Assets:	Cash and temporary cash investments *(Note 3)*	**7,642**	4,705
	Receivables, less reserves of $8,005,000 and $8,496,000 for uncollectible accounts at respective dates *(Note 1)*	**288,979**	212,728
	Fuel stock, at cost *(first-in, first-out) (Notes 2 and 3)*	**593,008**	317,908
	Materials and supplies, at average cost	**48,942**	39,388
	Regulatory balancing accounts *(Notes 1 and 4)*	**—**	307,090
	Accumulated deferred income taxes *(Notes 1 and 4)*	**29,343**	—
	Prepayments and other (taxes, insurance, etc.)	**54,040**	43,717
	Total current assets	**1,021,954**	925,536
Deferred Charges:	Unamortized debt expense *(Note 1)*	**18,880**	16,589
	Other deferred charges	**20,477**	28,755
	Total deferred charges	**39,357**	45,344
		$7,733,898	$6,977,237

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

CAPITALIZATION AND LIABILITIES		December 31, 1980	1979
		Thousands of Dollars	
Capitalization:	Preferred Stock—subject to mandatory redemption/repurchase requirements:		
	Cumulative Preferred Stock	$ 337,500	$ 262,500
	Preference Stock	62,000	62,000
	Preferred Stock—other:		
	Original Preferred Stock	4,000	4,000
	Cumulative Preferred Stock	458,755	458,755
	Preference Stock	19,897	27,067
	Common Stock, including additional stated capital	673,921	577,259
	Other Shareholders' Equity:		
	Additional paid-in capital	763,519	601,578
	Earnings reinvested in the business	1,092,137	1,054,296
	Long-term debt *(Note 1)*	2,945,824	2,746,207
	Total capitalization	6,357,553	5,793,662
Current Liabilities:	Accounts payable	356,340	288,897
	Commercial paper payable *(Note 3)*	164,975	134,340
	Notes payable to banks *(Note 3)*	19,998	19,840
	Current maturities of long-term debt	143,548	84,544
	Customer refunds	66,160	58,139
	Taxes accrued *(Note 4)*	121,916	73,312
	Interest accrued	66,124	55,619
	Customer deposits	11,242	14,583
	Dividends declared	60,292	48,381
	Regulatory balancing accounts—net *(Notes 1 and 4)*	37,518	—
	Accumulated deferred income taxes *(Notes 1 and 4)*	—	89,893
	Other	26,167	18,130
	Total current liabilities	1,074,280	885,678
Commitments and Contingencies *(Note 2)*			
Reserves and Deferred Credits:	Customer advances and other deferred credits	63,652	51,598
	Customer refunds	—	58,454
	Accumulated deferred income taxes and investment tax credits *(Notes 1 and 4)*	198,476	155,297
	Reserves for pensions, insurance, etc. *(Note 6)*	39,937	32,548
	Total reserves and deferred credits	302,065	297,897
		$7,733,898	$6,977,237

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

Statements of Changes in Financial Position

		Year Ended December 31, 1980	1979	1978
		Thousands of Dollars		
Funds Provided By:				
Operations—	Net income *(Note 7)*	$ 317,536	$ 346,219	$251,683
	Non-fund items—			
	Depreciation *(Note 1)*	187,959	178,637	157,203
	Equity in earnings of unconsolidated subsidiaries *(Note 1)*	(2,164)	(3,133)	(608)
	Allowance for debt and equity funds used during construction *(Note 1)*	(162,287)	(118,566)	(78,421)
	Investment tax credit deferred—net *(Notes 1 and 4)*	25,235	45,533	32,568
	Deferred income tax—conversion to monthly billing	18,299	—	—
	Other—net	13,136	9,269	4,788
	Earnings distributed from unconsolidated subsidiaries	—	1,000	1,000
	Total from operations	397,714	458,959	368,213
Long-term financing—	Preferred stock	75,000	127,500	—
	Preference stock*	(7,169)	(13,828)	(14,522)
	Common stock*	258,607	62,002	203,364
	Long-term debt	350,000	355,000	200,000
	Total from long-term financing	676,438	530,674	388,842
Other sources—	Construction advances and other	14,131	11,628	9,258
	Sale of non-current assets	89,557	—	—
	Decrease in working capital**	33,180	3,918	13,067
	Total from other sources	136,868	15,546	22,325
	Total funds provided	$1,211,020	$1,005,179	$779,380
Funds Applied To:	Construction expenditures	$ 943,797	$ 792,713	$646,252
	Less—allowance for debt and equity funds used during construction *(Note 1)*	162,287	118,566	78,421
	Funds used for construction expenditures	781,510	674,147	567,831
	Advances to unconsolidated subsidiaries	720	5,769	3,630
	Dividends	273,312	221,400	182,738
	Repayment of long-term debt	84,544	33,736	35,500
	Customer refunds—net	58,454	49,321	(36,918)
	Other—net	12,480	20,806	26,599
	Total funds applied	$1,211,020	$1,005,179	$779,380
Working Capital Changes:	Receivables—net	$ 76,251	$ 1,103	$ (1,377)
	Fuel stock and materials and supplies *(Notes 2 and 3)*	284,654	165,812	(114,118)
	Prepayments and other	18,583	6,474	(31,990)
	Regulatory balancing accounts—net *(Notes 1 and 4)*	(235,512)	162,586	(9,301)
	Notes and accounts payable	(106,257)	(274,011)	77,288
	Taxes and interest accrued	(59,109)	14,688	(64)
	Other—net	(11,790)	(80,570)	66,495
	(Decrease) in working capital**	$ (33,180)	$ (3,918)	$(13,067)

*These amounts include conversions of Preference Stock, 5.20% Convertible Series, to Common Stock.

**Other than current maturities of long-term debt.

The accompanying notes are an integral part of these statements.

Statements of Earnings Reinvested in the Business

		Year Ended December 31, 1980	1979	1978
			Thousands of Dollars	
Balance at January 1		**$1,054,296**	$ 931,217	$ 862,956
Add:	Net income	**317,536**	346,219	251,683
	Transfer of amortization reserve—Federal (a)	**—**	—	3,801
		1,371,832	1,277,436	1,118,440
Deduct:	Dividends declared on capital stock—			
	Original preferred	**1,334**	1,219	1,075
	Cumulative preferred	**55,230**	47,574	42,532
	Preference	**5,721**	6,164	6,926
	Common—$2.84 per share for 1980, $2.60 per share for 1979 and $2.30 per share for 1978	**211,027**	166,443	132,205
	Capital stock expense	**6,383**	1,740	4,485
		279,695	223,140	187,223
Balance at December 31 (b)		**$1,092,137**	$1,054,296	$ 931,217

(a) Pursuant to a regulatory order, an operating reserve relating to certain federally-licensed hydroelectric projects was transferred to Earnings Reinvested in the Business and became an appropriation thereof.

(b) Includes undistributed earnings of unconsolidated subsidiaries of $12,918,000 at December 31, 1980.

Statements of Additional Paid-in Capital

	Year Ended December 31, 1980	1979	1978
		Thousands of Dollars	
Balance at January 1	**$601,578**	$569,673	$443,109
Premium received on sale of common stock	**161,949**	31,908	126,572
Payments made in lieu of issuing fractional shares of common stock	**(8)**	(3)	(8)
Balance at December 31	**$763,519**	$601,578	$569,673

The accompanying notes are an integral part of these statements.

Statements of Capital Stock

	December 31, 1980		Stated Value—December 31,	
	Shares Outstanding	Redemption Price Per Share	1980	1979
			Thousands of Dollars	
Preferred Stock—Subject to Mandatory Redemption/ Repurchase Requirements (a) (b):				
$100 Cumulative Preferred—par value $100 per share (f):				
7.325% Series	750,000	$110.00	$ 75,000	$ 75,000
7.80% Series	600,000	110.00	60,000	60,000
8.54% Series	750,000	108.54	75,000	75,000
8.70% Series A	525,000	110.00	52,500	52,500
12.00% Series	750,000	112.00	75,000	—
			$337,500	$262,500
Preference—par value $25 per share: 7.375% Series	2,480,000	25.75	$ 62,000	$ 62,000
Preferred Stock—Other:				
Original Preferred—5%, prior, cumulative, participating, not redeemable, authorized 480,000 shares, par value $8⅓ per share	480,000		$ 4,000	$ 4,000
Cumulative Preferred—authorized 24,000,000 shares, par value				
$25 per share (a): 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	25.65	55,000	55,000
8.85% Series	2,000,000	26.50	50,000	50,000
9.20% Series	2,000,000	26.50	50,000	50,000
$100 Cumulative Preferred—authorized 6,000,000 shares, par value				
$100 per share (a): 7.58% Series	750,000	105.00	75,000	75,000
8.70% Series	500,000	107.00	50,000	50,000
8.96% Series	500,000	107.00	50,000	50,000
			$458,755	$458,755
Preference—authorized 10,000,000 shares, par value				
$25 per share (a) (c) (f): 5.20% Convertible Series	795,900	25.00	$ 19,897	$ 27,067
$100 Preference—authorized 2,000,000 shares, par value				
$100 per share	—	—	$ —	$ —
Common Stock—authorized 140,000,000 shares, par value $8⅓ per share, including additional stated capital (c) (d) (e) (f)	75,853,818		$673,921	$577,259

(a) All series of $100 Cumulative Preferred Stock, Cumulative Preferred Stock and Preference Stock are redeemable at the option of the Company. The various series of the $100 Cumulative Preferred Stock, and the Preference Stock, 7.375% Series, are subject to certain restrictions on redemption for refunding purposes. Authorized shares of Preferred Stock—Subject to Mandatory Redemption or Repurchase Requirements are included under Preferred Stock—Other.

