Southern California Edison Company

1982 Annual Report

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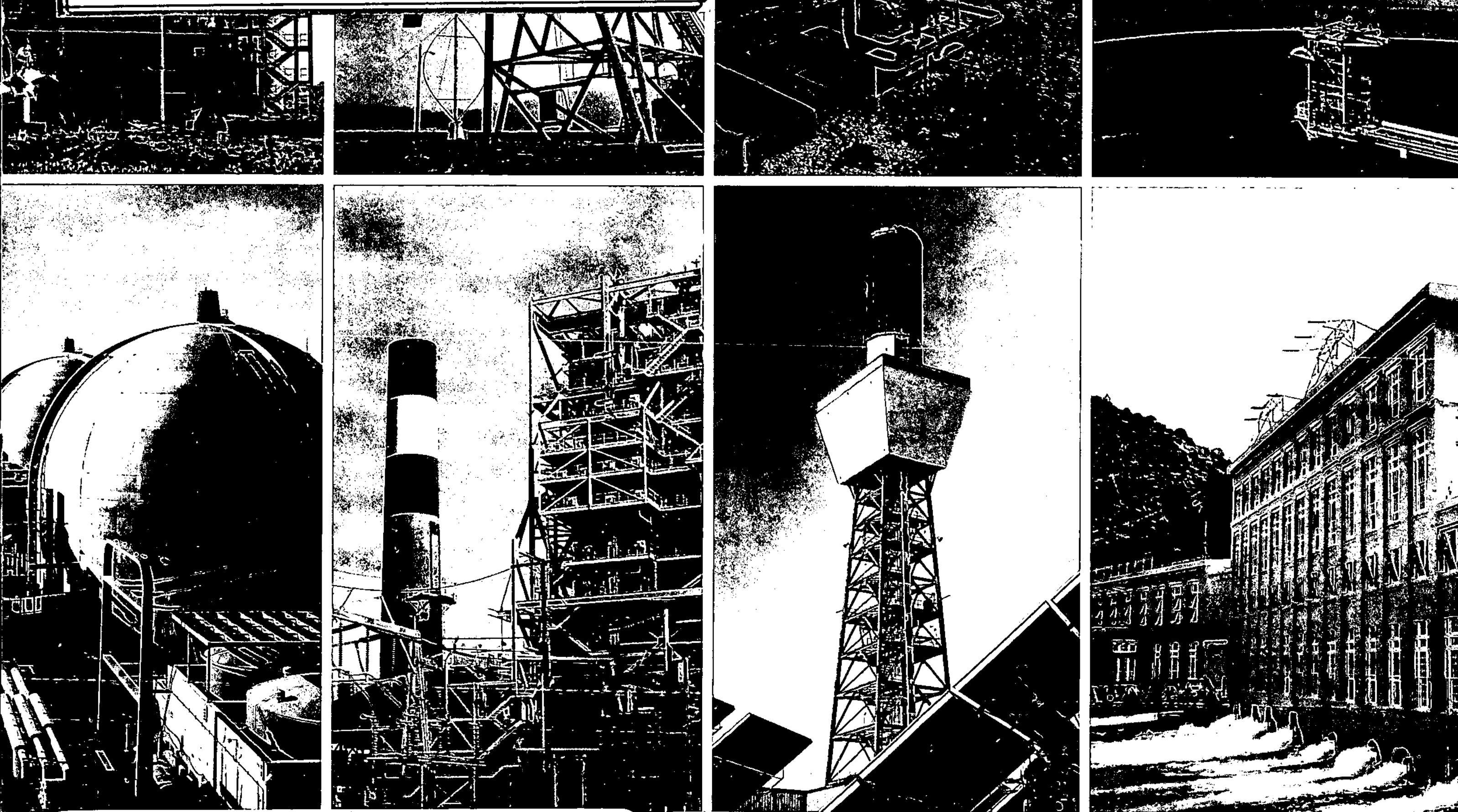
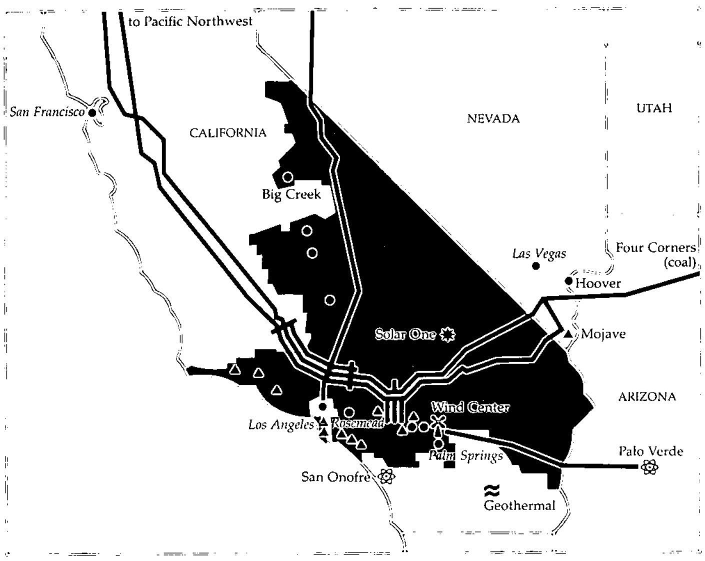


Southern California Edison Company

Southern California Edison Company provides electric service in a 50,000 square-mile area of Central and Southern California. This area includes some 800 cities and communities with a population of more than nine million people.

