SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1978 — Commission File Number 1-2313

SOUTHERN CALIFORNIA EDISON COMPANY

(Exact name of registrant as specified in charter)

California — 95-1240335

(State or other jurisdiction of incorporation or organization) — (IRS Employer Identification No.)

2244 WALNUT GROVE AVENUE (P.O. BOX 800), ROSEMEAD, CALIFORNIA 91770

(Address of principal executive offices) — (Zip Code)

Registrant's telephone number, including area code (213) 572-1212

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Capital Stock	
Original Preferred (Par Value $8⅓ per share)	American and Pacific
Cumulative Preferred (Par Value $25 per share) 4.08% Series, 4.24% Series, 4.32% Series, 4.78% Series, 5.80% Series, 8.85% Series, 9.20% Series	American and Pacific
$100 Cumulative Preferred (Par Value $100 per share) 7.58% Series, 8.70% Series, 8.96% Series	American and Pacific
Preference (Par Value $25 per share) 5.20% Convertible Series	American and Pacific
Common Stock (Par Value $8⅓ per share)	New York and Pacific
Funded Debt	
First and Refunding Mortgage Bonds (Series E through Series S, Series Y through Series CC, Series EE through Series JJ)	American
3⅛% Convertible Debentures, Due 1980	New York and Pacific

Securities registered pursuant to Section 12(g) of the Act: None

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

The total number of shares outstanding at December 31, 1978 of the Company's Common Stock $8⅓ par value, was 62,536,581.

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PART I

Item 1. Business

Southern California Edison Company ("Company") was incorporated in 1909 under California law and is a public utility primary engaged in the business of supplying electric energy to a 50,000 square-mile area of central and southern California, excluding the City of Los Angeles and certain other cities. This area includes some 800 cities and communities with a population of nearly eight million people. As of December 31, 1978, the Company employed 13,505 people.

General problems of the industry

The electric utility industry in general is currently experiencing problems relating to (i) high costs of fuel, wages and materials; (ii) vast capital outlays and longer construction periods for the larger and more complex new generating units needed to meet current and future service requirements of customers; (iii) greater reliance on capital markets with high costs of both equity and borrowed capital; (iv) an uncertain supply of natural gas; (v) effects of compliance with numerous regulatory and environmental requirements; and (vi) difficulties and delays in obtaining needed rate increases. The Company is, to varying degrees, currently experiencing all of these problems.

Regulation

The retail operations of the Company are subject to regulation by the California Public Utilities Commission ("CPUC"), which has the power, among other things, to establish retail rates and to regulate security issues, accounting and depreciation. The Company's resale operations are subject to regulation by the Federal Energy Regulatory Commission ("FERC") as to rates on sales for resale, as well as other matters, including accounting and depreciation.

The Company's plant construction, planning and siting are subject to the jurisdiction of the California Energy Commission.

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 is also subject to various governmental licensing 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.

RATE MATTERS

General rate increases

On December 12, 1978, the CPUC granted the Company an annual increase in general rates which, combined with a partial rate increase received in July 1978, brought the total annual amount granted the Company to $124 million, based on a 1979 test year. The Company's authorized rate of return on common equity was increased from 12.63% to 13.49% and its authorized rate of return on rate base was increased from 8.8% to 9.6%. The December decision also called for a major revamping of the Company's tariff schedules as a means of encouraging conservation of electric energy.

As a result of new procedures initiated by the CPUC to reduce regulatory lag, the final general rate decision was issued only 14 months after the application was filed, which is a significant improvement over the 30 months required to complete the Company's prior general rate case.

Energy cost adjustment clauses

Under the Company's Energy Cost Adjustment Clause ("ECAC"), adopted by the CPUC in 1976, a balancing account has been established in which energy costs that vary from those used in establishing electric rates are recorded. The procedure calls for adjusting rates every six months, subject to CPUC approval, to reflect changes in energy costs and any accumulated balance in the ECAC balancing account on which interest is accrued at the rate of 7% per annum. Under present ECAC procedures, changes in energy costs subject to CPUC jurisdiction should not affect the Company's reported earnings because it is contemplated that such costs will be reported as operating expenses as they are reflected in electric rates and thereby offset by revenues.

The Company also has a fuel cost adjustment clause in effect for its resale rates which are subject to FERC jurisdiction.

Tax change adjustment clause

In June 1978, California voters approved Proposition 13, the property tax initiative which, among other things, limits taxation of real property. In response thereto, the CPUC, in September 1978, authorized the Company's addition of a Tax Change Adjustment Clause ("TCAC") to its tariffs which is designed to flow-through to ratepayers the Company's property tax savings, less any increases in state or local taxes, licenses, fees or levies imposed by government to offset the effect of Proposition 13. The rates established in the Company's recent general rate decision reflect the lower post-Proposition 13 level of property taxes.

Resale rate increases

Under FERC procedures, increases in resale rates are permitted to become effective pending hearings before FERC. Such increases are subject to refund with interest to the extent that FERC subsequently determines that the requested increases are inappropriate. At December 31, 1978, the Company had billed, subject to refund, approximately $272 million of revenues pursuant to FERC tariff filings which became effective on May 2, 1974, August 4, 1974 and February 1, 1976. Of these revenues, FERC has determined that approximately $47 million billed pursuant to a fuel cost adjustment clause included in the first of such filings was just and reasonable. This decision has been appealed to the U.S. Court of Appeals, District of Columbia Circuit, by certain of the Company's resale customers. FERC has not yet issued decisions on the Company's other filings.

The Company believes that the amount of revenues collected pursuant to its resale rates which may be required to be refunded, if any, would not have a significant effect on net income in any of the related periods. See Note 4 of "Notes to Financial Statements" for more information.

On January 15, 1979, the Company filed higher resale rates with FERC which are designed to increase annual revenues by approximately $5.5 million. An optional time-of-use rate for resale customers was also included in the filing. A number of resale customers have intervened in this proceeding opposing the increase, and FERC has suspended the rate increase until August 16, 1979, pending a hearing on the matter.

Fuel adjustment clause refund

On October 16, 1978, the United States Supreme Court denied the Company's appeal of an April 27, 1976 CPUC decision requiring the Company to refund revenues of approximately $133 million, plus interest on the unrefunded balance from May 1976 which were collected under rates authorized by the CPUC through the Company's prior fuel adjustment clause from May 1972 through April 1976. On December 12, 1978, the CPUC approved a plan for refunding these revenues, plus approximately $45 million in interest. The plan calls for a credit adjustment to customers' billings over a three-year period which began January 1, 1979. The impact on earnings of the refund has already been reflected in the Company's financial statements for periods ending prior to January 1, 1979, except for an estimated $18 million of the interest which is applicable to and will be recorded during the three-year refund period. See Note 2 of "Notes to Financial Statements" for more information.

FUEL SUPPLY

Fuel costs

Fuel and purchased power costs amounted to $1.2 billion in 1978, essentially the same as in 1977. Sources of energy and unit costs of fuel during 1974 through 1978 are as follows:

	Sources of energy					Average cost per million BTU's				
	1974	1975	1976	1977	1978	1974	1975	1976	1977	1978
Oil	38%	46%	47%	56%	43%	198¢	267¢	252¢	254¢	291¢
Natural gas	17	13	11	15	18	58	87	125	185	205
Coal	15	14	14	14	10	27	28	36	41	53
Nuclear	5	5	3	3	3	11	17	29	34	36
All fuels	75	78	75	88	74	119	176	180	200	224
Hydroelectric	10	8	4	2	9			(1)		
Purchased and interchanged power	15	14	21	10	17			(2)		
	100%	100%	100%	100%	100%					

(1) There are no fuel costs associated with the Company's hydroelectric generation.

(2) For the year ended December 31, 1978, the net cost of purchased and interchanged power (primarily hydroelectric) was 1.127 cents per kilowatt-hour.

Average fuel costs, expressed in cents per kilowatt-hour for the year ended December 31, 1978 were: oil 2.920; natural gas 2.138; coal .605; nuclear .391.

Natural gas supply

A number of the Company's major steam electric generating units are designed to burn oil or natural gas as a primary boiler fuel. The Company's use of natural gas boiler fuel is dependent upon the amount of gas available from the Company's primary gas supplier as well as upon applicable federal and state laws and regulations. The Company cannot predict with any certainty the extent to which natural gas will continue to be a significant source of fuel for the generation of electric energy. To the extent the Company's use of natural gas is restricted, it will be forced to rely heavily on fuel oil, with resulting increases in fuel expense.

Fuel oil supply

Air pollution control laws and regulations applicable to the Company's oil- and gas-fired steam electric generating units have required the Company to depend to an increasing extent on more costly 0.25% low-sulphur fuel oil. The Company now has under contract approximately 50% of its estimated requirements for 0.25% sulphur oil through 1986 and has completed arrangements to modify the sulphur content of oil to be delivered under other contracts to cover a total of not less than 80% of its fuel oil requirements through such year. The balance of its fuel oil requirements is expected to be met with oil to be purchased on the spot market and under short-term contracts or through flexibility in existing long-term contracts. The prices for oil now under contract are subject to various adjustments based on, among other factors, specified foreign prices for crude oil (including prices established by OPEC nations), import license fees and duties, royalties, taxes and transportation charges. The Company's supply of fuel oil is not expected to be substantially affected by current unrest in the Middle East, although cost may be affected indirectly through price adjustments described above. (See "Energy Cost Adjustment Clauses" discussed above.)

At March 25, 1979, the Company had in inventory enough low-sulphur fuel oil to supply the Company's oil-burning facilities for at least 60 days, assuming projected utilization of the Company's coal-burning, nuclear and hydroelectric facilities and purchased and interchanged power. If the Company cannot purchase enough low-sulphur fuel oil to meet its fuel oil requirements in the future, it may still be able to acquire higher-sulphur fuel oil. However, the Company's ability to burn such higher-sulphur fuel oil would be dependent upon obtaining variances under air pollution control regulations.

Nuclear fuel supply

The Company has contractual arrangements covering 100% of the nuclear fuel cycle for San Onofre Nuclear Generating Station ("San Onofre") through the years indicated below:

	Unit 1	Units 2 & 3
Mining and milling to produce concentrates(1)	1984	1984
Conversion	1980	1980
Enrichment	1990(2)	2008
Fabrication	1992	1983
Spent fuel storage(3)	1992	1992

(1) The Company has contracted for approximately 48% of the uranium concentrates required for San Onofre Units 1, 2 and 3 from 1985 through 1990. Approximately 46% of the Company's uranium concentrate requirements for the period 1979 through 1990 are expected to be provided by a mine and mill in which Mono Power Company ("Mono"), a wholly-owned subsidiary of the Company, is a participant. See Note 11 of "Notes to Financial Statements" for more information on Mono's activities.

(2) After 1990, approximately 45% of the Unit 1 enrichment requirements are under contract.

(3) The dates indicated assume full utilization of the capacities of existing and planned on and off-site storage for normal operations of these Units, including interpool transfers. If reprocessing is unavailable when storage limits are reached, additional arrangements would be required, the availability or cost of which the Company cannot predict at this time.

Participants in the Palo Verde Nuclear Generating Station Units 1, 2 and 3 ("Palo Verde") have contractual commitments for the supply of uranium concentrates, conversion services and related fuel fabrication services required for approximately 17 years of operation for all three nuclear units. Contracts have also been entered into with the Department of Energy for uranium enrichment services covering the estimated life of the three units.

Although the Palo Verde participants have no commitments for reprocessing or off-site storage of fuel discharged from reactors, on-site storage for spent fuel is being planned to accommodate normal operation through 1991 for Unit 1 and through later dates for the Units 2 and 3. The extent to which either off-site storage or reprocessing services may be required, or will be available, cannot be accurately predicted.

Coal supply

Coal supplies for the operation of the Mohave and Four Corners Projects (as defined in Item 3) are obtained pursuant to purchase contracts which extend over the expected useful lives of those projects and provide for the purchase of low-sulphur coal to support anticipated levels of operation during such periods.

Powerplant and Industrial Fuel Act of 1978

Implementation of the Powerplant and Industrial Fuel Act of 1978 could preclude the utilization of natural gas and petroleum fuels in new powerplants and could limit the utilization of natural gas and petroleum fuels in existing powerplants, unless reasonable exemption standards and procedures are implemented. The Act's impact on the Company is not presently determinable.

ENVIRONMENTAL MATTERS

Legislative and regulatory activities in the areas of air pollution, water pollution, noise abatement, land use, aesthetics and nuclear control continue to result in the imposition of numerous restrictions on the operation by the Company of its existing facilities and on the timing, cost, location, design, construction and operation by the Company of new facilities required to meet its future load requirements. These activities substantially affect future planning and will continue to require modifications of the Company's existing facilities and operating procedures. They also increase the risk of forced abandonment of construction projects with a resultant loss of design, engineering and construction costs and the payment of cancellation charges which in the aggregate could be substantial.