(b) Preferred Stock Subject to Mandatory Redemption or Repurchase Requirements:

	Redemption or Repurchase		
Series	Commencement Date	Number of Shares Annually	Price Per Share (1)
$100 Cumulative Preferred			
7.325%	7/31/83	30,000	$100
7.80%	11/30/83	15,000 (2)	$100
8.54%	6/30/86	22,500	$100
8.70% A	6/30/85	13,125 (3)	$100
12.00%	12/31/86	22,500	$100
Preference			
7.375%	2/1/85	496,000	$ 25

(1) Plus accumulated unpaid dividends. Redemption or repurchase to continue annually until all shares are redeemed or repurchased.

(2) Based upon 2.5% of shares originally outstanding and increasing to 5.5% by 2003.

(3) Based upon 2.5% of shares originally outstanding and increasing to 9.5% by 2000.

For each of the five 12-month periods subsequent to December 31, 1980, the aggregate mandatory redemption or repurchase requirements will be: none for 1981 and 1982, $4,500,000 for 1983, $4,500,000 for 1984 and $18,212,500 for 1985.

(c) Under a prescribed formula, the conversion prices of convertible securities are adjusted when additional shares of Common Stock are sold by the Company. The shares of Common Stock reserved for conversion and the adjusted conversion prices per share were as follows:

Series	December 31, 1980	December 31, 1979
Preference Stock, 5.20% Convertible Series	612,230 (1) $32.50 (2)	796,088 (1) $34.00 (2)
3⅛% Convertible	—	2,024,380 (1)
Debentures, Due 1980	—	$37.00 (2)

(1) Shares of Common Stock reserved
(2) Adjusted conversion price per share

(d) At December 31, 1980, there were 9,126,673 authorized and unissued shares of Common Stock reserved for sale and issuance under provisions of the Company's stock purchase plans. On February 2, 1981, the Company issued 540,053 shares of Common Stock under these plans.

(e) On January 29, 1981, 8,000,000 shares of Common Stock were issued at an initial public offering price of $24⅜ per share.

(f) Transactions in the capital stock accounts during 1980, 1979 and 1978 reflect the following:

In 1980, 7,000,000 shares of Common Stock at an initial public offering price of $23.125 per share and 750,000 shares of $100 Cumulative Preferred Stock, 12% Series, were issued; in 1979, 525,000 shares of $100 Cumulative Preferred Stock, 8.70% Series A and 750,000 shares of $100 Cumulative Preferred Stock, 8.54% Series, were issued; and in 1978, 6,000,000 shares of Common Stock were issued at an initial public offering price of $25.375 per share. Additional shares of Common Stock were issued for the Dividend Reinvestment and Stock Purchase Plan (DRIP), Employee Stock Purchase Plan (ESPP), Employee Stock Ownership Plan (ESOP) and the conversion of 286,780, 553,140, and 580,854 shares in respective years of Preference Stock, 5.20% Convertible Series (5.20% Series) as follows:

	Shares Issued		
	1980	1979	1978
DRIP	1,751,330	1,165,073	637,014
ESPP	953,885	756,427	631,521
ESOP	1,033,794	30,282	203,879
5.20% Series	219,873	406,573	417,710

The accompanying notes are an integral part of these statements.

Statements of Long-term Debt

			Year Ended December 31, 1980	1979
			Thousands of Dollars	
First and Refunding Mortgage Bonds (a):	Series G,	Due 1981 (3⅝%)	$ 40,000	$ 40,000
	Series H,	Due 1982 (4¼%)	37,500	37,500
	Series I,	Due 1982 (4¾%)	40,000	40,000
	Series J,	Due 1982 (4⅞%)	40,000	40,000
	Series K,	Due 1983 (4⅝%)	50,000	50,000
	Series L,	Due 1985 (5%)	30,000	30,000
	Series M,	Due 1985 (4⅜%)	60,000	60,000
	Series N,	Due 1986 (4½%)	30,000	30,000
	Series O,	Due 1987 (4¼%)	40,000	40,000
	Series P,	Due 1987 (4¼%)	50,000	50,000
	Series Q,	Due 1988 (4⅜%)	60,000	60,000
	Series R,	Due 1989 (4⅜%)	60,000	60,000
	Series S,	Due 1990 (4½%)	60,000	60,000
	Series T,	Due 1991 (5¼%)	75,000	75,000
	Series U,	Due 1991 (6⅛%)	80,000	80,000
	Series V,	Due 1992 (5⅞%)	80,000	80,000
	Series W,	Due 1993 (6⅜%)	100,000	100,000
	Series X,	Due 1994 (7⅛%)	75,000	75,000
	Series Y,	Due 1994 (8⅛%)	100,000	100,000
	Series Z,	Due 1995 (7⅞%)	100,000	100,000
	Series AA,	Due 1996 (8%)	100,000	100,000
	Series BB,	Due 1997 (7⅜%)	125,000	125,000
	Series CC,	Due 1999 (8¼%)	100,000	100,000
	Series DDP,	Due 1999 (7%) (a)	15,030	15,030
	Series EE,	Due 1981 (9%)	100,000	100,000
	Series FF,	Due 2000 (8⅞%)	150,000	150,000
	Series GG,	Due 2001 (8⅞%)	125,000	125,000
	Series HH,	Due 2002 (8¼%)	125,000	125,000
	Series II,	Due 1984 (7¼%)	75,000	75,000
	Series JJ,	Due 2003 (9⅝%)	200,000	200,000
	Series KK,	Due 2004 (9.95%) (a)	105,000	105,000
	Series LL,	Due 1987 (9⅝%) (c)	50,000	—
	Series MM,	Due 2004 (11¾%)	200,000	200,000
	Series NN,	Due 2005 (15⅛%)	200,000	—
	Series OO,	Due 2010 (13½%)	150,000	—
			3,027,530	2,627,530
First Mortgage Bonds (Calectric) (a)		Due 1980–1991 (2⅞%–5⅛%)	60,000	66,000
Convertible Debentures		Due 1980 (3⅛%)	—	74,902
Promissory Notes (b)		Due 1980–1983 (5½%)	10,576	14,217
Short-term debt expected to be refinanced—Commercial paper (c)			—	50,000
Principal amounts outstanding			3,098,106	2,832,649
Current maturities of long-term debt (d)			(143,548)	(84,544)
Unamortized premium (discount)—net			(8,734)	(1,898)
Total long-term debt			$2,945,824	$2,746,207

(a) The authorized principal amount of each series of First and Refunding Mortgage Bonds is equal to the amount outstanding. The Trust Indenture under which these bonds are issued permits the issuance from time to time of additional bonds, including additional bonds equal in principal amount to bonds retired, pursuant to the restrictions and conditions contained therein. Each of the bond indentures requires semiannual deposits with the Trustees of 1½% of the principal amount of its outstanding First and Refunding Mortgage Bonds and the First Mortgage Bonds of Calectric. The Calectric Indenture requires an annual cash deposit with the Trustee of 1% of the principal amount of Calectric First Mortgage Bonds issued less certain bonds retired, or 166⅔% of such amount if property additions are used to satisfy the annual deposit requirements. In addition, an amount equivalent to the excess of 15% of defined operating revenues over costs of maintenance of the property subject to the lien of such indenture is required to be deposited with the trustee annually. These deposit requirements of such indentures may be or have been satisfied by property additions and replacements, and by delivery and cancellation of bonds outstanding under the applicable indenture. The Series DDP and KK, First and Refunding Mortgage Bonds, are subject to mandatory sinking fund requirements commencing on July 1, 1990 and June 15, 1985, respectively.