Southern California Edison Company System



■ Service territory

▬ Extra-high-voltage (EHV) transmission lines

● Hydroelectric generating station

▲ Fossil fuel generating station

Nuclear generating station

Edison's gross investment in utility plant totals nearly $10.8 billion. Area generating capacity at peak during 1982 totaled 15,349 megawatts (MW), which included 13,269 MW of Company-owned facilities and 2,080 MW of capacity from other sources. Of the Company-owned facilities, 78% was comprised of oil- and gas-fired generating units. SCE's interest in coal-fired generating units accounted for another 12%, and 7% was in renewable/alternate generation (including hydro). The Company's 80% interest in a nuclear plant accounted for the remaining 3%.

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

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

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5	6	7	8

About the Cover: Within its 50,000 square-mile service area (see map above), Edison generates electricity from eight primary resources... natural gas (1), wind (2), geothermal (3), coal (4), nuclear (5), oil (6), solar (7), and water (8). In 1980, Edison was the first electric utility in the nation to make a large-scale commitment to the accelerated development of alternative and renewable resources. Today, over 50% of the Company's 1992 alternative and renewable goal of 2,150 megawatts is on-line, under construction, or represented by signed contracts or letters of intent.

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1982 Annual Report

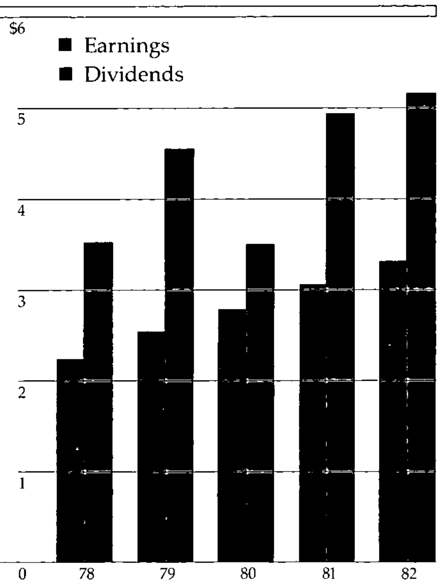
Highlights	**1982**	1981	% Change	% Five-Year Compound Growth
Earnings Per Share	**$5.13**	$4.93	4.1%	6.2%
Common Dividends Paid Per Share (a)	**$3.31**	$3.03	9.2	11.5
Rate of Return on Common Equity	**14.89%**	14.87%	0.1	4.4
Operating Revenues (000)	**$4,302,602**	$4,054,356	6.1	15.8
Fuel and Purchased Power Costs (000)	**$2,227,901**	$2,558,206	(12.9)	13.4
Operating Expenses Net of Fuel Costs and Taxes on Income (000) (b)	**$ 993,158**	$ 897,403	10.7	9.7
Kilowatt-Hour Sales (000)	**59,326,853**	62,451,319	(5.0)	0.5
Customers Served	**3,275,144**	3,232,687	1.3	2.5
Area Peak Demand (Megawatts)	**13,149**	13,738	(4.3)	2.6
Area Generating Capacity at Peak (Megawatts)	**15,349**	15,592	(1.6)	1.5

(a) On September 16, 1982, the Company's Board of Directors authorized an increase in the common stock quarterly dividend to $0.88 from $0.81 per share, effective with the October 31, 1982 payment, which is equivalent to $3.52 per share on an annual basis.

(b) Fuel costs include fuel, purchased power and the provision for energy cost adjustments.

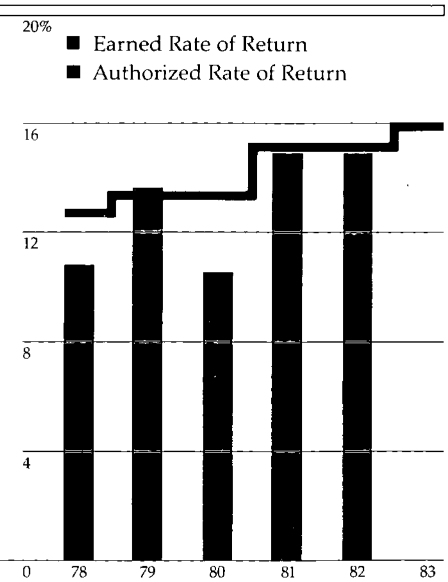
Earnings per Share and Dividends Paid per Share

Earnings for calendar 1982 reached $5.13 per share, the highest recorded in the Company's history. This amount surpassed the previous high of $4.93 in 1981. An 8.6% increase in the common stock quarterly dividend was declared in September raising the rate from $3.24 to $3.52 per share on an annual basis. This action represented the seventh increase since March 1977, an average annual increase of 13%.