The Company's capital expenditures for certain categories of environmental protection for the years 1969 through 1978 and its projected capital expenditures for such purposes for 1979 through 1983 (based upon the Company's December 21, 1978 plant budget/forecast, which is subject to periodic revision) are:

	(Thousands of dollars)							
Years	Total	Air Pollution Control	Water Pollution Control	Solid Waste Disposal	Noise Abatement	Aesthetics	Additional Plant Capacity	Miscellaneous
1969-1978	$579,319	$ 54,748	$ 13,713	$ 2,750	$ 3,155	$462,395	$ 3,746	$ 38,812
1979	152,710	9,726	22,720	—	103	85,588	—	34,573
1980	127,235	9,928	13,753	70	32	81,732	—	21,720
1981	165,887	76,416	6,104	34	141	75,364	—	7,828
1982	141,664	60,179	3,957	—	129	74,372	—	3,027
1983	96,619	12,101	4,307	—	267	79,547	—	397

It is anticipated that capital expenditures for such environmental protection projects will continue for the foreseeable future. The Company believes that costs incurred for these environmental purposes will be recognized by the CPUC and the FERC as reasonable and necessary costs of service for rate purposes.

Air quality

The Federal Clean Air Act, as amended, provides the statutory framework to implement a program for achieving national ambient air quality standards and provides for maintenance of air quality in areas exceeding such standards. As a result, the Company may incur additional expenses in reducing or eliminating emissions at existing facilities and in constructing new facilities. However, because major regulations relating to such amendments have not as yet been promulgated, the Company is unable at this time to determine the extent to which such amendments will affect its operations and capital expenditures.

The Company is subject to rules and regulations promulgated by the South Coast Air Quality Management District and the California Air Resources Board with respect to the emission of pollutants into the atmosphere. In January 1979, the Board adopted a rule which calls for substantially reducing emissions of oxides of nitrogen from the Company's fossil fuel-fired generating units in southern California. To comply with the rule, the Company estimates it would cost approximately $180 million through 1982 and an additional $1.2 billion through 1990 for additional air pollution control equipment. The Company anticipates conducting further negotiations with the District and the Board with respect to the cost benefits, schedules and practicality of applying unproven emission control technology.

Water quality and land use

The State of California has adopted a policy discouraging the use of fresh water for plant cooling purposes at inland locations. Such a policy, when taken in conjunction with existing federal and state water quality regulations and coastal zone land use restrictions, could substantially increase the difficulty of siting new generating plants anywhere in California.

SOUTHERN CALIFORNIA EDISON COMPANY
OPERATING STATISTICS

	Year Ended December 31,					% of 1978 Total
	1974	1975	1976	1977	1978	
Energy Generated and Purchased — KWH (000):						
Generated — Net Station Output						
Hydroelectric Plants	5,514,446	4,732,201	2,550,415	1,509,058	5,887,687	9.2
Thermal Plants	41,469,835	42,925,421	44,671,019	55,417,884	47,183,394	73.9
Total Generated	46,984,281	47,657,622	47,221,434	56,926,942	53,071,081	83.1
Purchased Power	6,095,460	4,773,360	11,933,835	6,009,426	10,535,636	16.5
Power Interchanged (Net)	2,026,247	2,692,853	272,658	408,338	270,399	0.4
Total Generated, Purchased and Interchanged	55,105,988	55,123,835	59,427,927	63,344,706	63,877,116	100.0
Company Use	(100,348)	(116,100)	(94,364)	(119,748)	(115,050)	—
Losses and Unaccounted for	(3,915,659)	(3,680,227)	(5,648,185)	(5,498,685)	(6,735,031)	—
Total Energy Consumption	51,089,981	51,327,508	53,685,378	57,726,273	57,027,035	—
Energy Consumption — KWH (000):						
Residential	13,059,518	13,493,387	13,946,809	14,285,971	15,369,184	27.0
Agricultural	1,049,878	1,074,606	1,275,643	1,377,939	851,017	1.5
Commercial	11,514,671	12,036,129	12,951,697	13,388,075	13,937,000	24.4
Industrial	15,553,144	15,055,646	15,622,603	16,393,105	16,652,243	29.2
Public Authorities	5,575,587	5,578,669	5,621,955	5,666,173	5,813,443	10.2
Interdepartmental	927	962	914	731	1,015	—
Resale	4,336,256	4,088,109	4,265,757	6,614,279	4,403,133	7.7
Total Energy Consumption	51,089,981	51,327,508	53,685,378	57,726,273	57,027,035	100.0
Operating Revenues — (000):						
Residential	$ 506,154	$ 564,389	$ 589,397	$ 616,520	$ 704,658	30.2
Agricultural	33,788	37,521	45,338	50,781	40,449	1.7
Commercial	364,994	413,458	464,254	505,469	610,735	26.2
Industrial	354,334	389,829	430,427	481,587	593,580	25.5
Public Authorities	141,376	153,850	166,038	188,054	206,838	8.9
Interdepartmental	28	29	27	22	30	—
Resale	71,278	97,439	120,459	208,145	138,253	6.0
Customer Refunds (a)	(122,473)	(20,881)	17,072	—	—	—
Operating Revenues — Sales	1,349,479	1,635,634	1,833,012	2,050,578	2,294,543	98.5
Other	11,480	11,500	13,528	14,336	34,255	1.5
Total Operating Revenues	$1,360,959	$1,647,134	$1,846,540	$2,064,914	$2,328,798	100.0
Number of Customers:						
Residential	2,385,705	2,438,903	2,497,076	2,572,826	2,648,841	88.7
Agricultural	24,816	24,997	25,465	25,888	25,802	0.9
Commercial	219,499	222,694	227,143	234,276	242,264	8.1
Industrial	30,169	30,410	31,405	33,791	35,126	1.1
Public Authorities	31,482	32,658	33,294	34,053	34,491	1.2
Interdepartmental	2	2	2	2	2	—
Resale	18	16	18	20	19	—
Total Customers	2,691,691	2,749,680	2,814,403	2,900,856	2,986,545	100.0
Averages:						
Annual Use Per Residential Customer (KWH)	5,541	5,596	5,650	5,630	5,883	
Annual Revenue Per Residential Customer (b)	$214.76	$234.07	$238.77	$242.98	$269.73	
Revenue Per KWH (b):						
Residential	3.88¢	4.18¢	4.23¢	4.32¢	4.58¢	
Commercial	3.17¢	3.44¢	3.58¢	3.78¢	4.38¢	
Industrial	2.28¢	2.59¢	2.76¢	2.94¢	3.56¢	

(a) See Note 2 of "Notes to Financial Statements".

(b) Does not reflect Customer Refunds.

Item 2. Summary of Operations

Information responding to this item is included with the financial statements in Item 12(a)(1) beginning on page 20 and in Exhibit 1, and should be read in conjunction with Management's Discussion and Analysis of Statements of Income beginning on page 19.

Item 3. Properties

Existing generating facilities

The Company owns and operates 11 fossil-fueled steam electric generating plants, two combustion turbine plants, one diesel-electric generating plant, 36 hydroelectric plants and the 80%-owned San Onofre nuclear generating station, all located in central and southern California. In addition, the Company owns two small fossil-fuel electric generating units in Arizona and a 48% undivided interest (768 MW) in Units 4 and 5 of a coal-fired steam electric generating plant in New Mexico (the "Four Corners Project") all of which are operated by another utility. The Company also operates and owns a 56% undivided interest (885 MW) in two coal-fired steam electric generating units in Clark County, Nevada (the "Mohave Project"). The Company also operates certain hydroelectric generating units owned by others in Arizona. Of the existing Company-owned generating capacity, approximately 78% is dependent on gas and oil fuel, 13% on coal, 6% on hydroelectric and 3% on nuclear fuel.

San Onofre, the Four Corners Project, certain of the Company's substations and certain portions of its tranmission, distribution and communication systems are located on lands of the United States or others under (with minor exceptions) licenses, permits, easements or leases or on public streets or highways pursuant to franchises. Certain of such documents obligate the Company, under specified circumstances, at its expense to relocate transmission, distribution and communication facilities located on lands owned or controlled by federal, state or local governments. With certain exceptions, major and certain minor hydroelectric plants, with related reservoirs, having an effective operating capacity of 836 MW and located in whole or in part on lands of the United States, are owned and operated under government licenses which expire at various times between 1979 and 2009. Such licenses contain numerous restrictions and obligations on the part of the Company, including the right of the United States to acquire the project under certain conditions upon the payment of specified compensation. If any project is not taken over by the United States at the expiration of the license, FERC is authorized to issue a new license to the original licensee or (upon payment of the same compensation as the United States would be required to pay) to a new licensee. Any new licenses issued to the Company are expected to be issued upon terms and conditions less favorable than those of the expired licenses. Applications of the Company for the relicensing of certain of the hydroelectric plants referred to above with an aggregate effective operating capacity of 21.4 MW are pending, and until such proceedings are completed, the Company has been issued annual license renewals for such projects.

As of March 15, 1979, the total interconnected system operating capacity available to the Company under favorable operating conditions was approximately 14,691 MW, which includes 1,571 MW from sources under contract. The record peak instantaneous demand experienced on the Company's interconnected system through March 15, 1979, was 11,997 MW on September 25, 1978.

Unit 1 at San Onofre is now being operated under a provisional operating license from the Nuclear Regulatory Commission, and the Company has applied for a full-term operating license for this unit. Modifications of this unit have been and may continue to be required in light of new and revised regulatory requirements, technical data, environmental data and design criteria applicable to Units 2 and 3 and other nuclear generating facilities. The Company cannot determine with certainty the additional costs it will incur for future modifications.

Generating facilities under construction

The Company currently has approximately 5,326 MW of new generating capacity scheduled for completion at various dates through 1988, of which 51% will use nuclear fuel, 34% will use natural gas and fuel oil, 10% will use coal, 3% will be hydroelectric and 2% will use other energy sources. The major generating facilities under construction are the following nuclear plants being built jointly with other utilities:

				Company's share of			
Facility	Location	Percent Completed as of December 31, 1978	Planned Full Firm Power Operation	Facility	Net Capacity (MW)	Estimated Total Cost(1) (000)	Recorded Costs as of December 31, 1978 (000)
San Onofre 2, 3	San Clemente, CA	63	1981-1983	80.0%	1,760	$1,920,000	$1,135,000
Palo Verde 1, 2 & 3	Wintersburg, AZ	20	1982-1984 & 1986	15.8%	579	711,000	130,514

(1) Exclusive of fuel and related transmission facilities. Estimates are subject to revision because of numerous factors, some of which are beyond the Company's control.

An additional 192 MW of capacity currently under construction is scheduled for completion through 1981. Additions to existing facilities totaling 2,795 MW are planned for operation by 1988. The Company's expenditures to date for these projects have not been substantial.

The application for an operating license for San Onofre Units 2 and 3 is currently the subject of administrative review by an Atomic Safety Licensing Board, which has given persons opposed to operation of the units permission to intervene in the proceedings.

Construction expenditures

In 1976, 1977 and 1978, the Company expended $500,326,000, $500,269,000 and $567,831,000, respectively, for construction of new facilities. The Company estimates that the funds required for construction from 1979 through 1983 will be as follows:

	(Thousands of dollars)				
	1979	1980	1981	1982	1983
Electric generating plants	$575,517	$535,444	$441,673	$322,850	$284,617
Electric transmission lines and substations	45,251	86,032	69,147	24,490	53,429
Electric distribution lines and substations	141,298	143,945	153,905	164,181	176,167
Other expenditures	20,671	17,818	6,701	9,940	9,722
Total construction additions	782,737	783,239	671,426	521,461	523,935
Less allowance for funds used during construction	123,000	160,000	118,000	53,000	49,000
Funds required for construction expenditures	$659,737	$623,239	$553,426	$468,461	$474,935

The Company's construction program and related expenditures are subject to continuous review and periodic revisions because of changes in estimated system load growth, rates of inflation, receipt of adequate and timely rate relief, the availability and timing of environmental and other regulatory approvals, the scope of modifications required by regulatory agencies, and the availability and costs of external sources of capital.

To finance its construction program through 1983 and to retire $436,355,000 of long-term debt obligations maturing during that period, the Company estimates that approximately $1.9 billion will be required from external sources. See Note 8 of "Notes to Financial Statements" for more information concerning long-term debt. The balance of funds required to finance the Company's construction program through 1983 is expected to be obtained from internal sources.

The timing, type and amount of all additional external financing are dependent upon market conditions, rate relief and other factors including restrictions imposed by the Company's Articles of Incorporation, trust indenture and the California usury law. To date, such restrictions have not prevented the Company from issuing securities to finance its construction expenditures.

Effect of governmental utilities and utility districts

Under various acts of Congress, federal power projects have been constructed in California and neighboring states. Municipally-owned utilities, cooperative utilities and other public bodies have certain preference over investor-owned utilities in the purchase of electric power provided by federally funded power projects and, in addition, have certain preference over investor-owned utilities in connection with the acquisition of licenses to build hydroelectric power plants on federal lands. Any energy which is or may be generated at these projects and transmitted for the account of such other utilities and public bodies over present or future government or utility-owned lines into the territory or markets served by the Company would result in a loss of sales by the Company.

Under the laws of California, utility districts may be formed and may include incorporated as well as unincorporated territory. Such districts, as well as municipalities, have the right to construct, purchase or condemn and operate electric facilities. In addition, when a city owning an electric system annexes adjacent unincorporated territory which the Company has previously served, the Company may experience a loss of customers.

The Company's construction permits for San Onofre Units 2 and 3 contain certain conditions, the terms of which require the Company (i) to permit privately or publicly-owned utilities, including the Company's resale customers, within or adjacent to the Company's service area, on timely notice, to participate on mutually agreeable terms in future nuclear units initiated by the Company, and (ii) to interconnect and coordinate reserves with, furnish emergency service to, sell to and purchase bulk power from, and provide certain transmission services for, such utilities.