(b) The Company has entered into a financing agreement, as amended, with certain English banks pursuant to which it issued promissory notes payable in pounds sterling. These notes are secured by a pledge of the Company's customer accounts receivable. On June 28, 1976, the Company entered into forward exchange contracts with a United States bank to purchase at various times from February 1979 to August 1983, pounds sterling to repay substantially all of the promissory notes.

(c) The Company refinanced $50,000,000 of short-term obligations. Such amount was classified as long-term debt in the balance sheet at December 31, 1979.

(d) Current maturities of long-term debt on December 31, 1980, include 5½% Promissory Notes Due February 27, 1981, in the amount of $1,786,000 and Due August 31, 1981 in the amount of $1,762,000, First and Refunding Mortgage Bonds, Series G, Due April 15, 1981 (3⅝%) in the amount of $40,000,000, and First and Refunding Mortgage Bonds, Series EE, Due November 1, 1981 (9%) in the amount of $100,000,000. The amounts of long-term debt maturing in the four twelve-month periods subsequent to December 31, 1981 will be: $121,025,000 in 1982; $53,501,000 in 1983; $83,000,000 in 1984; and $101,250,000 in 1985.

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1—Summary of Significant Accounting Policies

General—
The Company is a public utility primarily engaged in the business of supplying electric energy in portions of central and southern California, excluding the City of Los Angeles and certain other cities. The accounting records of the Company are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission (FERC) and adopted by the California Public Utilities Commission (CPUC).

Utility Plant—
The cost of additions and replacements of retirement units of property is capitalized and included in utility plant. Such cost includes labor, material, indirect charges for engineering, supervision, transportation, etc., and an allowance for debt and equity funds used during construction (AFUDC). The amount of AFUDC capitalized is also reported in the Statements of Income as a reduction of interest charges for the debt component of AFUDC and as other income for the equity component. Although AFUDC increases net income, it does not represent current cash earnings. The AFUDC rate was 7.82% for 1980, 7.76% for 1979 and 6.96% for 1978, and is based upon a formula prescribed by the FERC.

The cost of minor additions and repairs is charged to maintenance expense and the original cost, less net salvage, of retired property units is charged to the accumulated provision for depreciation.

Depreciation—
For financial reporting purposes, depreciation of utility plant is computed on a straight-line remaining life basis and it approximated 3.5%, 3.5%, and 3.2% of average depreciable plant for the years 1980, 1979 and 1978, respectively. The Company's rates are designed to recover the original cost of utility plant, including the estimated decommissioning costs of $36,000,000 for nuclear generation facilities in service, through depreciation expense over the estimated remaining useful lives of the facilities.

Taxes—
Accounting policies with respect to taxes on income and related investment tax credits are set forth in Note 4, together with supplementary income tax information.

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

Revenues and Regulatory Balancing Accounts—
Customers are billed monthly on a cycle basis and revenues are recorded when customers are billed. As authorized by the CPUC, the Company has established several regulatory balancing accounts for its adjustment clauses, which affect the accounting for most of its energy costs. The Energy Cost Adjustment Clause (ECAC) balancing account is used by the Company to record monthly entries to adjust the results of operations for the variation between ECAC-related energy costs incurred and those included in rates billed to customers. Such variations, including interest thereon, are accumulated in the balancing account until they are refunded to, or recovered from, utility customers through CPUC-authorized rate adjustments. ECAC-related energy costs include incurred transportation and storage costs related to spent nuclear fuel. The income tax effects of ECAC variations are deferred. Billed revenues and incurred energy costs are utilized in the determination of taxable income.

Subsidiaries—
The Company's investments in unconsolidated subsidiary companies, all of which are wholly-owned, are accounted for by the equity method. None of the Company's wholly-owned subsidiaries is considered significant for financial reporting purposes.

Earnings Per Share—
Primary earnings per share are determined by dividing the earnings available for Common and Original Preferred Stock by a weighted average number of such shares outstanding. After providing for cumulative preferred and preference dividend requirements, effect is given to the participating provisions of the Original Preferred Stock and Common Stock Equivalents for funds held for the purchase of the Company Stock by the Employee Stock Purchase Plan Trustee in each period. Fully-diluted earnings per share give effect to the dilution which would re-

sult from the conversion of convertible securities outstanding at the end of each period and treat all actual conversions during each period as if they took place at the beginning of the period. In the computation of fully-diluted earnings per share for 1979, consideration has been given to the dilutive effect of potential conversion of the Preference Stock, 5.20% Convertible Series, and the 3⅛% Convertible Debentures, Due 1980. In the computation of fully-diluted earnings per share for 1980, however, dilution attributable only to the former has been considered, since the 3⅛% Convertible Debentures were retired on August 15, 1980.

Note 2—Commitments and Contingencies

Construction program and fuel supply—
The Company has significant purchase commitments in connection with its continuing construction program. As of December 18, 1980 (the date of the Company's latest approved budget), funds required for construction expenditures are estimated at $953,031,000 for 1981; $767,978,000 for 1982 and $806,494,000 for 1983. Minimum long-term commitments of approximately $9.4 billion existed on December 31, 1980 under the Company's fuel supply and transportation arrangements.

Government licenses—
The terms and provisions of licenses granted by the United States cover the Company's major and certain minor hydroelectric plants. These licenses also cover certain storage and regulating reservoirs and related transmission facilities. All of the above licenses expire at various times between 1981 and 2009. The licenses contain numerous restrictions and obligations on the part of the Company, including the right of the United States to acquire Company properties or the FERC to issue a license to a new licensee under certain conditions and upon the payment to the Company of specified compensation.

Resale revenues—
Pursuant to FERC procedures, on August 4, 1974, February 1, 1976, and August 16, 1979, increases in the Company's resale rates became effective, subject to refund with interest to the extent that any of the increases are subsequently determined to be inappropriate. Effective May 2, 1974, a Fuel Clause Adjustment (FCA) was added to the Company's resale rates and was modified effective February 1, 1976 and August 16, 1979. As of December 31, 1980, approximately $473,100,000 had been billed subject to refund.

Energy cost adjustment clause—
On October 8, 1980, the CPUC issued an interim decision approving a Company filing providing for a reduction in revenues under the ECAC of approximately $236,300,000 on an annual basis. Such reduction provides for recovery of $35,000,000 in the ECAC balancing account, recovery of which had been deferred by an October 23, 1979 CPUC decision pending an evaluation of the reasonableness of operating capacity factors at the Company's coal-fired power plants. A final decision on this matter has not yet been rendered.

On December 5, 1980, the CPUC modified energy cost adjustment procedures for California utilities. In addition to various procedural changes, the revised ECAC procedures will provide for the application of ECAC to 98% of the Company's energy costs with the remaining 2% being subject to annual base rate treatment. The revised ECAC also will enable the Company to recover certain inventory carrying costs associated with fuel oil price increases.

Legal matters—
In March 1978, five resale customers filed a suit against the Company in federal court alleging violation of certain antitrust laws. The complaint seeks damages in excess of $23,000,000, consequential damages and a trebling of such damages, and certain injunctive relief, and alleges that the Company (i) is engaging in anti-competitive behavior by charging more for wholesale electricity sold to the resale customers than the Company charges certain classes of its retail customers, and (ii) has taken actions alone and in concert with other utilities to prevent or limit such resale customers from obtaining bulk power supplies from other sources to reduce or replace the resale customers' wholesale purchases from the Company. In May 1979, the Federal Court continued a stay of the proceedings pending resolution of the Company's FERC resale rate filing which became effective on February 1, 1976, and of the FERC proceedings involving bulk power contracts and substantially the same antitrust issues. The resale customers have asked the FERC to modify these contracts and to order the Company to provide additional transmission services to them. On February 15, 1980, the Court lifted the stay on discovery. On February 2, 1981, the Plaintiffs filed a motion to adjudicate certain facts, and to limit the scope of discovery and issues to be tried. The next status conference and oral argument on the motions is set for April 6, 1981. The foregoing proceedings involve complex issues of law and fact, and, although the Company is unable to predict their final outcome, it has categorically denied the allegations of these resale customers.

Leases and Rentals—
The Company has entered into various arrangements to lease automotive equipment, computer equipment, nuclear fuel, office space and other incidental equipment and property. These agreements are accounted for as operating leases based upon ratemaking practices. Neither the annual gross lease expense nor the present value of the minimum commitments under capital leases are considered material for financial reporting purposes.

Note 3—Compensating Balances and Short-Term Debt
In order to continue lines of credit with various banks, the Company presently maintains deposits aggregating approximately $12,000,000 which are not legally restricted as to withdrawal. The lines of credit, which are also available to support commercial paper, amounted to $555,000,000 and $198,000,000 as of December 31, 1980 and December 31, 1979, respectively. None of such lines of credit was used during 1980 and 1979.