Rate of Return on Common Equity

The Company earned a 14.89% rate of return on common equity in 1982 which was essentially the level authorized by the CPUC. This achievement during a year between general rate cases is largely attributable to the favorable impact of the attrition allowance rate increase at the beginning of 1982 as well as continuing cost control programs.



To Our More Than 190,000 Shareholders:

Your Company achieved record earnings for the second consecutive year in 1982 and further strengthened its financial health and operating integrity through an ongoing commitment to alternative and renewable resources, nuclear and coal energy, economy power purchases, strict cost controls, and conservation and load management programs.

☐ Earnings increased to $5.13 per share from $4.93 a year ago and we essentially achieved our authorized return on common equity for the third time in four years.

☐ The dividend on our common stock was raised from $3.24 per share to $3.52 per share on an annual basis, increasing for the seventh time in six years at a rate averaging 13% annually.

☐ The market price of our common stock reached book value for the first time since 1973.

☐ The California Public Utilities Commission (CPUC) authorized a $590 million annual rate increase, effective January 1, 1983, and the opportunity to earn a 16% return on common equity, up from 14.95% authorized in 1981. A concurrent decrease in the fuel-related portion of the Company's rates resulted in a net increase of $303 million, or 7.7%.

Our improved earnings reflected higher non-cash allowances for funds used during construction and the continued impact of stringent cost control and productivity improvement programs. They also reflected a January 1, 1982, interim rate increase of $92 million which was designed to help offset the inflationary impact of certain non-fuel-related costs experienced between biennial general rate reviews.

The Company's record earnings were achieved despite the dilutive effect of new shares of common stock and a 5% decrease in kilowatt-hour sales resulting from mild summer temperatures, reduced economic activity and conservation efforts. An Electric Revenue Adjustment Mechanism was established in the 1983 general rate case to stabilize the future level of revenue authorized by the CPUC regardless of fluctuations in kilowatt-hour sales. This procedure, along with an attrition allowance for 1984, should again afford the Company an opportunity to earn in the range of its authorized rate of return over the next two-year rate cycle.

In 1982, significant progress in our resource strategy strengthened your Company's ability to reduce its dependence on costly fuel oil and natural gas:

☐ *Nuclear:* Following issuance of a low-power operating license by the Nuclear Regulatory Commission (NRC) in February 1982, San Onofre Nuclear Unit 2 was fueled and began low-power testing. The Unit was synchronized to the electric system and began power ascension testing after NRC issuance of a full-power operating license in September 1982. By year-end, Unit 2 reached 50% of its generating capacity and is expected to be tested at full-power output in the second quarter of 1983. The NRC granted Unit 3 at San Onofre a low-power operating license in November 1982. A full-power license for Unit 3 is expected in the first quarter of 1983 at which time power ascension testing will begin with full-power testing scheduled in late 1983. When both 1,100 megawatt (MW) units become fully operational and join Unit 1, which has been out of service since February 1982 for inspection, maintenance and seismic upgrading, the San Onofre facility will displace the energy equivalent of about 25 million barrels of expensive oil and natural gas annually.

☐ *Alternative and Renewable Resources:* About one-half of our planned capacity additions of 2,150 MW from alternative and renewable energy resources between now and 1992 are on-line, under construction, or represented by signed contracts or letters of intent. Because the economic feasibility of alternative and renewable resources is measured against avoided fuel costs which have been declining, some of these additions may be delayed or may not fully materialize. However, we are encouraged by the success of this program to date. The start-up in 1982 of Solar One, the nation's first central receiver solar/thermal generating plant, brought the number of primary resources we use to generate electricity to eight—oil, gas, wind, geothermal, coal, nuclear, solar and water—more than any other electric utility in the world. By the year 1992, we expect the energy equivalent of approximately 15 million barrels of costly oil and natural gas to be displaced by alternative and renewable additions.

☐ *Power Purchases:* More than 22 billion kilowatt-hours (KWH), or 34% of the Company's electric sales in 1982, were represented by record amounts of lower-cost hydro and coal power purchased from neighboring utilities. These purchases reduced Edison's oil and natural gas requirements by the energy equivalent of more than 35 million barrels, saving customers about $750 million.

☐ *Conservation and Load Management:* With our customers' support, Edison's conservation programs saved more than $200 million in fuel costs in 1982 by reducing electrical usage by 4.4 billion KWH—the energy equivalent of approximately seven million barrels of fuel oil and natural gas. Additionally, load management programs designed to reduce load growth from 2.6% to 2% annually could cut our capital outlays by 1992 by as much as a billion dollars.