The Company has also entered into agreements with certain of its resale customers which contemplate their possible participation in jointly-owned generating projects initiated by the Company, and the integration of power sources acquired by each such customer, including the dispatching, reserve sharing, partial power supply requirements and transmission services required in conjunction with such integrated operations. Pursuant to these agreements, two resale customers have exercised an option to participate in the Company's ownership entitlement in San Onofre Units 2 and 3. The Company has recently negotiated definitive agreements with these two resale customers which specify the services to be provided. The Company believes that an effect of these conditions and agreements is a potential loss of generation and transmission capacity and sales of power. The Company is unable to determine what effect, if any, these potential losses will have on its business and operations.

Item 4. Parents and Subsidiaries

All subsidiaries of the Company are California corporations and are 100% owned by the Company. The subsidiaries, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary. These subsidiaries are accounted for by the Company under the equity method of accounting for investments in subsidiaries. See Note 11 of "Notes to Financial Statements" for more information.

Item 5. Legal Proceedings

Antitrust litigation

On March 2, 1978, five of the Company's resale customers (the California cities of Anaheim, Riverside, Banning, Colton and Azusa) filed a suit against the Company in the U.S. District Court for the Central District of California alleging violation of certain antitrust laws. The complaint seeks damages in excess of $23 million, the trebling of these damages and certain injunctive relief.

One principal contention set forth in the complaint is that the Company 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. The plaintiffs have alleged that there is a resulting anti-competitive "price squeeze" in that the resale customers, to recover their higher costs of supply, are required to raise some or all of their retail rates to levels exceeding the Company's comparable retail rates, with the effect of inhibiting the resale customers' ability to persuade their existing or potential customers to remain or locate within their service areas.

Another principal contention is that the Company, in violation of the antitrust laws, 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. The Company is alleged to have entered into agreements and understandings with other investor-owned utilities to preempt bulk power supplies available from other utilities in the Pacific Northwest and in California and to have unilaterally restricted the sale of transmission services to and within California in such a way that the resale customers are prevented from obtaining transmission services to transmit bulk power supplies from outside California.

On August 31, 1978, the U.S. District Court granted the Company's motion to stay the action in all respects pending resolution of proceedings described below involving the Company before the FERC. On February 26, 1979, the plaintiffs moved the Court to end the stay of the action. The motion is scheduled for argument on May 7, 1979.

Five of the Company's resale customers have intervened in the Company's three resale rate proceedings currently pending before the FERC alleging, among other things, that the Company has engaged in certain anti-competitive activities similar to those described above. Four of the same resale customers have also made charges with the FERC in separate proceedings alleging that the Company, through contracts for the purchase of power over the Pacific Intertie and through its participation in the California Power Pool Agreement, has engaged in anti-competitive conduct by restricting access to the Intertie transmission facilities and by preventing the resale customers from purchasing power from suppliers in the Pacific Northwest. The resale customers have asked the FERC to modify these contracts and to order the Company to provide transmission service to them. The matter is set for hearing on June 4, 1979.

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.

Fair employment practices matters

In 1972 a charge was filed with the Federal Equal Employment Opportunity Commission ("EEOC") and in 1974 a class action lawsuit was filed in federal court, both of which alleged that the Company had engaged in unlawful, discriminatory employment practices against women and certain minorities.

Although denying that it had engaged in any unlawful employment practices, the Company entered into a Conditional Settlement with the EEOC and the representatives of most of the class action plaintiffs which, on November 7, 1977, was submitted to the federal court for approval as a consent decree. The estimated cost of this settlement is initially $700,000 with the possibility of an additional estimated $300,000 in payment on individual awards after hearings.

If the settlement should not be approved and the case is tried, it is the opinion of Company counsel that the Company has a number of defenses which should be sustained by a court and which, among other things, have the effect of limiting monetary damages. The Company believes, based on a current analysis of the applicable law and facts, that the amount of any recovery for monetary damages, including back pay, should not have a material effect on the financial position of the Company.

Environmental litigation

On March 10, 1978, the Environmental Protection Agency ("EPA") issued citations alleging excessive emissions of particulates and violations of opacity regulations applicable to Four Corners Units 4 and 5, which allegations are being disputed by the Four Corners participants. It now appears likely that the dispute will result in litigation. In addition, on August 28, 1978, EPA advised the State of New Mexico that it will propose disapproval of the State's recently adopted regulations applicable to sulphur dioxide and particulate emissions at the Four Corners Project. The extent, if any, to which plant operations would be adversely effected by the ultimate resolution of these matters is not currently predictable.

In December 1976 the Company and the Southern California Air Pollution Control District stipulated to orders issued by the District's Hearing Board for abatement of emissions of certain particulates from the Company's Alamitos and Redondo Generating Stations which have allegedly resulted in damage to property in the vicinity of the two stations. The orders required the Company to conduct a two-year study of particulate emissions, to recommend implementation of particulate reduction methods and to utilize higher cost 0.25% sulphur fuel oil at both stations through April 15, 1979 (see "Fuel Supply" for a discussion of the Company's plans to burn 0.25% sulphur content fuel oil at certain of its steam electric generating units). The orders provide for a further hearing date to be set by April 1979 to consider a schedule for implementing particulate reduction methods, based on research investigations. Preliminary estimates of the Company indicate that the cost of modifications to the plants will be approximately $20 million.

During 1978, six misdemeanor complaints were filed against the Company alleging various violations of state law or local rules relating to the discharge of emissions into the atmosphere. Of the complaints filed, five have been dismissed and one resulted in the Company being fined $300.

Tax litigation

In July 1975, the State of New Mexico imposed a tax upon electricity generated at the Four Corners Project and elsewhere within that state. The constitutionality of this tax is being challenged in the United States Supreme Court, and oral arguments were heard by the Court on February 26, 1979. From July 1975 through December 1978, the Company has charged to expense, net of income tax benefits, approximately $2.7 million for this tax.

The Navajo Tribal Council has adopted, but not yet implemented, a possessory interest tax, a business activity tax and a sulphur emissions tax which could apply to the Four Corners

Project. The validity of these taxes is currently being litigated by participants in the Project. The Company cannot predict the ultimate effect of these taxes, if implemented, upon future costs associated with the Four Corners Project or their effect upon costs of power or fuel derived from New Mexico operations.

The Company expects to recover through rates any increased costs of operations attributable to such taxes.

Item 6. Increases and Decreases in Outstanding Securities and Indebtedness

Increases in the amount of equity securities.

Common stock sold by the Company during 1978 which was registered under the Securities Act of 1933:

	Number of Shares
Common stock outstanding as of December 31, 1977	54,646,457
Add:	
Common stock issued October 25, 1978	6,000,000
* Quarterly issuances of common stock through the Company's Dividend Reinvestment and Stock Purchase Plan	637,014
* Quarterly issuances of common stock through the Company's Employee Stock Purchase Plan	631,521
* Quarterly issuances of common stock through the Company's Employee Stock Ownership Plan (not registered)	203,879
* Miscellaneous issuances of common stock resulting from conversions of Preference Stock, 5.20% Convertible Series at various times throughout the year	417,710
Total common stock outstanding as of December 31, 1978	62,536,581

* Not previously reported because the aggregate number of shares issued did not exceed 5% of total outstanding common stock.

Pursuant to an Underwriting Agreement dated October 17, 1978, between the Company and Dean Witter Reynolds Inc.; Blyth Eastman Dillon & Co. Incorporated; The First Boston Corporation; E. F. Hutton and Company Inc.; and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Representatives for a group of 137 underwriters (none of whom are affiliates of the Company), the Company, on October 25, 1978, issued and sold 6,000,000 shares of Common Stock ($8⅓ par value) (the "New Stock") to such underwriters. The aggregate net proceeds received by the Company, before the deduction of expenses payable by the Company estimated at $225,000, were $148 million.

The net proceeds were used by the Company:

(a) to reimburse the Company for monies previously expended to repay $5,500,000 principal amount of First Mortgage Bonds, 3% Series, due June 1, 1978 and to repay $30,000,000 principal amount of First and Refunding Mortgage Bonds, Series E, due August 15, 1978;

(b) to reimburse the Company for monies previously expended for its construction program, exclusive of maintenance of service and replacements. The amounts so reimbursed became a part of the general treasury funds of the Company. The Company used a portion of such treasury funds to repay a portion of its outstanding short-term debt which aggregated approximately $270 million at the time of such repayment; and

(c) to pay and discharge expenses incurred in connection with the issue and sale of the New Stock.

A registration statement covering the New Stock was filed under the Securities Act of 1933 on Form S-7 under File No. 2-62610 and became effective October 17, 1978.

Pursuant to the Company's Dividend Reinvestment and Stock Purchase Plan, Employee Stock Purchase Plan, and Employee Stock Ownership Plan, the Company issued the following number of shares of common stock ("Plan Stock"):

Plan	Date	Shares	Proceeds
Dividend Reinvestment and Stock Purchase Plan	February 16, 1978	131,075	$3,252,863
	May 16, 1978	149,170	3,630,344
	August 16, 1978	161,887	4,030,109
	November 16, 1978	194,882	4,436,721
Employee Stock Purchase Plan	April 3, 1978	150,841	3,930,841
	July 3, 1978	151,052	3,819,818
	October 2, 1978	161,770	4,211,957
	December 29, 1978	167,858	4,171,691
Employee Stock Ownership Plan	February 16, 1978	2,233	57,276
	May 16, 1978	188,702	4,724,406
	August 16, 1978	6,229	161,020
	November 16, 1978	6,715	164,853

The net proceeds of the sale of Plan Stock are used to reimburse the Company for monies expended for its construction program, exclusive of maintenance of service and replacements. The amounts so reimbursed become a part of the general treasury funds of the Company and, among other things, may be used to retire short-term obligations, if any, outstanding at the date of issuance of the Plan Stock.

The Dividend Reinvestment and Stock Purchase Plan and the Employee Stock Purchase Plan are registered under the Securities Act of 1933. A registration statement was filed (i) for the Company's Dividend Reinvestment and Stock Purchase Plan on Form S-7 under File No. 2-54670 and on Form S-16 under File No. 2-62625, and (ii) for the Company's Employee Stock Purchase Plan on Form S-8 under File No. 2-54685.

Increase in the amount of debt securities

Pursuant to a Bid and Bond Purchase Agreement dated October 31, 1978, between the Company and The First Boston Corporation, Dean Witter Reynolds Inc.; Drexel Burnham Lambert Incorporated; Goldman Sachs & Co.; E. F. Hutton & Company Inc.; Loeb Rhoades Hornblower & Co. Inc.; Paine, Webber, Jackson & Curtis, Incorporated; Smith Barney, Harris Upham and Co. Incorporated; Wertheim & Co., Inc.; and Donaldson, Lufkin & Jenrette Securities Corporation, as Representatives for a group of 34 purchasers (none of whom were affiliates of the Company), the Company on November 9, 1978, issued and sold $200 million principal amount of First and Refunding Mortgage Bonds, Series JJ, Due 2003 (the "New Bonds"), to such purchasers. The net proceeds to the Company, excluding accrued interest in the approximate amount of $428,000 and before the deduction of expenses payable by the Company estimated at $286,000, were $197 million.

The net proceeds were used by the Company:

(a) to reimburse the Company for monies previously expended for its construction program, exclusive of maintenance of service and replacements. The amounts so reimbursed became a part of the general treasury funds of the Company. The Company used a portion of such treasury funds to repay all or a portion of its outstanding short-term bank borrowings and commercial paper which aggregated approximately $160 million at the time of such repayment; and

(b) to pay and discharge expenses incurred in connection with the issue and sale of the New Bonds.

A registration statement covering the New Bonds was filed under the Securities Act of 1933 on Form S-7 under File No. 2-62609 and became effective for competitive bidding on October 17, 1978. A Post-Effective Amendment to said Registration Statement was filed on October 31, 1978.

Decrease in the amount of equity securities

During 1978, 580,854 shares of Preference Stock, 5.20% Convertible Series were converted into 417,710 shares of Common Stock.

Item 7. Changes in Securities and Changes in Security for Registered Securities

Commencing October 26, 1978, as a result of the issuance of 6,000,000 additional shares of Common Stock, the conversion prices at which the Preference Stock, 5.20% Convertible Series and the 3⅛% Convertible Debentures, Due 1980, may be converted into the Company's Common Stock were reduced from $35.00 and $38.50 to $34.00 and $37.50, respectively.

Item 8. Defaults Upon Senior Securities

None.

Item 9. Approximate Number of Equity Security Holders

Title of Class	Approximate Number of Record Holders*
Original Preferred	1,504
Cumulative Preferred (all series)	31,713
$100 Cumulative Preferred (all series)	9,000
Preference (all series)	3,039
Common	136,613
3⅛% Convertible Debentures, Due 1980	1,079
	182,948

* Data shown for various classes of equity securities is as of January 5, 1979. Data shown for 3⅛% Convertible Debentures is as of December 31, 1978.

Item 10. Submission of Matters to a Vote of Security Holders

(a) Date and type of meeting:

Annual Meeting of Shareholders held April 20, 1978.

(b) Proxies for the meeting were solicited pursuant to Regulation 14A; there was no solicitation in opposition to the management's nominees as listed in the proxy statement and all of such nominees were elected.

(c) Matters voted upon, other than election of directors and approval of auditors:

Proposal to amend the Company's Articles of Incorporation to provide for a Preferred Stock Special Voting Right.