The Company has an additional $150,000,000 line of credit which may be utilized only for the purchase of fuel oil through the use of bankers' acceptances. Notes issued under this agreement are secured by a pledge of the Company's fuel oil inventory. There were no bankers' acceptances outstanding during 1980 or 1979.

Note 4—Taxes
In accordance with CPUC requirements, no deferred income taxes are provided for net increases or decreases in income tax expense 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 except for the resale revenues, and additional investment tax credits (ITC) discussed below, and the tax effects of the regulatory balancing account provisions.

Effective January 1, 1976, pursuant to FERC procedure, the Company began providing deferred income taxes for certain timing differences related to resale revenues. The revenues associated with such deferred income taxes are being collected subject to refund, as discussed in Note 2, pending action by the FERC.

Although a portion of the Company's ITC has been applied as a current reduction of income tax expense, additional ITC, permitted by the Tax Reduction Act of 1975 and the Tax Reform Act of 1976, have been deferred and are being amortized as reductions to income tax expense ratably over the lives of the properties which gave rise to the credits.

Supplementary information regarding taxes on income and other taxes is set forth in the following table:

	Thousands of Dollars		
	Year Ended December 31,		
	1980	1979	1978
Current:			
Federal	$ 38,582	$ 6,717	$(49,219)
State	36,909	4,019	3,567
	75,491	10,736	(45,652)
Deferred—Federal and State:			
Investment tax credits—net	25,235	45,533	32,568
Regulatory balancing accounts	(107,322)	34,148	(15,904)
Customer refunds	—	—	78,801
Other	14,921	(13,644)	2,208
	(67,166)	66,037	97,673
Total taxes on income	$ 8,325	$ 76,773	$ 52,021
Taxes on income included in operating expenses	$ 38,683	$100,292	$ 72,803
Taxes on income included in other income	(30,358)	(23,519)	(20,782)
Total taxes on income	$ 8,325	$ 76,773	$ 52,021
Differences between the federal statutory tax rate and the Company's effective tax rate are reconciled as follows:			
Federal statutory tax rate	46.0%	46.0%	48.0%
Excess of tax over book depreciation	(1.2)	—	(3.4)
Allowance for debt and equity funds used during construction	(22.9)	(12.9)	(12.4)
Percentage repair allowance	(3.5)	(3.3)	(4.7)
Administrative and general expenses capitalized	(3.4)	(2.2)	(2.7)
Investment tax credits—net	(6.8)	(8.1)	(8.4)
Federal deduction for state taxes on income	(1.0)	(2.2)	(2.7)
Ad valorem lien date deduction	(0.3)	(0.2)	4.2
Nuclear fuel lease interest capitalized	(3.3)	(0.9)	(0.6)
State tax provision	2.1	4.7	4.7
Other differences	(3.1)	(2.8)	(4.9)
Effective tax rate	2.6%	18.1%	17.1%
Other taxes included in operating expenses:			
Property	$ 54,114	$ 48,300	$ 74,665
Payroll and other	15,538	8,128	11,764
	$ 69,652	$ 56,428	$ 86,429

Note 5—Research and Development

Research and Development (R&D) costs are expensed currently if they are of a general nature. Plant-related R&D costs are accumulated in construction work in progress (CWIP) until a determination is made as to whether such projects will result in construction of electric plant. If no construction of electric plant ultimately results, the costs are charged to operating expense. The balance of R&D expenditures included in CWIP at December 31, 1980, 1979 and 1978 was $35,076,000, $29,438,000, and $17,178,000, respectively.

	Thousands of Dollars		
	Year Ended December 31,		
	1980	1979	1978
R&D charged to expense	$21,964	$15,778	$14,442
R&D charged to CWIP—net	19,812	12,260	3,847
Total R&D expenditures	$41,776	$28,038	$18,289

Note 6—Employee Benefit Plans

Pension Plan—

The Company's current pension program is based on a trusteed pension plan, which is non-contributory by employees. Company contributions are determined on the basis of a level premium funding method and prior service costs are funded. Pension costs are funded or reserved for on an actuarial basis and amounted to $40,321,000, $37,456,000, and $32,236,000 for 1980, 1979 and 1978, respectively.

	Thousands of Dollars	
	December 31,	
	1979(1)	1978
Actuarial present value of accumulated plan benefits:		
Vested	$301,429	$270,142
Nonvested	19,965	25,387
	$321,394	$295,529
Net assets available for benefits	$375,846	$316,349

(1) Latest available information.

An assumed rate of return of 5.5% was used in determining the actuarial present value of accumulated plan benefits for both 1979 and 1978.

Employee Stock Purchase Plan—

Under the Employee Stock Purchase Plan (ESPP) 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 equal to one-half of the employees' contributions, less forfeitures. The Company's contributions to this Plan amounted to $3,679,000, $3,263,000 and $2,785,000 for 1980, 1979 and 1978, respectively. In addition, employees may contribute up to 5% of their regular monthly base pay through supplemental contributions without regard to their years of service. These supplemental contributions are not matched by the Company.

Employee Stock Ownership Plan—

Under the Employee Stock Ownership Plan (ESOP), shares of Company Common Stock are purchased for the benefit of eligible employees and held in trust using funds generated by an additional 1% and ½% investment tax credits and matching employee contributions for the ½% ITC. The Company has elected the additional 1% ITC for the years 1976 through 1979, and the ½% ITC for the years 1978 through 1979. The Company expects to elect the additional 1% and ½% ITC for 1980. As of December 31, 1980, 1,370,217 shares of Common Stock were held by the Trustee under the Plan. In addition, as of December 31, 1980, the Company had a liability to the Plan in the amount of $7,006,000.

For 1979 and 1978, the amounts of ESOP ITC were higher than those utilized in the Federal income tax returns for such years. It is expected such ITC will be utilized in the 1980 Federal income tax return. For 1980, the amount of ESOP ITC is higher than that expected to be utilized in that year's Federal income tax return. If not completely utilized in 1980 or future income tax returns, the excess ITC would expire in 1987, in which event the Company would be allowed a tax deduction for the amounts contributed to the ESOP.

Note 7—Quarterly Financial Data

Three Months Ended	Thousands of Dollars: Operating Revenues	Thousands of Dollars: Operating Income	Thousands of Dollars: Net Income	Earnings Per Share: Primary	Earnings Per Share: Fully Diluted
December 31, 1980	$ 969,227	$ 91,649	$70,495	$0.71	$0.71
September 30, 1980	1,058,916	103,011	88,427	0.99	0.98
June 30, 1980	828,028	88,996	76,929	0.84	0.82
March 31, 1980	804,946	88,478	81,685	0.96	0.93
December 31, 1979	709,252	100,352	92,538	1.19	1.15
September 30, 1979	684,334	106,738	98,822	1.32	1.27
June 30, 1979	566,656	81,748	71,183	0.91	0.88
March 31, 1979	603,733	96,159	83,677	1.13	1.09
December 31, 1978	600,902	99,162	85,455	1.19	1.15
September 30, 1978	634,934	90,778	68,846	1.00	0.96
June 30, 1978	545,444	70,612	50,912	0.69	0.67
March 31, 1978	547,518	64,050	46,470	0.62	0.59

Note 8—Jointly-Owned Utility Projects

The Company owns undivided interests in several jointly-owned generating stations and transmission systems for which each participant must provide its own financing. The Company's proportionate share of expenses pertaining to such projects is included in the appropriate category of operating expenses in the Statements of Income. In the table below, the amounts represent the Company's share for each such project as reported on the Balance Sheet:

Projects	(Thousands of Dollars) December 31, 1980: Utility Plant in Service	Estimated Accumulated Provision for Depreciation	Construction Work in Progress	Ownership Interest
Axis Generating Station	$ 12,167	$ 6,811	$ 114	33.3%
Pacific Intertie DC System	67,837	16,475	49	50.0
El Dorado System	19,243	4,812	735	60.0(1)
Four Corners Generating Station	99,802	29,570	26,056	48.0
Mohave Generating Station	178,465	41,544	8,728	56.0
Palo Verde Generating Station	—	—	366,621	15.8
San Onofre Generating Station—Unit 1	183,845	48,788	35,081	80.0
San Onofre Generating Station—Units 2 & 3	—	—	1,835,444	76.55
Solar Power Generating Project	—	—	6,649	80.0
Total	$561,359	$148,000	$2,279,477	

(1) Represents a composite rate.