In a further effort to help hold down customers' electric bills, we have implemented more than 1,300 productivity improvement suggestions from employees which, over the years, will save millions of dollars in operating costs and capital expenditures.

Thanks to innovative and effective work by employees at all levels in 1982, Edison maintained a 50% more favorable customer-per-employee ratio than the average of the nation's 20 largest electric utilities.

Further, in late November/early December 1982, the most devastating wind and rainstorms in our Company's history marshalled the services of our work forces around the clock. Our employees restored electric service to approximately 1.4 million customers, about 40% of our 3.3 million customers, over a period of several days during and after the storms.

Later in December, the Edison system was severely tested again when hurricane-force winds east of San Francisco downed eight high-voltage towers in the Pacific Intertie System which inter-connects utilities throughout the West. When that storm-caused outage hit, an electrical load of 8,431 MW on Edison's system was automatically reduced by 3,246 MW, the single largest load-shedding in our history. While this load-shedding affected about one-third of our customers for varying periods of time extending to a maximum of two hours, it successfully avoided a regional power outage that was potentially greater in total magnitude than the historic northeast blackout of 1965.

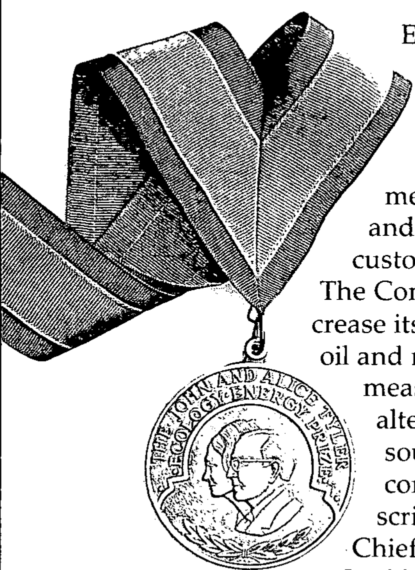
All our constituencies can share with pride in our financial and operating improvements as well as our many honors, including the prestigious John and Alice Tyler Ecology-Energy Prize for our bold programs in alternative and renewable resources. Our achievements in 1982 are largely the result of the dedication, cost-consciousness and exceptional hard work of our officers, managers and employees, the understanding and cooperation of our customers, the timely and responsible decisions of regulators, and the support of you, our shareholders.

To each of our several constituencies and particularly our shareholders, we pledge our continuing innovative and determined effort to merit your support.

Howard P. Allen
President

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

February 17, 1983



Edison attained significant financial and operating goals in 1982, strengthening further its ability to provide a competitive investment return to shareholders and reliable electric service to customers at a reasonable price. The Company also continued to decrease its dependence on costly fuel oil and natural gas, and moved measurably closer to meeting its alternative and renewable resource goals, underscoring a corporate commitment best described by SCE's Chairman and Chief Executive Officer William R. Gould, in his acceptance of the Tyler Ecology-Energy Prize at the 10th anniversary United Nations Environmental Programme.

"Even in these more difficult years, I think I have grown more optimistic about our future... The incentive that drove our company toward the use of alternate and renewable resources was grounded in optimism, hope and confidence in mastering new technologies to serve the world."

Alternative and Renewable Resources

Alternative and renewable resource technologies continued to be developed at a rapid pace in 1982. Future development of these resource additions, however, could be delayed or not fully materialize since their economic feasibility is measured against the avoided cost of fossil fuel which has been declining. By year-end, approximately 1,200 megawatts (MW) of our 2,150-MW alternative and renewable energy goal for development by 1992 were on line, under construction, or represented by signed contracts or letters of intent.

Cogeneration: Cogeneration, the utilization of a single fuel to produce both process steam and electricity at large industrial, commercial and residential sites, continues to be a major contributor to the Company's alternative resource plan. At present, 25 cogeneration projects with an aggregate capacity of 165 MW are on-line and operating within the Edison system. Engineering and construction are in progress on another 17 cogeneration projects totaling 347 MW. Projects are now operational in such diverse areas as paper manufacturing, milk processing, oil refining, landfill gas recovery, cement and chemical production, and classroom heating and cooling.

Additionally, a parallel generation agreement executed during the year with Shell California Production, Inc., proposes a coal-fired cogeneration project for initial operation in 1988 that will produce steam to recover heavy oil and concurrently generate up to 750 MW of electricity. Further, a letter of agreement was signed with Getty Oil Company in 1982 for a gas-fired cogeneration project for operation by 1987 that will also produce steam for oil recovery and up to 300 MW of electricity.

Edison's current plans call for 1,000 MW of cogeneration by 1992 with 250 MW to serve customer load at plant sites and 750 MW to serve SCE system needs.