Affirmative Votes:	67,720,026
Negative Votes:	1,797,859
Abstain:	3,752,831

Item 11. Indemnification of Directors and Officers

The information required is unchanged from the 1976 Form 10-K.

Item 12. Financial Statements, Exhibits Filed and Reports on Form 8-K

12(a)(1) Financial Statements

Information Required by Schedules IX, XIII and XVI is shown in the Financial Statements or Notes thereto.

Schedules I to XIX, inclusive, except those referred to above, are omitted as not required or not applicable.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF STATEMENTS OF INCOME

General

As discussed in Note 2 of "Notes to Financial Statements", the Statements of Income have been restated to give retroactive effect to an April 27, 1976 decision of the California Public Utilities Commission ("CPUC") relating to the Company's prior fuel adjustment clause. For periods after April 30, 1976, the Statements of Income reflect the operation of the Company's Energy Cost Adjustment Clause ("ECAC") discussed in Note 1 of "Notes to Financial Statements".

1977 Compared with 1976

Operating revenues increased by $218,374,000, or 11.8%, because of: an increase in energy sales to special contract customers more affected by prevailing drought conditions in California and the Pacific Northwest; a 3.6% increase in kilowatt-hour consumption by customers, other than special contract customers; a general rate increase authorized by the CPUC and effective in January 1977 designed to produce additional annual revenues of approximately $44,500,000; and an increase in ECAC revenues.

Fuel expense increased by $294,096,000, or 35.9%, primarily because the drought conditions which prevailed in 1977 necessitated an increase in generation at the Company's oil and gas fueled plants. However, energy costs reflected in the Statements of Income increased only $123,960,000, or 13.5%, due primarily to the impact of the provision for energy cost adjustments. Such provision reflected the amount by which incurred costs of energy covered by the ECAC exceeded ECAC revenues for the year.

Maintenance expenses increased by $19,978,000, or 17.7%, largely as a result of an intensified maintenance program for steam power generation units.

Allowance for debt and equity funds used during construction ("ADC") increased by $12,628,000, or 26.5%, due to more construction work-in-progress primarily related to the San Onofre Nuclear Generating Station.

1978 Compared With 1977

Operating revenues increased by $263,884,000, or 12.8%, due largely to higher ECAC revenues. Total kilowatt-hour consumption decreased by 1.2% as sales to special contract customers were down sharply due to the easing of drought conditions and consumption by customers, other than special contract customers, was up by only 2.7%.

Although fuel expense declined $26,977,000, or 2.4%, and purchased power expense increased $42,129,000, or 55.0%, each reflecting primarily the greater availability of energy from off-system sources due to easing of drought conditions, energy costs reflected in the Statements of Income increased by $199,938,000, or 19.2%, due to the effect of the provision for energy cost adjustments in both periods. Such provision for 1978 of $35,280,000 reflected the amount by which ECAC revenues for the year recovered energy costs previously deferred. At December 31, 1978, deferred energy costs reflected net undercollections (including interest) of $102,369,000.

Other operation expenses increased by $41,659,000, or 17.2%, primarily due to the impact of inflation on costs of labor, materials and services and additional operating costs associated with system growth.

Maintenance expenses increased by $30,945,000, or 23.2%, primarily as a result of maintenance necessitated by severe storm damage in the first quarter of 1978.

The increase of $18,183,000, or 30.2%, in ADC reflected the operation of the same factors which accounted for the increase in 1977 as compared with 1976.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Southern California Edison Company:

We have examined the balance sheets of Southern California Edison Company (a California corporation, hereinafter referred to as the "Company") as of December 31, 1977 and 1978, and the related statements of income, earnings reinvested in the business, additional paid-in capital and changes in financial position for each of the five years in the period ended December 31, 1978, and the supporting schedules listed in the accompanying index. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Company as of December 31, 1977 and 1978, and the results of its operations and the changes in its financial position for each of the five years in the period ended December 31, 1978, and the supporting schedules referred to above present fairly the information required to be set forth therein, all in conformity with generally accepted accounting principles consistently applied.

ARTHUR ANDERSEN & CO.

Los Angeles, California
February 9, 1979

SOUTHERN CALIFORNIA EDISON COMPANY

STATEMENTS OF INCOME

As more fully discussed in Note 2, the Statements of Income and the other financial statements of Southern California Edison Company ("Company") have been revised to give retroactive effect to an April 27, 1976 decision of the California Public Utilities Commission which was affirmed by the California Supreme Court on March 23, 1978. The Statements of Income should be read in conjunction with the other financial statements, related notes and "Management's Discussion and Analysis of Statements of Income" included in this Report. The Statements of Income for the five years ended December 31, 1978, have been examined by Arthur Andersen & Co., independent public accountants, as set forth in their report included herein.

	(Thousands of Dollars)				
	Year Ended December 31,				
	1974	1975	1976	1977	1978
Operating Revenues:					
Sales (Notes 1, 2 and 4)	$1,349,479	$1,635,634	$1,833,012	$2,050,578	$2,294,543
Other	11,480	11,500	13,528	14,336	34,255
Total operating revenues (Note 5)	1,360,959	1,647,134	1,846,540	2,064,914	2,328,798
Operating Expenses:					
Fuel (Note 4)	505,209	768,843	818,932	1,113,028	1,086,051
Purchased power (Note 14)	36,681	55,983	84,515	76,569	118,698
Provision for energy cost adjustments (Notes 1 and 5)	—	—	12,684	(149,506)	35,280
Subtotal — energy costs	541,890	824,826	916,131	1,040,091	1,240,029
Other operation expenses (Notes 5, 6 and 7)	200,728	201,385	223,647	241,963	283,622
Maintenance (Note 1)	91,905	93,716	113,188	133,166	164,111
Provision for depreciation (Notes 1 and 5)	116,189	120,410	124,802	140,520	157,203
Taxes on income — current and deferred (Notes 2 and 5)	70,618	46,623	59,506	68,792	72,803
Property and other taxes (Note 5)	86,919	93,568	102,126	109,660	86,429
Total operating expenses (Note 13)	1,108,249	1,380,528	1,539,400	1,734,192	2,004,197
Operating Income (Note 5)	252,710	266,606	307,140	330,722	324,601
Other Income and Income Deductions:					
Allowance for equity funds used during construction (Note 3)	12,405	20,548	36,541	46,233	58,471
Other — Net (Notes 5 and 11)	4,430	9,587	16,416	22,097	31,319
Total other income and income deductions	16,835	30,135	52,957	68,330	89,790
Total Income before Interest Charges	269,545	296,741	360,097	399,052	414,391
Interest Charges:					
Interest on long-term debt (Note 8)	104,145	124,674	134,423	143,152	154,301
Other interest and amortization (Notes 1, 2 and 8)	8,814	1,511	9,945	17,926	28,357
Total interest charges	112,959	126,185	144,368	161,078	182,658
Allowance for debt funds used during construction (Note 3)	(3,758)	(6,225)	(11,069)	(14,005)	(19,950)
Net interest charges	109,201	119,960	133,299	147,073	162,708
Net Income (Note 5)	160,344	176,781	226,798	251,979	251,683
Dividends on Cumulative Preferred and Preference Stock	35,688	39,604	41,751	45,649	49,457
Earnings Available for Common and Original Preferred Stock (Note 2)	$ 124,656	$ 137,177	$ 185,047	$ 206,330	$ 202,226
Weighted Average Shares of Common and Original Preferred Stock Outstanding and Common Stock Equivalents (000)	44,580	47,965	48,678	54,347	57,477
Earnings Per Share (Notes 2, 5 and 10):					
Primary	$2.80	$2.86	$3.80	$3.80	$3.52
Fully Diluted	$2.68	$2.75	$3.61	$3.63	$3.38
Dividends Declared per Common Share (Note 9)	$1.68	$1.68	$1.68	$2.06	$2.30

The accompanying notes are an integral part of these statements.

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEETS

ASSETS

	(Thousands of Dollars)	
	December 31,	
	1977	1978
UTILITY PLANT:		
Utility plant, at original cost less contributions (Notes 1, 3, 4, 13 and Schedule V)	$4,964,888	$5,303,746
Less — Accumulated provision for depreciation (Notes 1, 13 and Schedule VI)	1,383,009	1,519,174
Net utility plant	3,581,879	3,784,572
Construction work in progress (Notes 6, 13 and Schedule V)	1,209,502	1,493,573
Nuclear fuel, at amortized cost (Schedules V and VI)	17,343	13,572
Total utility plant	4,808,724	5,291,717
OTHER PROPERTY AND INVESTMENTS:		
Real estate and other, at cost — less accumulated provision for depreciation	6,024	7,658
Subsidiary companies (Notes 1 and 11)	82,579	85,818
Total other property and investments	88,603	93,476
CURRENT ASSETS:		
Cash (Note 4)	9,245	7,458
Temporary cash investments	—	80,532
Receivables, less reserve of $5,714,000 and $5,608,000 for uncollectible accounts at respective dates (Notes 1, 8 and Schedule XII)	213,002	211,625
Fuel stock, at cost (first-in, first-out) (Note 4)	277,586	163,021
Materials and supplies, at average cost	28,016	28,463
Deferred energy costs (Notes 1 and 5)	132,559	102,369
Prepayments and other (taxes, insurance, etc.)	63,476	42,022
Total current assets	723,884	635,490
DEFERRED DEBITS:		
Accumulated deferred income taxes — customer refunds (Notes 2 and 5)	78,801	—
Other deferred charges	25,254	37,014
Total deferred debits	104,055	37,014
	$5,725,266	$6,057,697

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

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEETS

CAPITALIZATION AND LIABILITIES

	(Thousands of Dollars) December 31, 1977	1978
SHAREHOLDERS' EQUITY:		
Original preferred stock	$ 4,000	$ 4,000
Cumulative preferred stock	593,755	593,755
Preference stock	117,417	102,895
Common stock, including additional stated capital, 90,000,000 shares authorized, 54,646,457 and 62,536,581 shares outstanding at respective dates	470,374	547,166
Total capital stock — stated value (Note 9)	1,185,546	1,247,816
Additional paid-in capital	443,109	569,673
Earnings reinvested in the business (Notes 2 and 12)	862,956	931,217
Total shareholders' equity	2,491,611	2,748,706
LONG-TERM DEBT (Notes 1 and 8)	2,314,874	2,477,474
Total capitalization	4,806,485	5,226,180
CURRENT LIABILITIES:		
Accounts payable	169,128	154,495
Commercial paper payable (Note 4)	135,365	—
Notes payable to banks (Note 4)	—	19,986
Current maturities of long-term debt (Note 8)	35,500	33,737
Customer refunds — current (Note 2)	—	52,724
Taxes accrued (Note 5)	95,753	92,550
Interest accrued	47,802	51,069
Customer deposits	14,267	15,601
Dividends declared	35,223	43,205
Accumulated deferred income taxes — deferred energy costs (Notes 1 and 5)	69,832	53,928
Other	15,127	23,612
Total current liabilities	617,997	540,907
COMMITMENTS AND CONTINGENCIES (Note 4)		
RESERVES AND DEFERRED CREDITS:		
Customer advances and other deferred credits	40,804	46,115
Customer refunds (Note 2)	149,657	107,774
Accumulated deferred income taxes and investment tax credits (Notes 1 and 5)	80,870	110,096
Reserves for pensions, insurance, etc .(Note 7 and Schedule XII)	29,453	26,625
Total reserves and deferred credits	300,784	290,610
	$5,725,266	$6,057,697

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

SOUTHERN CALIFORNIA EDISON COMPANY

STATEMENTS OF EARNINGS REINVESTED IN THE BUSINESS

	(Thousands of Dollars)				
	Year Ended December 31,				
	1974	1975	1976	1977	1978
Balance at Beginning of Period —					
As previously reported	$573,261	$677,839	$742,706	$ 835,507	$ 862,956
Adjustments (Note 2)	(3,323)	(61,277)	(71,158)	(66,082)	—
As restated	569,938	616,562	671,548	769,425	862,956
Add:					
Net income (Note 5)	160,344	176,781	226,798	251,979	251,683
Adjustments — net (Note 12)	(2,136)	—	—	—	3,801
	728,146	793,343	898,346	1,021,404	1,118,440
Deduct:					
Dividends declared on capital stock (Note 9):					
Original Preferred	792	806	806	922	1,075
Cumulative Preferred	32,157	35,705	37,851	38,423	42,532
Preference	3,900	3,900	3,900	6,844	6,926
Common	74,735	79,775	82,544	111,372	132,205
Capital stock expense (Note 12)	—	1,609	3,820	887	4,485
	111,584	121,795	128,921	158,448	187,223
Balance at End of Period(a)	$616,562	$671,548	$769,425	$ 862,956	$ 931,217

(a) Includes undistributed earnings of unconsolidated subsidiary companies of $8,621,000 and an appropriation of $3,801,000 relating to certain federally-licensed hydroelectric projects at December 31, 1978.

STATEMENTS OF ADDITIONAL PAID-IN CAPITAL

	(Thousands of Dollars)				
	Year Ended December 31,				
	1974	1975	1976	1977	1978
Balance at Beginning of Period	$316,636	$350,503	$350,503	$ 427,422	$ 443,109
Premium received on sale of Common Stock	33,867	—	76,919	15,690	126,572
Payments made in lieu of issuing fractional shares of Common Stock	—	—	—	(3)	(8)
Balance at End of Period	$350,503	$350,503	$427,422	$ 443,109	$ 569,673

The accompanying notes are an integral part of these statements.