Note 9—Long-Term Purchased Power Contracts

Under fixed contracts, the Company has agreed to purchase portions of the generating output of certain facilities. Although the Company has no investment in such facilities, these contracts provide that the Company pay certain minimum amounts (which are based at least in part on the debt service requirements of the supplier) whether or not the facility is operating. None of such contracts provides, or is expected to provide, in excess of five percent of the Company's current or estimated future operating capacity. The cost of power obtained under the contracts, including payments made when a facility is not operating, is included in Purchased Power in the Statements of Income. Information as of December 31, 1980 pertaining to such contracts is summarized in the following table:

	Navajo Layoff Agreement	Hoover Sales Agreement	Oroville-Thermalito Power Sale Agreement
Date of Expiration	January 1, 1985	May 31, 1987(2)	April 1, 1983(3)
Share of Effective Operating Capacity—Megawatts (MW)	327.5 MW(1)	331 MW	340 MW
Share of Energy Output	14.6%	7.9%	37.6%
Estimated Annual Cost	$38,556,000	$1,872,000	$5,985,000
Portion of Estimated Annual Cost Applicable to Supplier's Annual Minimum Debt Service Requirement	$ 1,978,000	$ 456,000	$5,234,000
Allocable Portion of Interest of Supplier Included in Annual Minimum Debt Service Requirement	$ 523,000	$ 85,000	$4,601,000
Related Long-Term Debt or Lease Obligations Outstanding of Company	None	None	None

(1) The Company has agreed to certain reductions in its share of effective operating capacity prior to the January 1, 1985 termination date.
(2) The Company has certain renewal rights under the existing agreement.
(3) The Company has obtained entitlement of 350 MW from April 1, 1983 through December 31, 2004, subject to termination upon five years' notice from the California Department of Water Resources.

Supplementary Information to Disclose the Effects of Changing Prices (Unaudited)

In accordance with the requirements and guidelines of the Financial Accounting Standards Board, the supplementary information presented below is intended to provide certain information about the effects of both general inflation and changes in specific prices. It should be viewed as an estimate of the approximate effect of inflation, rather than as a precise measure.

Statement of Earnings Available for Common and Original Preferred Stock Adjusted for Changing Prices for the Year Ended December 31, 1980

	(Thousands of Dollars)		
	As Reported in the Primary Financial Statements	Average 1980 Dollars	
		Constant Dollar	Current Cost
Total Operating Revenues	$3,661,117	$3,661,117	$3,661,117
Operating Expenses:			
Provision for depreciation	187,959	406,000	488,000
Other operating expenses	3,101,024	3,101,024	3,101,024
Other income and deductions	(187,259)	(187,259)	(187,259)
Net interest charges	241,857	241,857	241,857
Dividends on cumulative preferred and preference stock	60,950	60,950	60,950
	3,404,531	3,622,572	3,704,572
Earnings available for (loss on) common and original preferred stock (excluding reduction of utility plant to net recoverable cost)	$ 256,586	$ 38,545	$ (43,455)
Excess of increase in general price level of $1,336,000,000 over increase in specific prices of $1,039,000,000 of utility plant held during the year (a)			$ (297,000)
Reduction of utility plant to net recoverable cost		$ (501,000)	$ (122,000)
Gain from decline in purchasing power of net monetary liabilities		$ 445,000	$ 445,000

(a) At December 31, 1980, current cost of utility plant, net of accumulated depreciation, was $12,312,000,000 while related historical cost and net recoverable cost was $6,566,000,000. The difference of $5,746,000,000, which includes $1,039,000,000 for the current year, represents the changes in specific prices (current cost) of utility plant from the date the plant was originally acquired.

Supplementary Information (continued)

Five Year Comparison of Selected Supplementary Financial Data Adjusted for the Effects of Changing Prices

(Data adjusted for the effects of changing prices are reported in average 1980 dollars)

(In Thousands of Dollars, Except Per Share Amounts)	Year Ended December 31, 1980	1979	1978	1977	1976
Total Operating Revenues					
—As reported	$3,661,117	$2,563,974	$2,328,798	$2,064,914	$1,846,540
—In constant dollars	$3,661,117	$2,911,000	$2,941,000	$2,808,000	$2,673,000
Earnings Available for (Loss on) Common and Original Preferred Stock*					
—As reported	$256,586	$292,481			
—In constant dollars	$ 38,545	$137,497			
—At current cost	$(43,455)	$ 63,707			
Earnings (Loss) Per Share on Common and Original Preferred Stock*					
—As reported	$3.50	$4.56			
—In constant dollars	$ .53	$2.15			
—At current cost	$(.59)	$ .99			
Excess of Increase in General Price Level Over Increase in Specific Prices of Utility Plant after Reduction to Net Recoverable Cost	$419,000	$563,000			
Net Assets at Year End at Net Recoverable Cost					
—As reported	$2,529,577	$2,233,133			
—In constant dollars and current cost	$2,420,000	$2,397,000			
Gain from Decline in Purchasing Power of Net Monetary Liabilities	$445,000	$513,000			
Cash Dividends Declared Per Common Share					
—As reported	$2.84	$2.60	$2.30	$2.06	$1.68
—In constant dollars	$2.82	$2.92	$2.87	$2.78	$2.42
Market Price Per Share at Year End					
—In historical dollars	$25.625	$24.50	$25.75	$26.375	$22.875
—In constant dollars	$24.51	$26.30	$31.32	$34.98	$32.39
Average Consumer Price Index—Urban	246.8**	217.4	195.4	181.5	170.5

*Excludes reduction of utility plant to net recoverable cost.

**Estimated.

Constant dollar amounts represent historical costs of utility plant restated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for all Urban Consumers. Current cost amounts reflect the changes in specific prices of utility plant from the date the plant was acquired to the present, and differ from constant dollar amounts to the extent that prices in general have increased more or less rapidly than specific prices. The current cost of utility plant was determined by restating its historical cost using Company projections of year-end indices to be reported in the Handy-Whitman Index of Public Utility Construction Costs.

The provision for depreciation on constant dollar and current cost bases was determined by applying primary financial statement depreciation rates to restated utility plant accounts.

Because only historical costs are deductible for income tax purposes, the income tax expense in the primary financial statements was not adjusted.

Fuel inventories and the cost of fuel used in the generation of electricity have not been restated from their historical cost because rate regulation limits the recovery of fuel and purchased power costs to recorded costs. As such, fuel inventories are effectively monetary assets and have been included in the computation of purchasing power gain or loss.

Under ratemaking procedures prescribed by the regulatory commissions exercising rate jurisdiction over the Company, only the historical cost of utility plant is recoverable through future depreciation charges. Therefore, the cost of utility plant, stated in terms of constant dollars or current cost, exceeding the historical cost of utility plant is not presently recoverable through depreciation charges, and, accordingly, the excess is reflected as a reduction of utility plant to net recoverable cost. While the ratemaking process gives no recognition to the current cost of replacing utility plant, based on past ratemaking practices the Company believes it will be allowed to recover and earn a return on the increased cost of its investment when replacements of utility plant occur.

During a period of inflation, holders of monetary assets suffer a loss of general purchasing power while holders of monetary liabilities experience a gain. The gain from the decline in purchasing power of net monetary liabilities is primarily attributable to the substantial amount of debt which has been used to finance utility plant. However, to properly reflect the economics of rate regulation, the gain from the decline in purchasing power of net monetary liabilities, including Cumulative Preferred and Preference Stock, offsets the reduction to net recoverable cost of utility plant. The Company, therefore, does not have the opportunity to realize such holding gain on net monetary liabilities.

Operating Revenues and Kilowatt-Hour Consumption

Class of Service	*Operating Revenues (000)*				*Kilowatt-Hour Consumption (000)*			
	% of 1980 total	*1980*	*1979*	*% change*	*% of 1980 total*	*1980*	*1979*	*% change*
Residential	28.1	$1,026,778	$ 764,595	34.3	27.5	16,471,840	16,191,091	1.7
Agricultural	1.9	68,503	47,146	45.3	1.6	964,452	975,311	(1.1)
Commercial	26.7	979,051	663,678	47.5	24.7	14,778,843	14,454,319	2.2
Industrial	27.3	997,831	683,013	46.1	28.0	16,777,563	17,351,728	(3.3)
Public Authorities	8.5	312,578	222,223	40.7	7.7	4,623,886	4,701,251	(1.6)
Interdepartmental	—	51	39	31.7	—	1,138	1,134	0.4
Resale	5.4	198,543	149,266	33.0	7.4	4,415,038	4,426,206	(0.3)
Subtotal	97.9	3,583,335	2,529,960	41.6	96.9	58,032,760	58,101,040	(0.1)
Resale-Special Contracts	1.2	44,631	20,038	122.7	1.8	1,071,184	558,385	91.8
Public Authorities-Special	0.1	3,407	3,128	8.9	1.3	811,243	858,436	(5.5)
Total Sales of Electric Energy	99.2	3,631,373	2,553,126	42.2	100.0	59,915,187	59,517,861	0.7
Other Electric Revenues	0.8	29,744	10,848	174.2	—	—	—	
Total	100.0	$3,661,117	$2,563,974	42.8	100.0	59,915,187	59,517,861	0.7