Hydro: Pending regulatory approvals, construction is scheduled to begin in August 1983 on the 200-MW Balsam Meadow hydro project in the High Sierra northeast of Fresno. The project is 100% Edison-owned and designed and will utilize down-stream water from Huntington to Shaver Lakes to generate electricity. Operation is scheduled for January 1988. The Company also continued to examine the feasibility of purchasing the output of the 120-MW Dinkey Creek Project, which the King's River Conservation District has licensed for construction on the western slope of the Sierra Nevada.

Until recently, it had been presumed that all cost-effective hydro sites had already been developed. As other fuel costs have climbed, however, more and more small hydro projects have become feasible. In 1982, two such projects were placed in commercial operation. A 20-kilowatt (KW) generating unit was installed in the fish water release system at Shaver Lake Dam, and a 40-KW unit utilizes the water system that feeds the City of Avalon on Catalina Island. By year-end, 14 small hydro projects totaling 90 MW were under purchase commitment.

Wind: In 1982, wind parks developed by third-party entrepreneurs using arrays of more than 300 small wind turbine generators contributed more than a million kilowatt-hours (KWH) to the Edison system. In aggregate over the years, these small units are expected to provide a significant capacity addition to SCE's system.

"More than ever before, corporate decisions must be measured against this test: What is the impact upon the customer?"

William R. Gould, March 17, 1982

Edison's customer service representatives undergo intensified training in the Company's Customer Information System (CIS) to respond more efficiently to consumer needs and concerns. CIS is part of an Edison computer network that can process instructions for more than 200 separate corporate systems at speeds up to 45 million instructions per second.

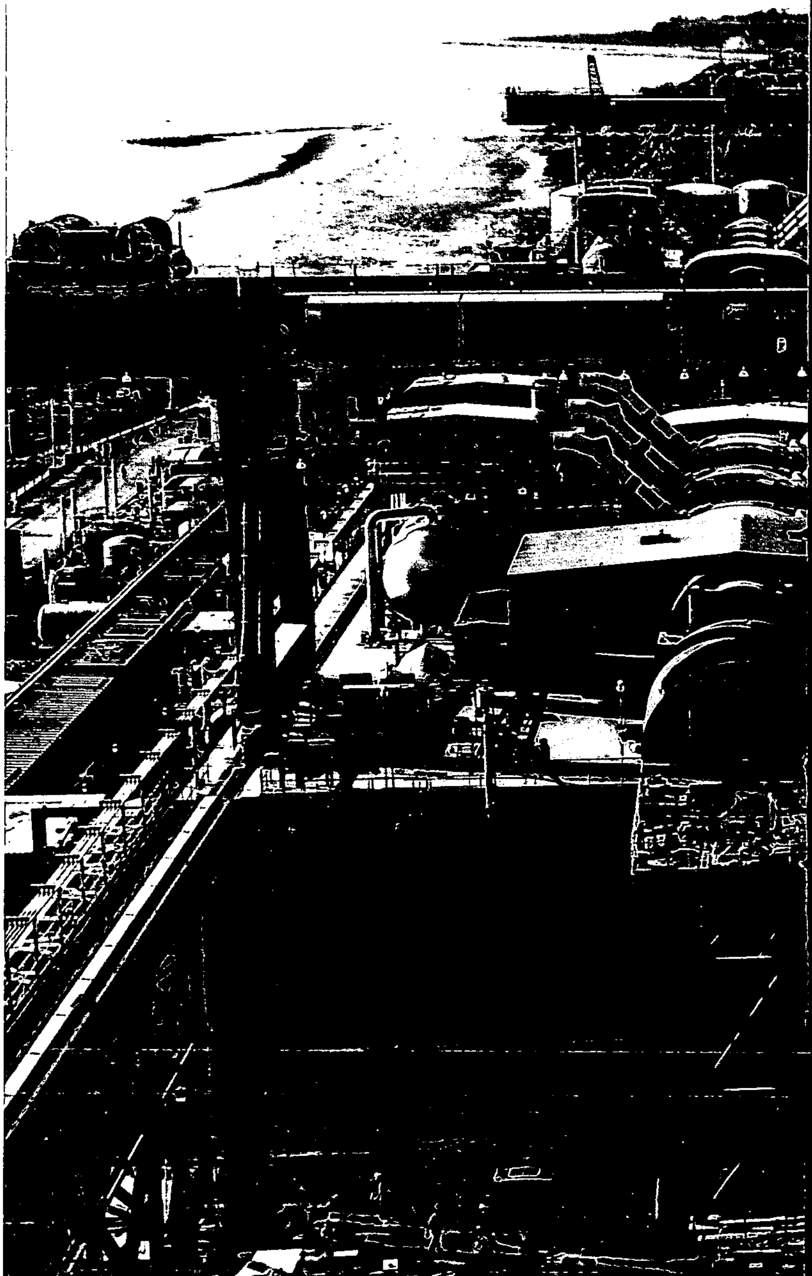
At year-end, 13 wind contracts totaling 144 MW had been executed and negotiations were in process for another 400 MW. Of the 13 executed contracts, seven systems are operating in the Tehachapi Mountains and six systems are scheduled for siting in Riverside County pending the receipt of permits.