SOUTHERN CALIFORNIA EDISON COMPANY

STATEMENTS OF CHANGES IN FINANCIAL POSITION

	(Thousands of Dollars) Year Ended December 31,				
	1974	1975	1976	1977	1978
FUNDS PROVIDED BY:					
Operations —					
Net income (Note 5)	$ 160,344	$176,781	$ 226,798	$ 251,979	$ 251,683
Non-fund items:					
Depreciation (Notes 1 and 5)	116,189	120,410	124,802	140,520	157,203
Equity in earnings of unconsolidated subsidiaries (Notes 1 and 11)	(1,040)	(290)	(968)	(551)	(608)
Allowance for debt and equity funds used during construction (Note 3)	(16,163)	(26,773)	(47,610)	(60,238)	(78,421)
Investment tax credit deferred — net (Notes 1 and 5)	(781)	6,624	16,366	26,886	32,568
Other — net	6,603	5,746	15,417	8,152	4,788
Customer refunds — net (Note 2)	57,954	9,881	(5,076)	4,774	36,918
Earnings distributed from unconsolidated subsidiaries	—	3,500	1,000	1,000	1,000
Total from operations	323,106	295,879	330,729	372,522	405,131
Long-term financing —					
Preferred stock (Note 9)	50,000	50,000	—	60,000	—
Preference stock (Note 9)	—	—	—	42,419*	(14,522)*
Common stock (Note 9)	67,200	—	123,951	43,323*	203,364 *
Long-term debt (Note 8)	222.486	161,641	126,263	200,000	200,000
Total from long-term financing	339,686	211,641	250,214	345,742	388,842
Other sources —					
Construction advances and other	169	9,404	5,529	9,102	9,258
Sale of non-current assets	—	—	—	10,883	—
Decrease in working capital	—	—	140,431	—	13,067
Total from other sources	169	9,404	145,960	19,985	22,325
Total funds provided	$ 662,961	$516,924	$ 726,903	$ 738,249	$ 816,298
FUNDS APPLIED TO:					
Construction additions — net	$ 336,837	$407,903	$ 547,936	$ 560,507	$ 646,252
Less — allowance for debt and equity funds used during construction (Note 3)	16,163	26,773	47,610	60,238	78,421
Funds used for construction expenditures	320,674	381,130	500,326	500,269	567,831
Advances to unconsolidated subsidiaries	13,870	8,375	5,900	(999)	3,630
Dividends	111,584	120,186	125,101	157,561	182,738
Repayment of long-term debt (Note 8)	—	—	80,840	—	35,500
Other — net	3,157	—	14,736	2,015	26,599
Increase in working capital	213,676	7,233	—	79,403	—
Total funds applied	$ 662,961	$516,924	$ 726,903	$ 738,249	$ 816,298
WORKING CAPITAL CHANGES (Other than current maturities of long-term debt):					
Receivables and temporary cash investments	$ 98,352	$(66,401)	$ 3,689	$ 86,554	$ 79,155
Fuel stock and materials and supplies	139,951	42,729	(124,614)	84,672	(114,118)
Prepayments and other	40,931	(35,033)	6,418	9,243	(21,454)
Deferred energy costs — net (Notes 1 and 5)	—	—	(10,122)	72,849	(14,286)
Notes and accounts payable	42,338	(10,350)	(2,418)	(145,639)	68,803
Taxes and interest accrued	(100,706)	70,243	(2,107)	(19,918)	(64)
Other — net	(7,190)	6,045	(11,277)	(8,358)	(11,103)
Increase (Decrease) in working capital	$ 213,676	$ 7,233	$(140,431)	$ 79,403	$ (13,067)

* These amounts include conversions of Preference Stock, 5.20% Convertible Series, to Common Stock in the amount of $19,581,000 for 1977 and $14,522,000 for 1978.

The accompanying notes are an integral part of these statements.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1 — Summary of Significant Accounting Policies

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 prescribed by the Federal Energy Regulatory Commission ("FERC") and adopted by the California Public Utilities Commission ("CPUC").

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

Depreciation of utility plant is computed on a straight-line remaining life basis for financial statement purposes and approximated 2.9% of average depreciable plant for 1974 through 1976, 3.1% for 1977 and 3.2% for 1978. Although the eventual cost of retiring a nuclear generating unit cannot be predicted with certainty, the Company has estimated that decommissioning costs will approximate $36,000,000 for nuclear generation facilities in service. The Company's rates are designed to recover such costs through depreciation expense over the estimated remaining useful lives of such facilities. Current income tax expense has been reduced by the current tax reductions arising from the use of liberalized methods and lives in computing depreciation for income tax purposes and a portion of investment tax credits ("ITC"). The current reduction of income tax liability due to certain additional ITC made available by the Tax Reduction Act of 1975 and the Tax Reform Act of 1976 is being normalized.

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

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

Deferred energy costs result from the Company's Energy Cost Adjustment Clause ("ECAC"), which requires monthly entries to adjust the results of operations and maintenance of a balancing account for overcollections or undercollections. Variations between ECAC revenues and the related energy costs included in rates are deferred until such variations 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 also are deferred. For income tax purposes, billed revenues and incurred energy costs are utilized in the determination of taxable income.

Investments in unconsolidated subsidiary companies, all of which are wholly-owned, are accounted for under the equity method of accounting.

Note 2 — Prior Period Adjustments

The amounts of earnings available for Common and Original Preferred Stock for the years 1974-1977, inclusive, have been revised from the amounts previously reported to give retroactive effect to an April 27, 1976 decision of the CPUC which was affirmed by the California Supreme Court on March 23, 1978. On October 16, 1978, the United States Supreme Court denied the Company's appeal of this decision. The combined effect of the CPUC decision and a CPUC order issued December 12, 1978, requires the Company to refund, as reductions of customers' billings over a three-year period which began January 1, 1979, revenues collected pursuant to the operation of the Company's fuel adjustment clause during the period May 1972 through April 1976, in the approximate amount of $133,000,000 and approximately $45,000,000 of interest for the period from May 1976 through December 1981. Except for an estimated $18,000,000 of the interest which is applicable to and will be recorded during the three-year refund period, the earnings impact of the refund has been reflected in the Company's financial statements for periods ending prior to January 1, 1979. These retroactive adjustments reduced the balance of earnings reinvested in the business by $3,323,000 as of January 1, 1974 and reduced earnings available for Common and Original Preferred Stock and primary earnings per share by $57,954,000 ($1.30 per share) for 1974 and $9,881,000 ($0.21 per share) for 1975, whereas the adjustments increased such items for 1976 by $5,076,000 ($0.10 per share) because of undercollections, and reduced such items by $4,774,000 ($0.08 per share) for 1977, as follows:

	(Thousands of Dollars) Year Ended December 31,			
	1974	1975	1976	1977
Earnings Available for Common and Original Preferred Stock — previously reported	$182,610	$147,058	$179,971	$211,104
Adjustments to:				
Operating revenues	(122,473)	(20,881)	17,072	—
Other interest and amortization	—	—	(6,345)	(10,089)
Taxes on income	64,519	11,000	(5,651)	5,315
As adjusted	$124,656	$137,177	$185,047	$206,330

Note 3 — Allowance for Funds Used During Construction

Allowance for Funds Used During Construction ("ADC") is the generally accepted utility accounting procedure designed to capitalize the cost of both debt and equity funds used to finance plant additions during construction periods and to restore net income to the level which would have been experienced without the construction program through a transfer of such costs from the income statement to the balance sheet as utility plant construction work in progress. Such costs are recovered from rate-payers as a cost of service through provisions for depreciation in future periods. Although ADC increases net income, it does not represent current cash earnings. The ADC rate authorized by the CPUC was 8.0% for 1974 through 1976. Effective January 1, 1977 a FERC Order requires the use of a prescribed formula for computing the ADC rate and permits semi-annual compounding. An effective annual ADC rate of 6.96% was utilized during the years 1977 and 1978. The formula provides for the separate computation of ADC applicable to debt funds and to equity funds. Prior to 1977, separate rates were not required to be determined. ADC for periods ending prior to January 1, 1977 have been reclassified to conform to the new presentation. The reclassification is based upon the current ratio of the debt and equity portions of ADC to total ADC as determined by the application of the formula.

Note 4 — Commitments and Contingencies

Construction program and fuel supply —

The Company has significant purchase commitments in connection with its continuing construction program. As of December 21, 1978 (the date of the Company's latest approved budget), funds required for construction expenditures are estimated at $660,000,000 for 1979 and $623,000,000 for 1980. Minimum long-term commitments of approximately $6.6 billion existed on December 31, 1978 under the Company's fuel supply and transportation arrangements.

Government licenses —

Major hydroelectric plants together with certain reservoirs are located in whole or in part on lands of the United States under Government licenses and permits which expire between 1979 and 2009. Such licenses and permits contain numerous restrictions and obligations, including the right of the United States to acquire the projects, under certain conditions, upon payment of specified compensation.

Revenues —

Pursuant to FERC procedures, on May 2, 1974, August 4, 1974 and February 1, 1976, rate increases applicable to resale sales became effective, subject to refund with interest to the extent that any of the increases are subsequently determined by the FERC to be inappropriate. For the period May 2, 1974 through December 31, 1978, additional revenues of approximately $272,000,000 billed under these rate filings remain subject to refund. A FERC decision dated April 26, 1978, determined that substantially all of the increased rates relating to a fuel cost adjustment clause placed in effect on May 2, 1974 were just and reasonable. In August 1978 certain of the Company's resale customers filed a petition with the U. S. Court of Appeals, District of Columbia Circuit, for a review of this decision. If the Court of Appeals sustains the FERC decision, approximately $225,000,000 of such additional revenues billed during the period from August 4, 1974 through December 31, 1978, will remain subject to refund. The Company believes that based on these and other facts, the amount of revenues, if any, which may be required to be refunded would not have a significant effect on net income in any of the related periods.

Compensating balances and short-term debt —

In order to continue lines of credit with various banks, which amounted to approximately $161,000,000 on December 31, 1977 and $170,000,000 on December 31, 1978, the Company presently maintains deposits aggregating approximately $14,000,000 which are not legally restricted as to withdrawal. None of such lines of credit was used during 1977 and 1978. The variation between cash reported on the Company's balance sheet and the minimum aggregate deposits recorded by the banks is "float", which is due to timing differences in recording deposits and withdrawals by the Company and the banks.

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. The maximum amount of bankers' acceptances outstanding for 1977 and 1978 was $72,006,000 and $68,545,000, respectively. The average daily borrowings for these same periods were $10,396,000 and

Note 4 — Commitments and Contingencies (continued)

$24,259,000, respectively, with weighted average annual interest rates (total interest divided by average daily borrowings) of 6.22% and 7.87%, respectively.

The maximum amount of commercial paper outstanding for 1977 and 1978, was $160,500,000 and $165,273,000, respectively. The average daily borrowings for these same periods were $88,967,000 and $113,414,000, respectively, with weighted average annual interest rates of 5.63% and 7.23%, respectively.

There were no notes payable outstanding during 1977; however, the maximum amount of notes payable outstanding for 1978 was $87,970,000. The average daily borrowings for this period was $41,402,000, with a weighted average annual interest rate of 8.23%. These notes are unrelated to the lines of credit referred to above.

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, the trebling of these 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 August 1978, the Federal Court granted the Company's motion to stay the action pending resolution of the Company's FERC resale rate filing which became effective in February 1976, and of other 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.

The foregoing proceedings involve complex issues of law and fact, and although the Company is unable to predict their final outcome, it categorically denies the allegations of these resale customers.

In 1972, a charge was filed with the Federal Equal Employment Opportunity Commission ("EEOC") and a class action lawsuit was filed in Federal Court in 1974, both of which alleged that the Company had engaged in unlawful, discriminatory employment practices.

Although denying that it has engaged in any unlawful employment practices, the Company has entered into a Conditional Settlement with the EEOC and the representatives of most of the class action plaintiffs which, on November 7, 1977, was submitted to the Federal Court for approval as a consent decree. The estimated cost of this settlement is initially $700,000 with the possibility of an additional estimated $300,000 in payment on individual awards after hearings.

If the settlement should not be approved and the case is tried, it is the opinion of Company counsel that the Company has a number of defenses which should be sustained by a court and which, among other things, have the effect of limiting monetary damages. The Company believes, based on a current analysis of the applicable law and facts, that the amount of any recovery for monetary damages, including back pay, should not have a material effect on the financial position of the Company.

Note 5 — Supplementary Income Data

Taxes on income —

As required by the CPUC and discussed in Note 1, no provisions are made for income tax reductions (net) which result from reporting certain transactions for income tax purposes in a period different from that in which they are reported in the financial statements, except for certain ITC discussed below, the retroactive adjustments to taxes on income resulting from the restatement discussed in Note 2 and the tax effects of the ECAC balancing account provisions.

Effective January 1, 1976, pursuant to FERC procedure, the Company began providing deferred income taxes for certain timing differences allocable to resale rates. The revenues related to such deferred income taxes are being collected subject to refund, as discussed in Note 4, pending action by the FERC.

ITC not deferred have been applied as a current reduction of income tax expense. Additional ITC, made available to the Company under the provisions of the Tax Reduction Act of 1975 and the Tax Reform Act of 1976, have been deferred and are being amortized to income tax expense ratably over the service lives of the properties generating such credits.