Capital Stock—Dividend and Price Information

Class and Series of Stock	Quarterly Dividends Paid Per Share (a) (f)	High and Low Sales Prices ($)															
		Calendar Quarter—1980								Calendar Quarter—1979							
		1		2		3		4		1		2		3		4	
		High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Original Preferred	.68	26	22¼	28½	19½	27	23¼	25¼	22	27½	25½	27⅜	24½	28	25⅞	27⅞	25¼
Cumulative Preferred:																	
4.08%	.25½	10⅛	6¾	10	7½	9¾	7⅜	9	7	11⅝	10¼	11⅜	10⅛	11⅜	10	10½	8⅝
4.24%	.26½	10⅜	7½	10¾	8	10⅝	8	8⅝	7⅛	12¼	10⅝	12	10⅜	12⅛	10	11⅛	8¼
4.32%	.27	9¾	7⅛	10¾	7⅜	11¾	8	8¾	7⅛	12	10½	13	10⅜	12	10	10¾	8½
4.78%	.29⅞	11⅜	8	11⅞	8⅛	11⅝	8¾	10⅛	7⅞	13⅜	11¾	13⅜	11⅛	13¼	11½	12¼	10
5.80%	.36¼	13¾	10⅝	14⅝	10⅝	14⅜	11¼	12⅜	10	16⅛	14⅝	16⅛	14½	16⅜	14⅛	15¼	12
8.85%	.553125	20½	15⅞	22⅝	15⅜	21⅜	16¾	17¾	14¾	24¾	22¼	24	21¾	24¾	22⅝	22⅞	18¾
9.20%	.57½	20¾	15⅝	22⅝	16¼	22⅛	17⅝	19⅛	15	25⅛	23½	25⅝	22⅝	25½	23½	23¾	19
$100 Cumulative Preferred:																	
7.325% (b)	1.83⅛	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7.58%	1.89½	67¾	54	74⅜	51	70¼	60	62⅝	50½	82¾	77½	84¼	78½	85⅝	77	77⅜	63
7.80% (b)	1.95	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8.54%	2.13½	92⅝	79	93	74	90	88½	87	70⅛	—	—	—	—	—	—	93	85¼
8.70%	2.17½	79	56⅜	84	60	82	67¼	71	59⅞	95⅝	89	96⅝	90	98⅜	87½	87	72
8.70%-A (b)	2.17½	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8.96%	2.24	77¾	66	85	58½	82¾	72¾	74¾	62	98½	94	100	91	99½	90	92	74
12.00%	2.30 (c)	—	—	—	—	—	—	101	97	—	—	—	—	—	—	—	—
Preference:																	
5.20%	.32½	17⅞	15⅝	20⅞	16⅜	19¾	18½	20⅛	17¾	19⅞	18½	19⅝	17⅝	19¼	18½	19	17⅛
Convertible 7.375% (b)	.460938	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common (d) (e)	.68	24⅞	20¼	27¾	21⅝	26¼	24⅛	26⅞	23⅛	27⅜	25⅝	27¼	24¼	26⅞	25¼	26½	23½

(a) Quarterly dividends were paid at the rates indicated in each quarter of 1980 except the fourth quarter dividend on Original Preferred Stock and Common Stock, which was at the rate of $0.74 per share.

(b) There are no prices as these issues are private placements and shares are not traded.

(c) Initial pro rata dividend paid December 31, 1980. Subsequent quarterly dividends to be paid at $3.00 per share or $12.00 annually.

(d) Dividends declared on Common Stock totalled $2.84 and $2.60 for 1980 and 1979, respectively.

(e) As of December 31, 1980, there were approximately 150,000 Common Stock shareholders.

(f) The Indenture securing the Company's First and Refunding Mortgage Bonds provides in substance that the Company shall not pay any cash dividends except out of its surplus and out of earnings.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The Company's primary earnings per share for the years 1980, 1979 and 1978 of $3.50, $4.56 and $3.52, respectively, reflected the biennial general rate review process which has caused earnings to decline in the non-rate-case year.

Operating expenses and capital costs have increased substantially from year to year. Also, an increased number of common shares outstanding has had a dilutive effect on earnings per share. However, the higher general rates which became effective on January 1, 1979 (the majority of the increase had become effective in July 1978) to offset these effects were based on a 1979 test year and did not include an allowance for attrition in 1980. Such an allowance, $92 million to become effective January 1, 1982, was granted with the decision authorizing an increase in general rates of $294 million annually effective January 1, 1981.

Total operating revenues increased during 1980 by nearly $1.1 billion, or 43%; however, almost 89% of the increase was, along with a balancing account procedure, for the purpose of offsetting higher energy costs and did not impact earnings. Recorded kilowatt-hour consumption was up by only 4.4% in 1979 and 0.7% in 1980 despite increases in the number of customers served of 95,837 in 1979 and 81,586 in 1980. This reflected continuing conservation efforts

by our customers and the impact of price elasticity. A recently completed conversion to monthly billing of customers previously billed bimonthly caused a distortion in comparisons of kilowatt-hour consumption between 1980 and 1979. Excluding the effect of the conversion, kilowatt-hour consumption would have been down by 0.4%.

Increases in operation expenses other than energy costs continue to be due in large part to the impact of inflation on the costs of labor, material and services. In addition, the costs related to the Company's energy conservation programs have risen. Also, beginning in 1980, increased costs were incurred related to the conversion to monthly billing.

Maintenance expenses also reflected the impact of inflation. However, the $50.9 million, or 29%, increase recorded in 1980 was caused in part by higher than usual costs for the repair of damaged property—wind and rain in the first quarter and fires and wind in the fourth quarter—and large expenditures at the Mohave and San Onofre (Unit 1) generating stations.

The increases in interest charges and dividends on cumulative preferred and preference stock in 1980 reflected the combined effects of additional short- and long-term debt and preferred stock outstanding and higher interest and dividend rates. The overall rate of return authorized by the general rate case decision in December 1978, although allowing for rates on new issues of 9.15% for bonds and 8.42% for preferred stock, did not anticipate the extent to which money costs would accelerate nationally in 1979 and 1980. The costs on securities issued reached 15.36% for the Series NN Bonds issued April 9, 1980, and 12% for the Preferred Stock issued October 22, 1980. At the end of 1980, the Company's annualized, effective interest rate for all long-term debt securities then outstanding was 8.40%, as compared with a rate of 7.14% included in the decision of December 1978. Similarly, the Company's annualized effective rate on preferred and preference stock at the end of 1980 was 7.94%, as compared with 7.29% reflected in the authorized rate of return.

In its decision effective January 1, 1981, the CPUC has recognized the adverse effect on the Company of financial attrition as well as operational attrition and authorized an overall rate of return which included projected year-end 1981 costs of capital. The assumptions used by the CPUC for the 1981 incremental costs of long-term debt and preferred stock were 13% and 12%, respectively.

Financing costs also increased in 1980 as a result of carrying an oil inventory above the level included in rates. However, a recent ECAC decision by the CPUC will now help provide for the recovery of future carrying costs associated with fuel oil price increases.

The Company's earnings pattern for the past three years has not produced a similar pattern for funds provided from operations. Of the total of funds used for construction expenditures, funds provided from operations furnished approximately 65% in 1978, 68% in 1979 and 51% in 1980.

However, when funds provided by operations are combined with changes in certain working capital items, which changes may either provide or use funds, this dissimilarity may be more pronounced. For example, fuel stock and materials and supplies were reduced substantially in 1978 which provided funds, however, increases during 1979 and 1980 used funds. In addition, funds are generated by reductions in the regulatory balancing accounts such as occurred in 1978 and to a greater extent in 1980, in which years the Company's revenues were recovering previously deferred energy costs. Conversely, in 1979, funds were used by an increase in the balancing accounts as revenues were deficient in relation to energy costs.

See pages 31 through 33 for discussion relating to supplementary information to disclose the effects of changing prices.

Liquidity

The Company's ability to generate cash adequate to meet its needs ("liquidity") results from rates collected from customers for energy service, periodic bank and commercial paper borrowings and the sale of debt and equity securities. These sources of liquidity are utilized for construction expenditures, dividend payments, maturing securities and operating and capital costs not yet recovered through the ratemaking process.