Developmental testing of larger wind turbine generators continued during the year at Edison's Wind Energy Center near Palm Springs. A three-bladed, horizontal axis Bendix/Schachle unit was modified and is now experimentally operating on the Edison system with a maximum output of 1.3 MW. In addition, an experimental Wenco horizontal axis turbine with an output of 100 KW is planned for testing in 1983.

In other Wind Energy Center programs, a 50-KW vertical axis DAF/Indal system operated more than 2,500 hours, producing approximately 50,000 KWH of electricity. Site development engineering also began for a 500-KW DAF/Indal vertical axis system which is scheduled for completion in 1983.

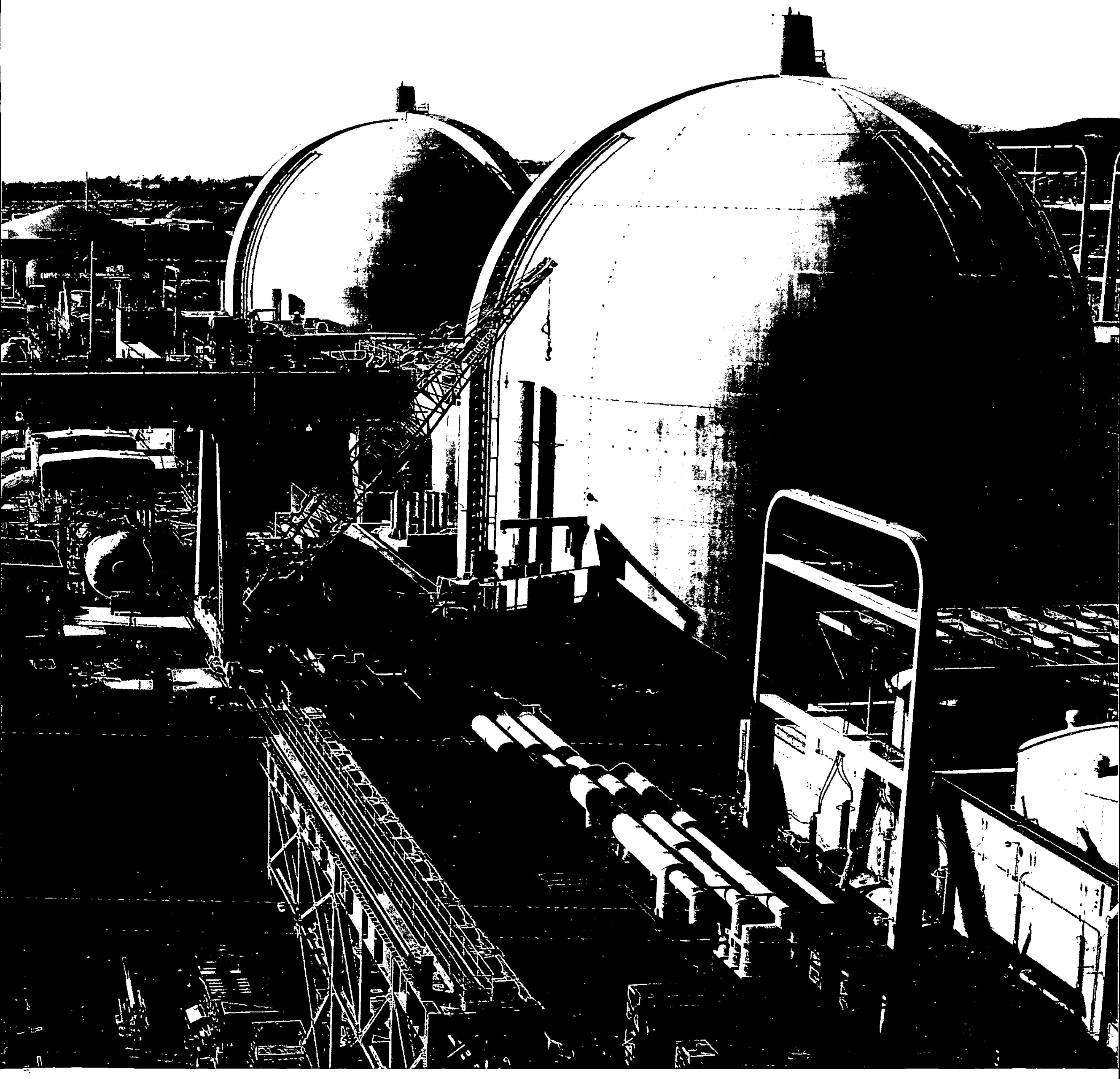
Solar: More than 250 MW of electricity from solar thermal and solar photovoltaic systems are planned by the end of the decade. The 10-MW Solar One generating station, located on about 100 acres of land at Edison's Cool Water Generating facility near Daggett, California, began power production in April 1982 and was officially dedicated in November. Edison is the operator of the plant, which is the world's largest central receiver electric generating facility and represents a joint venture between Edison, the U.S. Department of Energy, the Los Angeles Department of Water and Power, and the California Energy Commission.