Note 5 — Supplementary Income Data (continued)

Supplementary information regarding taxes on income included in operating expenses is set forth in the following table. Deferred Federal and State taxes on income have been revised from amounts previously reported as set forth below and in Note 2.

	(Thousands of Dollars)				
	Year Ended December 31,				
	1974	1975	1976	1977	1978
Current:					
Federal	$111,359	$ 37,897	$ 25,165	$(48,360)	$(49,219)
State	24,241	12,481	14,344	1,233	3,567
	135,600	50,378	39,509	(47,127)	(45,652)
Deferred — Federal and State:					
Investment tax credit — net	(781)	6,624	16,366	26,886	32,568
Energy cost adjustment balancing account	—	—	(11,269)	81,101	(15,904)
Customer refunds (Note 2)	(64,519)	(11,000)	5,651	(5,315)	78,801
Other	(2,129)	(2,144)	3,432	1,345	2,208
	(67,429)	(6,520)	14,180	104,017	97,673
Total taxes on income	$ 68,171	$ 43,858	$ 53,689	$ 56,890	$ 52,021
Taxes on income included in operating expenses	$ 70,618	$ 46,623	$ 59,506	$ 68,792	$ 72,803
Taxes on income included in other income	(2,447)	(2,765)	(5,817)	(11,902)	(20,782)
Total taxes on income	$ 68,171	$ 43,858	$ 53,689	$ 56,890	$ 52,021
Differences between the federal statutory tax rate and the Company's effective tax rate are reconciled as follows:					
Federal statutory tax rate	48.0%	48.0%	48.0%	48.0%	48.0%
Excess of tax over book depreciation	(12.1)	(11.6)	(9.1)	(6.0)	(3.4)
Allowance for debt and equity funds used during construction	(3.4)	(5.8)	(8.1)	(9.4)	(12.4)
Repair allowance	—	—	(2.1)	(2.9)	(4.7)
Administrative and general expenses capitalized	(2.3)	(3.0)	(2.4)	(2.3)	(2.7)
Investment tax credit — net	(3.8)	(3.1)	(4.9)	(6.6)	(8.4)
Ad valorem lien date adjustment	(0.5)	(0.6)	(0.7)	(0.5)	4.2
Federal deduction for state taxes on income	0.8	(4.6)	(1.9)	(3.5)	(2.7)
All other differences	(2.5)	(4.0)	(4.7)	(2.9)	(5.5)
State tax provision	5.6	4.6	5.0	4.5	4.7
Effective tax rate	29.8%	19.9%	19.1%	18.4%	17.1%
Property and other taxes included in operating expenses:					
Property	$ 80,448	$ 84,965	$ 91,601	$ 98,370	$ 74,665
Payroll and other	6,471	8,603	10,525	11,290	11,764
	$ 86,919	$ 93,568	$102,126	$109,660	$ 86,429

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5 — Supplementary Income Data (continued)

Quarterly financial data —

A summary of audited quarterly financial information for 1978 and as restated for 1977 to provide for the refund of fuel adjustment clause "overcollections", is as follows (see Note 2 for further details regarding the restatement):

	Three Months Ended			
	March 31, 1978	June 30, 1978	September 30, 1978	December 31, 1978
Operating Revenues (000)	$547,518	$545,444	$634,934	$600,902
Operating Income (000)	64,050	70,612	90,778	99,162
Net Income (000)	46,470	50,912	68,846	85,455
Primary Earnings Per Share	$ .62	$ .69	$1.00	$1.19
Fully Diluted Earnings Per Share	$ .59	$ .67	$ .96	$1.15

	Three Months Ended			
	March 31, 1977	June 30, 1977	September 30, 1977	December 31, 1977
Operating Revenues (000):				
As previously reported	$505,819	$471,859	$550,790	$536,446
Adjustment for restatement	—	—	—	—
As restated	$505,819	$471,859	$550,790	$536,446
Operating Income (000):				
As previously reported	$ 84,707	$ 75,684	$ 86,341	$ 78,675
Adjustment for restatement	1,295	1,315	1,340	1,365
As restated	$ 86,002	$ 76,999	$ 87,681	$ 80,040
Net Income (000):				
As previously reported	$ 68,759	$ 57,973	$ 68,808	$ 61,213
Adjustment for restatement	(1,161)	(1,183)	(1,204)	(1,226)
As restated	$ 67,598	$ 56,790	$ 67,604	$ 59,987
Primary Earnings Per Share:				
As previously reported	$1.07	$ .86	$1.05	$ .90
As restated	$1.05	$ .84	$1.03	$ .88
Fully Diluted Earnings Per Share:				
As previously reported	$1.02	$ .82	$1.01	$ .86
As restated	$1.00	$ .80	$ .99	$ .84

Leases and rentals —

The Company has entered into various arrangements to lease nuclear fuel, automotive equipment, computer equipment, office space and other incidental equipment and property which are accounted for as operating leases. Neither the annual gross lease expense nor the present value of the minimum commitments of capital leases are material.

Other —

The amounts of taxes, depreciation and maintenance charged to other accounts and royalties paid are not significant. Advertising costs included in other operation expenses are less than 1% of revenues.

Note 6 — Research and Development

Research and Development ("R&D") expenditures are expensed currently if they are of a general nature. Plant related R&D expenditures are accumulated in construction work in progress ("CWIP") until a determination is made whether or not such projects will result in construction of electric plant. If no construction of electric plant ultimately results, the expenditures are charged to operating expense. The balance of R&D expenditures included in CWIP at December 31, 1977 and 1978 was $13,331,000 and $17,178,000, respectively.

	(Thousands of Dollars)				
	Year Ended December 31,				
	1974	1975	1976	1977	1978
R&D expensed	$15,944	$ 9,636	$10,887	$12,710	$14,442
R&D charged to CWIP — net	(542)	4,814	5,551	2,407	3,847
Total R&D expenditures	$15,402	$14,450	$16,438	$15,117	$18,289

Note 7 — Retirement Plans

The Company's current pension program is based on a trusteed non-contributory pension plan. 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 $19,789,000 for 1974; $23,702,000 for 1975; $23,417,000 for 1976; $27,689,000 for 1977; and $32,236,000 for 1978. Accumulated pension funds and reserves exceed vested benefits under the program.

Under the Employee Stock Purchase Plan adopted to supplement employees' income after retirement, employees may elect to contribute specified percentages of their compensation to a trustee for the purchase of Company Common Stock and the Company contributes to the Plan an amount equal to one-half of the aggregate contributions of employees, less forfeitures. The Company's contribution amounted to $2,272,000 for 1974; $2,473,000 for 1975; $2,461,000 for 1976; $2,591,000 for 1977; and $2,785,000 for 1978.

The Tax Reduction Act of 1975 introduced a provision for an additional 1% ITC if the funds generated therefrom are invested in the purchase of employer securities for the benefit of employees and transferred into an Employee Stock Ownership Plan. Eligible securities include Common Stock or securities convertible into Common Stock. The Company has established a Tax Reduction Act Employee Stock Ownership Plan with respect to the years 1976 and 1977 and has issued in trust 102,262 shares of Common Stock during 1977 and 203,879 shares of Common Stock during 1978. The allocation of such shares to participants and the continuation of the Plan are contingent upon the receipt of a favorable ruling by the Internal Revenue Service that the Company is eligible for the additional 1% ITC.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 8 — Long-Term Debt

A summary of long-term debt outstanding follows:

Series		Maturity	Interest Rate	(Thousands of Dollars) December 31, 1977	1978
				Principal Amount	
First and Refunding Mortgage Bonds	E	1978	3⅝%	$ 30,000	$ —
	F	1979	3	30,000	30,000
	G	1981	3⅝	40,000	40,000
	H	1982	4¼	37,500	37,500
	I	1982	4¾	40,000	40,000
	J	1982	4⅞	40,000	40,000
	K	1983	4⅝	50,000	50,000
	L	1985	5	30,000	30,000
	M	1985	4⅜	60,000	60,000
	N	1986	4½	30,000	30,000
	O	1987	4¼	40,000	40,000
	P	1987	4¼	50,000	50,000
	Q	1988	4⅜	60,000	60,000
	R	1989	4⅜	60,000	60,000
	S	1990	4½	60,000	60,000
	T	1991	5¼	75,000	75,000
	U	1991	6⅛	80,000	80,000
	V	1992	5⅞	80,000	80,000
	W	1993	6⅜	100,000	100,000
	X	1994	7⅛	75,000	75,000
	Y	1994	8⅛	100,000	100,000
	Z	1995	7⅞	100,000	100,000
	AA	1996	8	100,000	100,000
	BB	1997	7⅜	125,000	125,000
	CC	1999	8¼	100,000	100,000
	DDP	1999	7	15,030	15,030
	EE	1981	9	100,000	100,000
	FF	2000	8⅞	150,000	150,000
	GG	2001	8⅞	125,000	125,000
	HH	2002	8¼	125,000	125,000
	II	1984	7¼	75,000	75,000
	JJ	2003	9⅝	—	200,000
				2,182,530	2,352,530
First Mortgage Bonds (Calectric)		1978-1991	2⅞ -5⅛	71,500	66,000
Convertible Debentures		1980	3⅛	74,902	74,902
Promissory Notes		1979-1983	5½	17,953	17,953
Principal Amounts Outstanding				2,346,885	2,511,385
Current Maturities of Long-Term Debt				(35,500)	(33,737)
Unamortized Premium or (Discount)— net				3,489	(174)
Total Long-Term Debt				$2,314,874	$2,477,474

Note 8 — Long-Term Debt (continued)

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 thereunder 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 deposit with the Trustee of 1% of the principal amount of First Mortgage Bonds issued less certain bonds retired, plus an amount equivalent to the excess of 15% of gross operating revenues over costs of maintenance of the property subject to the lien of such indenture. These deposit requirements of such indentures may be and have been satisfied by property additions and replacements, and by delivery and cancellation of bonds outstanding under the applicable indenture. The Series DDP, First and Refunding Mortgage Bonds are subject to a mandatory sinking fund commencing on July 1, 1990.

Current maturities of long-term debt on December 31, 1978 included First and Refunding Mortgage Bonds, Series F, Due August 15, 1979 in the amount of $30,000,000, 5½% Promissory Notes, due February 28, 1979 in the amount of $1,879,000 and 5½% Promissory Notes, due August 31, 1979 in the amount of $1,858,000. The amounts of long-term debt maturing in the four years subsequent to December 31, 1979, will be: $84,544,000 in 1980; $143,548,000 in 1981; $121,025,000 in 1982; and $53,501,000 in 1983.

On December 31, 1977 the 3⅛% Convertible Debentures, Due 1980, were convertible at the adjusted rate of one share of Common Stock for each $39.00 of the principal amount of such debentures. Subsequent to the issuance of 6,000,000 shares of Common Stock on October 25, 1978, the conversion price decreased to $37.50 which was the conversion price at December 31, 1978. Any such debentures which are converted may not be reissued.

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 through August 1983, pounds sterling to repay substantially all of the promissory notes.

On November 9, 1978, the Company sold $200,000,000 principal amount of First and Refunding Mortgage Bonds, Series JJ, Due 2003 (9⅝%).

Note 9 — Capital Stock

Transactions in the capital stock accounts for the five years ended December 31, 1978, were as follows:

In 1974, 2,000,000 shares of Cumulative Preferred Stock, 8.85% Series and 4,000,000 shares of Common Stock were issued; in 1975, 2,000,000 shares of Cumulative Preferred Stock, 9.20% Series were issued; in 1976, 87,656 shares and 556,191 shares of Common Stock were issued under the Company's Dividend Reinvestment and Stock Purchase Plan and the Employee Stock Purchase Plan, respectively, and 5,000,000 shares were issued publicly. In 1977, the Company issued 2,480,000 shares of Preference Stock, 7.375% Series; 600,000 shares of $100 Cumulative Preferred Stock, 7.80% Series; and 323,932 shares, 540,081 shares, and 102,262 shares of

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 9 — Capital Stock (continued)

Common Stock under the Company's Dividend Reinvestment and Stock Purchase Plan, Employee Stock Purchase Plan, and the Tax Reduction Act Employee Stock Ownership Plan, respectively. Also in 1977, 783,226 shares of Preference Stock, 5.20% Convertible Series, were converted into 551,452 shares of Common Stock. In 1978, the Company issued 637,014, 631,521, and 203,879 shares of Common Stock under the Company's Dividend Reinvestment and Stock Purchase Plan, Employee Stock Purchase Plan and the Tax Reduction Act Employee Stock Ownership Plan, respectively and 580,854 shares of Preference Stock, 5.20% Convertible Series, were converted into 417,710 shares of Common Stock. In addition, on October 25, 1978, the Company issued 6,000,000 shares of Common Stock at an initial public offering price of $25.375 per share.

The quarterly dividend rate was increased from 39¢ per share to 42¢ per share effective with the dividend paid on Common Stock on April 30, 1974, and on Original Preferred Stock on June 30, 1974; to 50¢ per share effective with the dividend paid on Common Stock on April 30, 1977 and on Original Preferred Stock on June 30, 1977; to 56¢ per share effective with the dividend paid on Common Stock on January 31, 1978, and on Original Preferred Stock with the dividend paid on March 31, 1978; and to 62¢ per share effective with the dividend paid on Common Stock on January 31, 1979, and on Original Preferred Stock with the dividend to be paid on March 31, 1979.