Revenues collected from customers have increased each year reflecting growth in the number of customers and recovery of rising energy costs. During the year ended December 31, 1980, the Company's liquidity was improved by the collection of deferred energy costs (ECAC) and conversion of customer billing from a bi-monthly to a monthly basis. Liquidity was adversely affected by increased costs of carrying fuel oil inventory, principally associated with fuel oil price increases. (See Note 2 of "Notes to Financial Statements" for a discussion of revised ECAC procedures which will enable the Company to recover certain inventory carrying costs.)

The Company has a total of $725 million of short-term borrowing facilities, including a $150 million bankers' acceptances line, with foreign and domestic banks. At December 31, 1980 approximately $20 million of borrowings was outstanding under these arrangements.

Capital Resources

The Company's capital resource commitments at December 31, 1980 principally consisted of purchase commitments related to its continuing construction program and fuel supply and transportation arrangements. (See Note 2 of "Notes to Financial Statements.") In addition, the Company is obligated to meet long-term debt maturities and preferred stock sinking fund requirements. (See Statements of Long-Term Debt and Statements of Capital Stock, respectively.) The Company intends to finance these commitments with funds generated from its internal sources of liquidity and sale of debt and equity securities. No material changes are contemplated in the mix of debt and equity portions of capitalization.

Selected Financial Data 1970–1980

		1980	1979
Summary of Operations *(in thousands of dollars except percent and per share data)*	Operating Revenues	$3,661,117	$2,563,974
	Operating Expenses	3,288,983	2,178,978
	Energy Costs (a)	2,371,827	1,344,023
	Taxes on Income—Current and Deferred (a)	38,683	100,292
	Allowance for Debt and Equity Funds Used During Construction	162,287	118,566
	Interest Charges	282,656	205,082
	Net Income	317,536	346,219
	Earnings Available for Common and Original Preferred Stock	$ 256,586	$ 292,481
	Weighted Average Shares of Common and Original Preferred Stock Outstanding and Common Stock Equivalents	73,241	64,202
	Per Share Data:		
	Primary Earnings	$3.50	$4.56
	Fully Diluted Earnings	$3.48	$4.39
	Dividends Declared per Common Share	$2.84	$2.60
	Dividend Payout Ratio (paid)	79.4%	55.7%
Balance Sheet Data *(in thousands of dollars except percent and per share data)*	Total Assets	$7,733,898	$6,977,237
	Gross Utility Plant	8,406,309	7,577,670
	Accumulated Provision for Depreciation	1,840,233	1,676,148
	Percent of Gross Utility Plant	21.9	22.1
	Long-Term Debt (includes current maturities) (b):		
	Bonds	3,078,796	2,691,577
	Debentures	—	74,957
	Other	10,576	64,217
	Preferred Stock—Subject to Mandatory Redemption/Repurchase Requirements	399,500	324,500
	Preferred Stock—Other	482,652	489,822
	Common Stock, including Additional Stated Capital	673,921	577,259
	Additional Paid-in Capital	763,519	601,578
	Earnings Reinvested in the Business	$1,092,137	$1,054,296
	Capital Structure (percent):		
	Long-Term Debt:		
	Bonds	47.3%	45.8%
	Debentures	—	1.3
	Other	0.2	1.1
	Preferred & Preference Stock	13.6	13.8
	Common Equity	38.9	38.0
	Return on Common Equity	10.76%	13.64%
	Book Value Per Common Share	$33.19	$34.22
Operating and Consumption Data	Area Generating Capacity at Peak (MW) (c)	15,504	15,071
	Total Energy Requirement (KWH) (000)	65,459,278	66,216,910
	Percent Output:		
	Thermal	71.4	82.1
	Hydro-Company Plants	9.0	7.6
	Purchased Power & Other Sources	19.6	10.3
	Kilowatt-Hour Consumption (000)	59,915,187	59,517,861
	Number of Customers	3,163,968	3,082,382
	Average Annual KWH Consumption Per Residential Customer	5,939	6,010
	Number of Employees	14,157	12,917
	Area Peak Demand (MW)	12,841	12,662

(a) Included in Operating Expenses.

1978	*1977*	*1976*	*1975*	*1974*	*1973*	*1972*	*1971*	*1970*
$2,328,798	$2,064,914	$1,846,540	$1,647,134	$1,360,959	$1,075,949	$ 927,674	$ 802,434	$ 720,661
2,004,197	1,734,192	1,539,400	1,380,528	1,108,249	843,530	709,724	612,732	535,846
1,240,029	1,040,091	916,131	824,826	541,890	344,990	240,135	192,982	143,475
72,803	68,792	59,506	46,623	70,618	46,496	44,542	38,542	38,635
78,421	60,238	47,610	26,773	16,163	10,190	7,152	15,859	17,007
182,658	161,078	144,368	126,185	112,959	97,728	91,752	82,308	77,633
251,683	251,979	226,798	176,781	160,344	146,110	135,648	127,297	127,495
$ 202,226	$ 206,330	$ 185,047	$ 137,177	$ 124,656	$ 117,268	$ 110,469	$ 105,752	$ 110,497
57,477	54,347	48,678	47,965	44,580	43,965	43,965	43,041	40,963
$3.52	$3.80	$3.80	$2.86	$2.80	$2.67	$2.51	$2.46	$2.70
$3.38	$3.63	$3.61	$2.75	$2.68	$2.57	$2.43	$2.37	$2.59
$2.30	$2.06	$1.68	$1.68	$1.68	$1.56	$1.56	$1.51½	$1.50
63.6%	50.5%	44.2%	58.7%	58.9%	58.4%	62.2%	61.0%	54.6%
$6,057,697	$5,725,266	$5,020,843	$4,729,444	$4,481,488	$3,893,379	$3,774,664	$3,498,985	$3,226,881
6,810,891	6,191,733	5,658,433	5,147,333	4,766,175	4,458,631	4,233,067	3,998,045	3,737,837
1,519,174	1,383,009	1,258,327	1,149,311	1,051,024	958,210	851,910	779,409	707,928
22.3	22.3	22.2	22.3	22.1	21.5	20.1	19.5	18.9
2,418,212	2,255,216	2,055,966	2,012,597	1,863,951	1,640,349	1,705,139	1,584,840	1,484,840
75,046	75,135	75,224	75,313	75,401	75,490	75,579	74,902	74,987
17,953	20,023	20,671	25,968	14,327	6,871	7,991	7,991	438
197,000	197,000	75,000	75,000	75,000	75,000	—	—	—
503,650	518,172	537,753	537,753	487,753	437,753	437,753	362,753	362,753
547,166	470,374	442,741	395,709	395,709	362,376	362,376	362,376	337,360
569,673	443,109	427,422	350,503	350,503	316,636	316,636	316,636	243,437
$ 931,217	$ 862,956	$ 769,425	$ 671,548	$ 616,562	$ 569,938	$ 512,164	$ 470,754	$ 430,477
46.0%	46.6%	46.7%	48.6%	48.1%	47.1%	49.9%	49.9%	50.6%
1.4	1.6	1.7	1.8	1.9	2.2	2.2	2.3	2.6
0.4	0.4	0.5	0.6	0.4	0.2	0.3	0.3	—
13.3	14.7	13.9	14.8	14.5	14.7	12.8	11.4	12.4
38.9	36.7	37.2	34.2	35.1	35.8	34.8	36.1	34.4
10.54%	12.05%	12.07%	9.84%	9.52%	9.59%	9.42%	9.80%	11.20%
$32.57	$32.30	$30.67	$29.64	$28.50	$28.46	$27.14	$26.20	$24.72
14,966	14,278	14,071	13,941	13,750	13,500	12,819	11,575	11,128
63,877,116	63,344,706	59,427,973	56,279,231	55,105,988	57,730,121	55,686,776	52,672,084	49,674,757
73.9	87.5	75.2	76.2	75.2	84.9	86.6	80.0	82.5
9.2	2.4	4.3	8.4	10.0	9.0	6.4	8.4	9.2
16.9	10.1	20.5	15.4	14.8	6.1	7.0	11.6	8.3
57,027,035	57,726,273	53,685,378	51,327,508	51,089,981	54,092,934	52,309,906	48,856,493	45,881,076
2,986,545	2,900,856	2,814,403	2,749,680	2,691,691	2,626,492	2,566,341	2,497,342	2,438,584
5,883	5,630	5,650	5,596	5,541	5,885	5,777	5,642	5,240
12,845	12,671	12,510	12,377	12,970	13,391	12,907	12,534	12,048
12,159	11,564	11,292	10,369	10,279	10,535	10,317	9,817	8,556

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

(c) Includes 2,283, 1,944 and 1,886 MW available from others in 1980, 1979 and 1978, respectively.