In operation, Solar One uses more than 1,800 computer-controlled tracking mirrors to reflect and concentrate sunlight on a 300-foot-high central receiver/boiler to produce steam. A thermal storage system allows 7 MW of limited operation without sun.



Nuclear Unit 2 at San Onofre began power ascension tests in 1982 and Unit 3 is expected to begin power ascension tests in 1983. When both nuclear units come on-line and join Unit 1 at San Onofre, which has been out of service since February 1982 for inspection, maintenance and seismic upgrading, the San Onofre facility will displace the energy equivalent of about 25 million barrels of oil and gas annually.

The fuel cost to operate Nuclear Unit 2 at San Onofre is approximately 20% of the cost of oil and natural gas.



Significant progress was achieved during the year with third-party contractors in developing additional solar facilities:

- Solar 100: In 1982, Edison solicited and received proposals for third-party ownership of a 100-MW solar thermal electric power plant modeled after Solar One, but with 10 times its capacity. Current plans call for development of the project near the end of the decade.
- Solar Salt Pond: Edison began the second phase of site selection for a solar salt pond generating plant under a contract that will provide the Company with 20 MW of electric power following financing, construction and operation of the facility by a third-party entrepreneur.
- Solar Trough: Edison and Luz International Ltd. reached agreement to build and operate a solar trough facility of up to 49 MW at Edison's Cool Water site.
- Solar Photovoltaic: In April 1982, contracts were signed with ARCO Solar, Inc., for the construction of a one-megawatt solar photovoltaic plant on a 20-acre site adjacent to the Company's Lugo Substation near Victorville. All systems are now complete and plant operation has started. The plant was officially dedicated on February 15, 1983, and consists of 108 flat-plate solar photovoltaic arrays which convert the sun's energy directly into electricity.

Geothermal: The Company was encouraged in 1982 by the continued operation of its first 10-MW geothermal plant at Brawley, which has been in service for two years even though contamination problems associated with the use of hot subterranean water and steam are still being experienced. A second 10-MW geothermal plant at the Salton Sea was dedicated in January 1983 and is currently operating at more than 90% of capacity.

The Company cancelled work on the 47-MW Heber dual-flash geothermal plant in late 1982, having determined that its development is no longer feasible when measured against the avoided cost of fossil fuel which has been declining. Power purchase arrangements with third parties are still being considered for this and other potential geothermal projects.

Research and Development

Edison's research and development expenditures in 1982 totaled $50 million. Investments to commercialize alternative energy sources represent the single largest component of the Company's R&D program.

Coal Gasification: Representative of the Company's R&D efforts in alternative energy resources, ongoing coal gasification studies by Edison and other participants moved into the project stage in 1982 when a funding plan was formally executed and 25% of construction completed on the nation's first integrated coal gasification combined-cycle generating facility. When completed in mid-1984 at Edison's Cool Water Generating Station, the combined-cycle plant will generate 100 MW of electricity by burning a medium BTU gas produced from the gasification of coal. Preliminary tests have demonstrated that gasified domestic coal, burned in a plant as a replacement for oil, meets stringent environmental standards.

Biomass: The Company is participating in the Ventura Regional County Waste-to-Energy and Resource Recovery Project scheduled to begin operation at 20 MW adjacent to the Company's Ormond Beach Generating Station in 1986.

Nuclear Power

On September 20, 1982, Unit 2 at the San Onofre Nuclear Generating Station was synchronized to the electric system and began power ascension tests in which the power level is raised in stages as prescribed by the Nuclear Regulatory Commission's September 1982 full-power license. The unit is expected to be tested at full-power output in the second quarter of 1983.