A summary of the capital stock accounts follows:

	December 31, 1978		(Thousands of Dollars)	
			December 31,	
	Shares Outstanding	Redemption Price Per Share	1977	1978
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	27.20	50,000	50,000
9.20% Series	2,000,000	27.25	50,000	50,000
$100 Cumulative Preferred — authorized 6,000,000 shares, par value $100 per share (a)				
7.325% Series	750,000	110.00	75,000	75,000
7.58 % Series	750,000	105.00	75,000	75,000
7.80 % Series	600,000	110.00	60,000	60,000
8.70 % Series	500,000	111.00	50,000	50,000
8.96 % Series	500,000	111.00	50,000	50,000
			593,755	593,755
Preference — authorized 10,000,000 shares, par value $25 per share (a) (b)				
5.20 % Convertible Series	1,635,820	25.00	55,417	40,895
7.375% Series	2,480,000	26.25	62,000	62,000
			117,417	102,895
Common — authorized 90,000,000 shares, par value $8⅓ per share, including additional stated capital (b) (c) (e)	62,536,581		470,374	547,166
Total capital stock — stated value (d)			$1,185,546	$1,247,816

Note 9 — Capital Stock (continued)

(a) All series of $100 Cumulative Preferred, Cumulative Preferred and Preference Stock are redeemable at the option of the Company. The various series of $100 Cumulative Preferred Stock, the Cumulative Preferred Stock, 8.85% Series and 9.20% Series, and the Preference Stock, 7.375% Series are subject to certain restrictions on redemption for refunding purposes. The $100 Cumulative Preferred Stock, 7.325% Series has a cumulative sinking fund provision requiring the redemption of 30,000 shares annually at $100 per share, plus accumulated unpaid dividends, commencing July 31, 1983, and continuing until all shares are redeemed. Commencing November 30, 1983, and continuing until all shares are redeemed, the $100 Cumulative Preferred Stock, 7.80% Series, has a cumulative sinking fund provision requiring the annual redemption of a specified percentage of shares originally outstanding (2.5% in 1983 and increasing to 5.5% by 2003) at $100 per share plus accumulated unpaid dividends. Commencing September 1, 1984 and continuing until all shares are repurchased, the Company has a contractual obligation to purchase a minimum of 496,000 shares annually of its Preference Stock, 7.375% Series, at $25 per share plus accumulated unpaid dividends.

(b) Under a prescribed formula, the conversion prices of convertible securities are adjusted when additional shares of Common Stock are sold by the Company. At December 31, 1977 and 1978, the shares of Common Stock reserved for the conversion of the Preference Stock, 5.20% Convertible Series amounted to 1,561,039 and 1,202,809, respectively, at the adjusted conversion prices of $35.50 per share and $34.00 per share, respectively. In addition, 1,920,565 and 1,997,388 shares of Common Stock were reserved at those respective dates for the conversion of 3⅛% Convertible Debentures, Due 1980 at the adjusted conversion prices of $39.00 and $37.50 per share, respectively.

(c) At December 31, 1978, there were approximately 2,051,398, 572,207 and 693,859 authorized and unissued shares of Common Stock reserved for sale and issuance under provisions of the Company's Dividend Reinvestment and Stock Purchase Plan, Employee Stock Purchase Plan, and Tax Reduction Act Employee Stock Ownership Plan, respectively. On February 16, 1979, the Company issued 223,657 and 6,921 shares of Common Stock under the Dividend Reinvestment and Stock Purchase Plan and the Tax Reduction Act Employee Stock Ownership Plan, respectively.

(d) The Company's Articles of Incorporation authorize the issuance of 2,000,000 shares of $100 Preference Stock, $100 par value, none of which was outstanding as of December 31, 1977 and 1978.

(e) The book value per common share after giving effect to the participating provision of the Original Preferred Stock was $32.30 and $32.57 at December 31, 1977 and 1978, respectively.

Note 10 — Earnings Per Share

Primary earnings per share are based on the number of weighted average shares of Common and Original Preferred Stock outstanding and Common Stock Equivalents for funds held by the Employee Stock Purchase Plan Trustee in each period, giving effect to the participating provisions of the Original Preferred Stock, and after providing for cumulative preferred and preference dividend requirements. Fully diluted earnings per share also give effect to the dilution which would result from the conversion of the Preference Stock, 5.20% Convertible Series, and the 3⅛% Convertible Debentures, Due 1980.

Note 11 — Subsidiary Companies

None of the Company's five wholly-owned subsidiaries is considered significant for financial reporting purposes. Mono Power Company ("Mono"), a non-public utility, is engaged primarily in the acquisition and development of mineral properties and interests therein. Mono has entered into agreements to conduct uranium, oil, coal, gas and geothermal exploration and development, substantially all of the costs and benefits of which are being reflected in the Company's energy costs.

Note 12 — Adjustments to Earnings Reinvested in the Business

On December 31, 1974, the unamortized balance of capital stock expense, $2,136,000, was transferred to earnings reinvested in the business since it is the Company's intention to charge earnings reinvested in the business directly for capital stock expenses incurred in future periods. In 1974 and prior years, capital stock expense was amortized to income over a five-year period from the dates incurred. Pursuant to a FERC order, an operating reserve in the amount of $3,801,000 relating to certain federally-licensed hydroelectric projects was transferred to earnings reinvested in the business in April 1978 and became an appropriation thereof.

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

Earnings reinvested in the business have also been revised from amounts previously reported as set forth in Note 2.

Note 13 — Jointly-Owned Electric Utility Plants

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

	(Thousands of Dollars)			
	December 31, 1978			
Facility	Electric Plant in Service	Estimated Accumulated Provision for Depreciation	Construction Work in Progress	Ownership Interest
Mohave Generating Station	$167,299	$ 32,100	$ 6,488	56.0%
San Onofre Generating Station	147,936	30,351	1,157,919	80.0
Four Corners Generating Station	92,739	24,264	15,615	48.0
Axis Generating Station	17,384	6,066	186	100.0(1)
Palo Verde Generating Station	—	—	135,668	15.8
800 KV DC System	65,715	12,239	1,016	50.0
El Dorado System	19,054	3,836	27	60.0(2)
Total	$510,127	$108,856	$1,316,919	

(1) The Company's share of operating capacity is 33.3%.

(2) Represents a composite rate.

Note 14 — Long-Term Contracts for the Purchase of Power

Under certain 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 plant 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 plant is not operating, is included in Purchased Power in the Statements of Income. Information as of December 31, 1978 pertaining to such contracts is summarized in the following table:

	Navajo Layoff Agreement	Hoover Sales Agreement	Oroville-Thermalito Power Sale Agreement
Date of Expiration	September 30, 1989 or upon five years' notice from U.S. Bureau of Reclamation. Current estimated termination date is January 1, 1985.	May 31, 1987	April 1, 1983
Share of Effective Operating Capacity	327.5 MW	331 MW	340 MW
Share of Energy Output	14.6%	7.9%	37.6%
Estimated Annual Cost	$23,366,000	$1,857,000	$5,985,000
Portion of Estimated Annual Cost Applicable to Supplier's Annual Minimum Debt Service Requirement	$ 1,978,000	$ 383,000	$5,234,000
Allocable Portion of Interest of Supplier Included in Annual Minimum Debt Service Requirement	$ 617,000	$ 106,000	$4,601,000
Related Long-Term Debt or Lease Obligations Outstanding of Company	None	None	None

Estimated Replacement Cost Data

At December 31, 1977 and 1978
(Unaudited)

The following replacement cost information is presented in order to comply with the reporting requirements of the Securities and Exchange Commission ("SEC").

This data is imprecise because of the many subjective analyses required in the process of estimating replacement cost. The information does not represent the current value of the Company's assets nor what could be realized if such assets were sold. Furthermore, there are significant inherent limitations in using this information to compute the overall effect of inflation on the Company because of the limited scope of the data.

The Company is subject to the jurisdiction of certain regulatory commissions which authorize rates of return on the Company's investment in utility plant. Under current rate-making policy, the Company recovers, through future depreciation charges, the historical investment in productive capacity. The rate-making process does not allow the Company to recover the excess of replacement cost over historical cost which may be incurred in the future. However, when actual replacements of productive capacity are made, the related higher depreciation expense is recoverable under established regulatory practice.

Estimated Replacement Cost Data (continued)

Both the Company and the SEC urge caution in the simplistic use of replacement cost data and advise readers that the effect of replacement cost on net income should not be computed with the limited information available because there are substantial theoretical problems in determining an income effect.

The Company's productive capacity is assumed to be utility plant as of December 31, 1977 and 1978 (excluding land, land rights, intangibles, plant held for future use and other items). It is further postulated that plant would be replaced more or less in kind and in place, with allowances for technological changes and environmental requirements. Replacement cost data was developed by applying to the various categories of plant a combination of the following: unit costs used by the Company for engineering estimates, unit costs developed from recent construction cost data, and appropriate price indices.

Related accumulated depreciation reserve ratios for the various applicable classes of utility plant were calculated using historical cost reserve ratios at December 31, 1977 and 1978. These ratios, as applied to gross replacement costs, yield the replacement cost amount reported for accumulated depreciation.

Estimated depreciation expense was calculated by applying annual straight line depreciation rates for various classes of plant to average replacement cost data.

Replacement cost determination is not applicable to the following items: (1) the original cost of land, land rights, intangibles and plant held for future use which are not considered part of productive capacity; (2) non-capitalized leases which are not significant; (3) nuclear fuel and fuel stock which are provided for in the Company's Energy Cost Adjustment Clause; and (4) materials and supplies inventories which are immaterial in comparison with other assets of the Company.

Data subject to the replacement cost estimation process are as follows:

	(Thousands of Dollars)			
	December 31, 1977		December 31, 1978	
	Historical Cost	Estimated Replacement Cost	Historical Cost	Estimated Replacement Cost
Utility plant	$4,772,087	$13,500,000	$5,112,483	$14,600,000
Accumulated depreciation	1,383,009	4,100,000	1,519,174	4,600,000
	$3,389,078	$ 9,400,000	$3,593,309	$10,000,000
Depreciation expense, years ended December 31, 1977 and 1978	$ 140,520	$ 380,000	$ 157,203	$ 440,000

The historical cost amount for utility plant shown above is reconciled to the Company's December 31, 1977 and 1978 balance sheets as follows:

	(Thousands of Dollars)	
	December 31, 1977	December 31, 1978
Utility plant, subject to the replacement cost estimation process	$4,772,087	$5,112,483
Land, land rights, and intangibles	158,393	157,742
Plant held for future use	29,226	28,373
Other	5,182	5,148
Utility plant at original cost less contributions	$4,964,888	$5,303,746

SOUTHERN CALIFORNIA EDISON COMPANY

SCHEDULE V — PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED DECEMBER 31, 1977

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Add (Deduct) Retirements	Add (Deduct) Other Changes	Balance at End of Period
Steam Production	$1,288,890	$ 13,569	$ (375)	$ —	$1,302,084
Nuclear Production	78,532	56,262	(1,278)	—	133,516
Hydro Production	214,744	950	(171)	—	215,523
Other Production	146,236	54,852	—	—	201,088
Transmission	1,079,476	50,973	(2,747)	—	1,127,702
Distribution	1,727,394	111,596	(18,887)	—	1,820,103
General	125,630	7,394	(2,046)	—	130,978
Plant Held for Future Use	28,371	1,071	(216)	—	29,226
Experimental Electric Plant Unclassified	5,474	(4,775)	—	—	699
Other Utility Plant	3,786	185	—	(2)	3,969
Subtotal — Utility Plant	4,698,533	292,077	(25,720)	(2)	4,964,888
Construction Work in Progress	938,294	270,242	966	—	1,209,502
Nuclear Fuel	40,264	37,854	—	(40,905) (a)	37,213
Gross Utility Plant	$5,677,091	$ 600,173	$ (24,754)	$ (40,907)	$6,211,603
Nonutility Plant	$ 3,604	$ 2,853	$ (732)	$ —	$ 5,725

(a) Represents nuclear fuel sold and leased back.

SOUTHERN CALIFORNIA EDISON COMPANY

SCHEDULE V — PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED DECEMBER 31, 1978

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Add (Deduct) Retirements	Add (Deduct) Other Changes	Balance at End of Period
Steam Production	$1,302,084	$ 23,829	$ (2,310)	$ —	$1,323,603
Nuclear Production	133,516	12,051	(2)	—	145,565
Hydro Production	215,523	391	(267)	—	215,647
Other Production	201,088	148,914	—	—	350,002
Transmission	1,127,702	39,693	(3,058)	186	1,164,523
Distribution	1,820,103	128,404	(18,052)	(189)	1,930,266
General	130,978	12,370	(3,968)	(6)	139,374
Plant Held for Future Use	29,226	(851)	(2)	—	28,373
Experimental Electric Plant Unclassified	699	(482)	—	—	217
Other Utility Plant	3,969	2,245	(38)	—	6,176
Subtotal — Utility Plant	4,964,888	366,564	(27,697)	(9)	5,303,746
Construction Work in Progress	1,209,502	285,122	(1,051)	—	1,493,573
Nuclear Fuel	37,213	608	—	(1,468) (a)	36,353
Gross Utility Plant	$6,211,603	$ 652,294	$ (28,748)	$ (1,477)	$6,833,672
Nonutility Plant	$ 5,725	$ 1,123	$ (2,783)	$ 3,117	$ 7,182

(a) Represents nuclear fuel sold and leased back.