Board of Directors

William R. Gould	*Chairman of the Board and Chief Executive Officer*
Howard P. Allen	*President*
Roy A. Anderson	*Chairman of the Board and Chief Executive Officer, Lockheed Corporation, Burbank, California*
Norman Barker, Jr.	*Chairman of the Board and Chief Executive Officer, United California Bank, and Vice Chairman of the Board, Western Bankcorporation, Los Angeles, California*
Edward W. Carter	*Chairman of the Board, Carter Hawley Hale Stores, Inc., Los Angeles, California*
*William B. Coberly, Jr.	*President, California Cotton Oil Corporation (Investments and Real Estate Holdings), Los Angeles, California*
*Terrell C. Drinkwater	*Retired Airline Executive, Los Angeles, California*
Walter B. Gerken	*Chairman of the Board and Chief Executive Officer, Pacific Mutual Life Insurance Company, Newport Beach, California*
Joan C. Hanley	*General Partner and Manager, Miramonte Vineyards, Rancho California, California*
Jack K. Horton	*Chairman of the Executive Committee and Consultant (Retired Chairman of the Board and Chief Executive Officer, Southern California Edison Company), Los Angeles, California*
Frederick G. Larkin, Jr.	*Chairman of the Executive Committee, Security Pacific National Bank, Los Angeles, California*
T. M. McDaniel, Jr.	*Corporate Director and Consultant (Retired President, Southern California Edison Company), San Marino, California*
John V. Newman	*President, CBS-Sony California, Inc. (Citrus Production), Oxnard, California*
Gerald H. Phipps	*President, Gerald H. Phipps, Inc., General Contractors (Building Construction), Denver, Colorado*
Henry T. Segerstrom	*Managing Partner, C. J. Segerstrom & Sons (Real Estate Development), Costa Mesa, California*
E. L. Shannon, Jr.	*Chairman of the Board and Chief Executive Officer, Santa Fe International Corporation (Oil Service, Petroleum Exploration and Production), Orange, California*
H. Russell Smith	*Chairman of the Board, Avery International (Manufacturer of Self-Adhesive Products), San Marino, California*
Richard R. Von Hagen	*President, Lloyd Corporation, Ltd. (Real Estate Development and Production of Oil and Gas), Beverly Hills, California*

*Messrs. Coberly and Drinkwater, having reached retirement age, will not stand for reelection to the Board of Directors in 1981.

Executive Officers

William R. Gould	*Chairman of the Board and Chief Executive Officer*
Howard P. Allen	*President*
H. Fred Christie	*Executive Vice President and Chief Financial Officer*
David J. Fogarty	*Senior Vice President*
A. Arenal	*Vice President (Engineering and Construction)*
G. J. Bjorklund	*Vice President (System Development)*
Robert Dietch	*Vice President (Nuclear Engineering and Operations)*
C. E. Hathaway	*Vice President (Human Resources)*
Joe T. Head, Jr.	*Vice President (Power Supply)*
P. L. Martin	*Vice President (Customer Service)*
A. L. Maxwell	*Vice President and Comptroller*
Edward A. Myers, Jr.	*Vice President (Conservation, Communications and Revenue Services)*
Michael L. Noel	*Vice President and Treasurer*
L. T. Papay	*Vice President (Advanced Engineering)*
William H. Seaman	*Vice President (Fuel Supply)*
Robert E. Umbaugh	*Vice President (Administration)*
John R. Bury	*General Counsel*
Honor Muller	*Secretary*

1981 Annual Shareholders' Meeting
The annual meeting of shareholders of Southern California Edison Company will be held at 10 a.m., Thursday, April 16, 1981, at the Company's Corporate Headquarters, 2244 Walnut Grove Avenue, Rosemead, California 91770. Telephone (213) 572-1212.

Statistical Supplement
A comprehensive financial and statistical supplement to this report is available in limited quantity. A copy may be requested by writing to the Manager of Investor Relations, Southern California Edison Company, P.O. Box 800, Rosemead, California 91770.

For Investor Relations:
Institutional Investors contact:
Treasurer's Department
Manager of Investor Relations
Telephone (213) 572-1090

Individual Shareholders contact:
Secretary's Department
Telephone (213) 572-1937

For Dividend Reinvestment and Stock Purchase Plan Information:
Southern California Edison Company
Secretary's Department—Room 240
Post Office Box 400
Rosemead, California 91770
Telephone (213) 572-1852

Stock Transfer Agent
Southern California Edison Company
Post Office Box 400
Rosemead, California 91770

Registrar of Stock
Security Pacific National Bank
Los Angeles, California

Dividend Reinvestment and Stock Purchase Plan Agent
Bank of America N.T. & S.A.
San Francisco, California

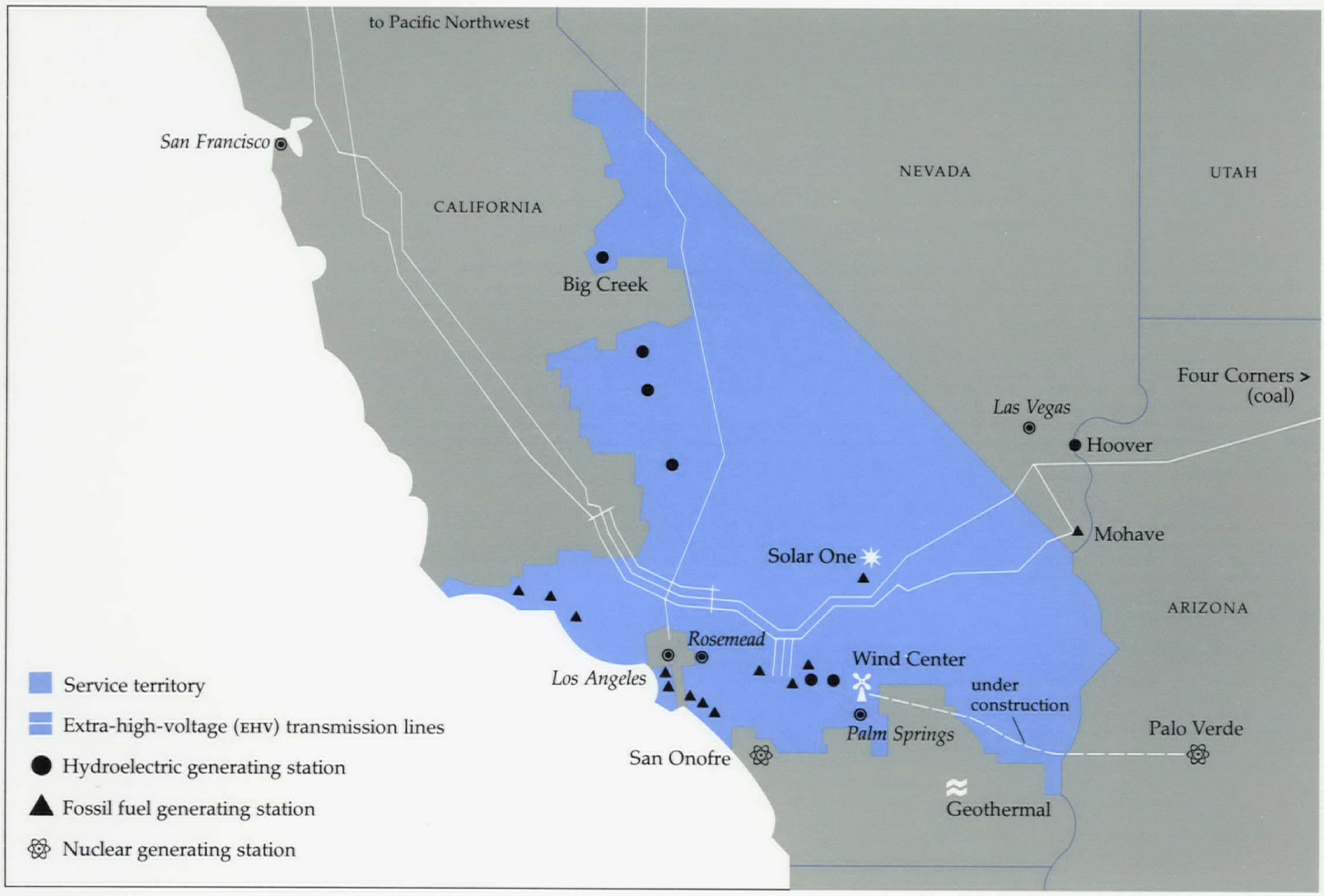
Stock Exchange Listings
Common Stock:
New York Stock Exchange
Pacific Stock Exchange

Preferred and Preference Stocks:
American Stock Exchange
Pacific Stock Exchange

Ticker Symbol
SCE (Common Stock)

Media Listing:
SCalEd

Southern California Edison Company System



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