SOUTHERN CALIFORNIA EDISON COMPANY

SCHEDULE VI — ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT(a)

FOR THE YEAR ENDED DECEMBER 31, 1977

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions Charged to Costs & Expense	Add (Deduct) Retirements	Add (Deduct) Other Changes(b)	Add (Deduct) Salvage	Balance at End of Period
Steam Production	$ 461,721	$ 39,619	$ (376)	$ 10	$ 5	$ 500,979
Nuclear Production	21,718	3,967	(1,282)	—	2	24,405
Hydro Production	79,365	2,992	(171)	(25)	2	82,163
Other Production	24,665	7,593	—	—	—	32,258
Transmission	165,842	20,308	(2,346)	4,115	1,138	189,057
Distribution	480,270	63,599	(19,225)	(5,089)	6,547	526,102
General	26,329	4,834	(2,129)	(214)	385	29,205
Experimental Electric Plant Unclassified	2,504	310	—	(2,606)	—	208
Retirement Work in Progress	(4,800)	—	1,188	375	1,065	(2,172)
Other Utility Plant Reserves	713	93	(2)	—	—	804
Subtotal	1,258,327	143,315	(24,343)	(3,434)	9,144	1,383,009
Nuclear Fuel Amortization	18,658	2,774	—	(1,562)	—	19,870
Total Utility Plant Reserves	$1,276,985	$ 146,089	$ (24,343)	$ (4,996)	$ 9,144	$1,402,879
Nonutility Plant Reserves	$ 1,037	$ 96	$ —	$ —	$ —	$ 1,133

(a) Depletion is not applicable.

(b) Includes removal costs related to facilities retired, damage claims and relocation costs collected from others, and various other adjustments of depreciation and amortization.

SOUTHERN CALIFORNIA EDISON COMPANY

SCHEDULE VI — ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT(a)

FOR THE YEAR ENDED DECEMBER 31, 1978

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions Charged to Costs & Expense	Add (Deduct)			Balance at End of Period
			Retirements	Other Changes(b)	Salvage	
Steam Production	$ 500,979	$ 39,503	$ (472)	$ 242	$ 2	$ 540,254
Nuclear Production	24,405	5,800	—	—	—	30,205
Hydro Production	82,163	3,119	(265)	(40)	2	84,979
Other Production	32,258	11,469	—	(1,318)	—	42,409
Transmission	189,057	25,026	(2,926)	599	1,188	212,944
Distribution	526,102	69,197	(17,541)	(4,221)	5,779	579,316
General	29,205	5,791	(3,989)	(71)	463	31,399
Experimental Electric Plant Unclassified	208	95	—	(302)	—	1
Retirement Work in Progress	(2,172)	—	(925)	426	(536)	(3,207)
Other Utility Plant Reserves	804	103	(34)	—	1	874
Subtotal	1,383,009	160,103	(26,152)	(4,685)	6,899	1,519,174
Nuclear Fuel Amortization	19,870	2,911	—	—	—	22,781
Total Utility Plant Reserves	$1,402,879	$ 163,014	$ (26,152)	$ (4,685)	$ 6,899	$1,541,955
Nonutility Plant Reserves	$ 1,133	$ 134	$ —	$ —	$ —	$ 1,267

(a) Depletion is not applicable.

(b) Includes removal costs related to facilities retired, damage claims and relocation costs collected from others, and various other adjustments of depreciation and amortization.

SOUTHERN CALIFORNIA EDISON COMPANY

SCHEDULE XII — RESERVES

FOR THE YEAR ENDED DECEMBER 31, 1977

	(Thousands of Dollars)				
		Additions			
Description	Balance at Beginning of Period	Charged to Costs & Expense	Charged to Other Accounts	Deductions	Balance at End of Period
Group A:					
Uncollectible Accounts					
Customers	$ 2,287	$ 3,859	$ —	$ 4,096	$ 2,050
All Other	5,347	379	—	2,062	3,664
Total	$ 7,634	$ 4,238	$ —	$ 6,158(a)	$ 5,714
Group B:					
Pension and Benefits	$20,067	$ 1,067	$ 7,931(b)	$11,568(c)	$17,497
Insurance, Casualty and Other	11,654	14,685	201	14,584(d)	11,956
Total	$31,721	$15,752	$ 8,132	$26,152	$29,453

(a) Accounts written off, net.

(b) Principally, charges are to various plant and expense accounts as a payroll additive for employees' paid absences.

(c) Includes pension payments to retired employees, amounts paid to active employees during periods of illness and the funding of certain pension benefits.

(d) Principally charges from work orders closed and amounts charged to operations that were not covered by insurance.

SOUTHERN CALIFORNIA EDISON COMPANY

SCHEDULE XII — RESERVES

FOR THE YEAR ENDED DECEMBER 31, 1978

	(Thousands of Dollars)				
		Additions			
Description	Balance at Beginning of Period	Charged to Costs & Expense	Charged to Other Accounts	Deductions	Balance at End of Period
Group A:					
Uncollectible Accounts					
Customers	$ 2,050	$ 4,110	$ 15	$ 4,116	$ 2,059
All Other	3,664	1,097	—	1,212	3,549
Total	$ 5,714	$ 5,207	$ 15	$ 5,328(a)	$ 5,608
Group B:					
Pensions and Benefits	$17,497	$ 869	$ 8,335(b)	$11,165(c)	$15,536
Insurance, Casualty and Other	11,956	28,757	—	29,624(d)	11,089
Total	$29,453	$29,626	$ 8,335	$40,789	$26,625

(a) Accounts written off, net.

(b) Principally, charges are to various plant and expense accounts as a payroll additive for employees' paid absences.

(c) Includes pension payments to retired employees, amounts paid to active employees during periods of illness and the funding of certain pension benefits.

(d) Pursuant to a FERC order, operating reserves relating to certain federally-licensed hydro-electric projects in the amount of $3,801,000 were transferred to Earnings Reinvested in the Business and became an appropriation thereof. Other deductions were principally charges from work orders closed and amounts charged to operations that were not covered by insurance.

12(a) (2) Exhibits Filed

	Page
Exhibit 1. — Computation of Fully Diluted Earnings Per Share	52

The following exhibits have heretofore been physically filed with the Securities and Exchange Commission ("Commission") (specified document and file number noted) and are incorporated herein by reference pursuant to Rule 12b-32:

(a) Trust Indenture, dated as of October 1, 1923 (Form A-2, File Number 2-1369, effective April 19, 1935)

(b) Third Supplemental Indenture, dated as of June 24, 1935 (Form A-2, File Number 2-1602, effective September 16, 1935)

(c) Fourth Supplemental Indenture, dated as of September 1, 1935 (Form A-2, File Number 2-4522, effective October 8, 1940)

(d) Sixth Supplemental Indenture, dated as of September 1, 1940 (Form S-7, File Number 2-59199, effective June 30, 1977)

(e) Eighth Supplemental Indenture, dated as of August 15, 1948 (Form S-1, File Number 2-7610, effective August 10, 1948)

(f) Twenty-Fourth Supplemental Indenture, dated as of February 15, 1964 (Form S-9, File Number 2-22056, effective February 17, 1964)

(g) Forty-First Supplemental Indenture, dated as of November 1, 1978 (Form S-7, File Number 2-62609, effective October 17, 1978)

(h) Resolution creating First and Refunding Mortgage Bonds, Series JJ, Due 2003, dated October 31, 1978 (Form S-7, File Number 2-62609, effective October 17, 1978)

12(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the last quarter of 1978.

PART II

Item 13. Security Ownership of Certain Beneficial Owners and Management

Information responding to Item 13 was included in a proxy statement filed by the Company on or about February 27, 1979 with the Commission pursuant to Regulation 14A and is omitted herein pursuant to General Instruction H.

Item 14. Directors and Executive Officers of the Registrant

Executive officers of the Company

Executive Officer	Age at December 31, 1978	Company Position as of December 31, 1978	Effective Date
Jack K. Horton	62	Chairman of the Board, Chief Executive Officer and Director	April 18, 1968
William R. Gould	59	President and Director	February 1, 1978
Howard P. Allen	53	Executive Vice President	December 20, 1973
H. Fred Christie	45	Senior Vice President and Chief Financial Officer	January 1, 1977
David J. Fogarty	51	Senior Vice President	September 1, 1977
A. Arenal	53	Vice President (System Development)	September 1, 1976
J. H. Drake	54	Vice President (Engineering and Construction)	January 15, 1970
Joe T. Head, Jr.	57	Vice President (Power Supply)	November 21, 1974
P. L. Martin	49	Vice President (Customer Service)	September 1, 1978
A. L. Maxwell	57	Vice President and Comptroller	July 17, 1975
Jack B. Moore	64	Vice President (Advanced Engineering)	December 21, 1967
Edward A. Myers, Jr.	55	Vice President (Conservation, Communications and Revenue Services)	August 19, 1971
William H. Seaman	61	Vice President (Fuel Supply)	July 17, 1969
Robert E. Umbaugh	41	Vice President (Administration)	September 1, 1976
G. E. Wilcox	61	Vice President (Personnel)	December 18, 1969
John R. Bury	51	General Counsel	September 1, 1978
Michael L. Noel	37	Treasurer	September 1, 1976
J. C. Bobek	61	Secretary	November 1, 1975

None of the Company's executive officers are related to each other by blood or marriage. All of the executive officers have been actively engaged in the business of the Company for more than five years.

All officers have been employees of the Company for the past five years. Those officers who have not held their present position for the past five years had the following business experience during that period:

William R. Gould	Executive Vice President	December 20, 1973 to January 31, 1978
H. Fred Christie	Senior Vice President	September 1, 1976 to December 31, 1976
	Vice President and Treasurer	July 17, 1975 to August 31, 1976
	Treasurer	March 1, 1970 to July 16, 1975
David J. Fogarty	Vice President — System Development	October 22, 1971 to August 31, 1977
A. Arenal	Manager of Engineering and Construction	November 1, 1971 to August 31, 1976
Joe T. Head, Jr.	Manager of Power Supply	September 1, 1971 to November 20, 1974
P. L. Martin	Manager of Customer Service — Southeastern Division	December 31, 1973 to August 31, 1978
A. L. Maxwell	Comptroller	November 1, 1968 to July 16, 1975
Robert E. Umbaugh	Manager of Data Processing	January 1, 1974 to August 31, 1976
John R. Bury	Assistant General Counsel	December 20, 1973 to August 31, 1978
Michael L. Noel	Assistant Treasurer	December 1, 1975 to August 31, 1976
	Manager of Corporate Planning	September 30, 1974 to November 30, 1975
	Assistant Treasurer and Manager of Financial Planning	April 20, 1972 to September 29, 1974
J. C. Bobek	Assistant Secretary	April 19, 1957 to October 31, 1975

Other information responding to Item 14 was included in a proxy statement filed by the Company on or about February 27, 1979 with the Commission pursuant to Regulation 14A and is omitted herein pursuant to General Instruction H.

Item 15. Management Remuneration and Transactions

Information responding to Item 15 was included in a proxy statement filed by the Company on or about February 27, 1979 with the Commission pursuant to Regulation 14A and is omitted herein pursuant to General Instruction H.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUTHERN CALIFORNIA EDISON COMPANY
(Registrant)

By H. FRED CHRISTIE

H. Fred Christie
Senior Vice President and
Chief Financial Officer

DATE: March 29, 1979

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report appearing in the annual report on Form 10-K for the year ended December 31, 1978 of Southern California Edison Company in the Registration Statement Form S-16 which became effective on October 19, 1978 (File #2-62625).

ARTHUR ANDERSEN & CO.

March 29, 1979

Exhibit 1

SOUTHERN CALIFORNIA EDISON COMPANY

COMPUTATION OF FULLY DILUTED EARNINGS PER SHARE

	(Thousands of Dollars) Year Ended December 31,				
	1974	1975	1976	1977	1978
Net Income	$160,344	$176,781	$226,798	$251,979	$251,683
Less: Preferred and Preference dividend requirements	36,480	40,410	42,557	46,571	50,532
Add: Original Preferred dividends	792	806	806	922	1,075
Add: Convertible Preference dividend requirements	3,900	3,900	3,900	3,212	2,354
Add: Interest on 3⅛% Convertible Debentures	2,341	2,341	2,341	2,341	2,341
Less: Tax effect of interest on 3⅛% Convertible Debentures (A)	1,233	1,233	1,233	1,233	1,233
Adjusted amount available	$129,664	$142,185	$190,055	$210,650	$205,688
Weighted average shares —					
Original Preferred	480,000	480,000	480,000	480,000	480,000
Common (B)	44,100,268	47,484,883	48,198,116	54,136,673	57,199,490
Common shares reserved for conversion of:					
3⅛% Convertible Debentures	1,804,868	1,804,868	1,896,254	1,920,565	1,997,388
Preference Stock, 5.20% Convertible Series	2,026,960	2,026,960	2,112,606	1,561,039	1,202,809
Total weighted average shares	48,412,096	51,796,711	52,686,976	58,098,277	60,879,687
Fully diluted earnings per share (C)	$2.68	$2.75	$3.61	$3.63	$3.38

Notes:

(A) Composite tax rate . . . 52.68% 52.68% 52.68% 52.68% 52.68%

(B) Includes Common Stock equivalents and Common Stock issued due to conversions during 1977 and 1978, adjusted as if they were outstanding at the beginning of the period.

(C) Adjusted amount available divided by total weighted average shares.