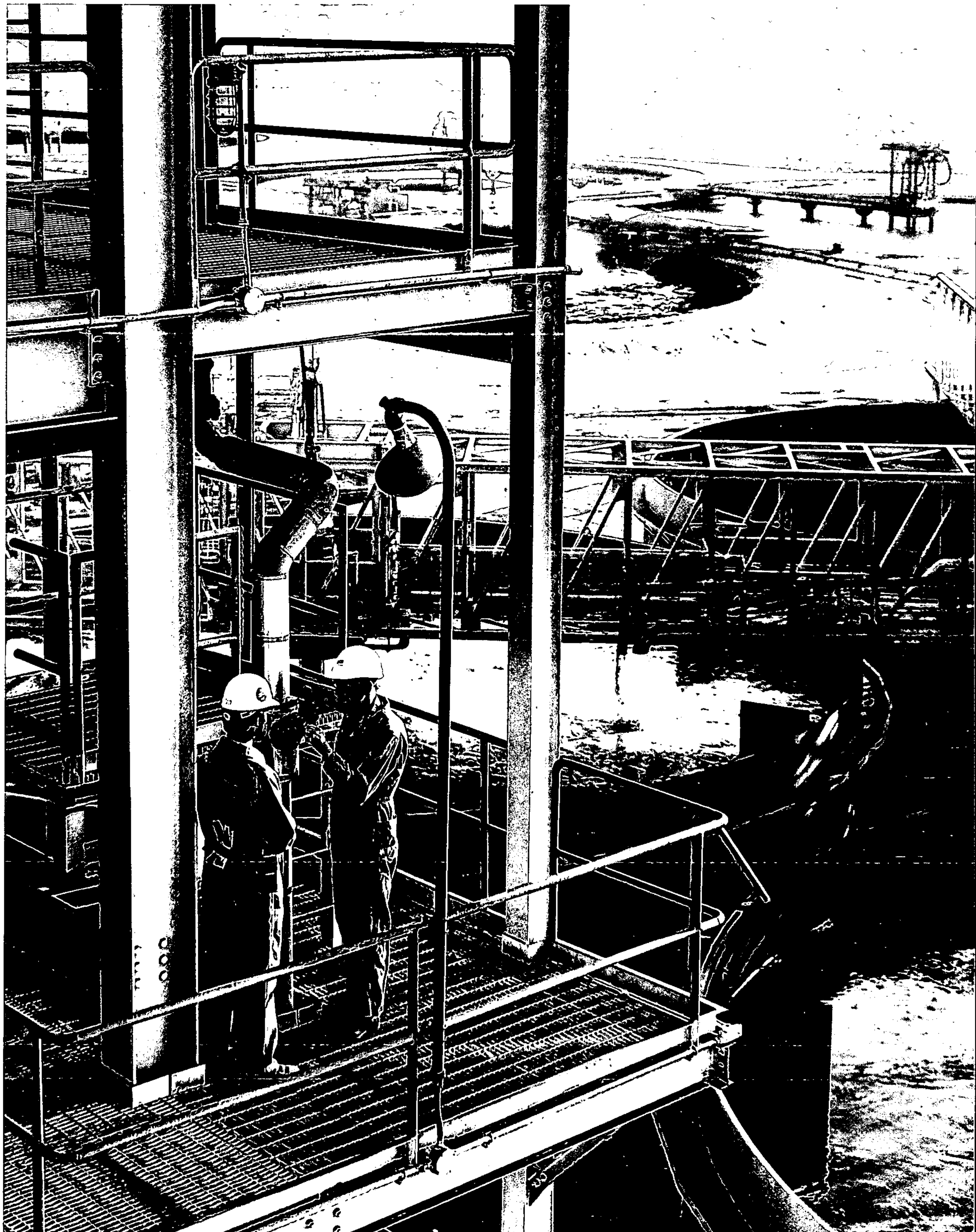
Nuclear Unit 3 at San Onofre received a low-power operating license in November 1982 and a full-power license is expected in the first quarter of 1983. Power ascension tests will begin shortly thereafter with full-power testing scheduled in late 1983.

San Onofre Unit 1 has been out of service since February 1982 for inspection, maintenance and seismic upgrading and is expected to return to service in 1983. Since beginning operation in 1968, Unit 1 has produced approximately 35 billion KWH of electricity, saving customers millions of dollars in fuel costs over the years by displacing the energy equivalent of 58 million barrels of oil.

Edison's ownership interest in Unit 1 is 80%. Its ownership in Units 2 and 3 was reduced to 75.05% in 1982 following regulatory approval of an additional 1.5% ownership interest by the City of Anaheim. Anaheim's total ownership in Units 2 and 3 is 3.16%. The City of Riverside owns 1.79% and San Diego Gas & Electric Company owns 20%. Edison's total megawatt ownership in the three units is 2,000 MW.

Productivity improvements suggested by our employees will save millions of dollars over the years.

Edison employee at right in this photo at Mohave Generating Station suggested additional valving on soot blower system to allow repair work without system shutdown, saving more than $200,000 annually. Other employee suggestions resulting from Edison's Productivity Improvement Program (PIP) have produced ideas and operating changes that will save millions of dollars in capital expenditures and operating costs over the years.



Edison also has a 15.8% interest totaling 579 MW in three 1,222-MW units being constructed at the Palo Verde Nuclear Generating Station near Phoenix, Arizona. Construction is 84% complete and operation of the three units is expected in the 1984–1986 period.

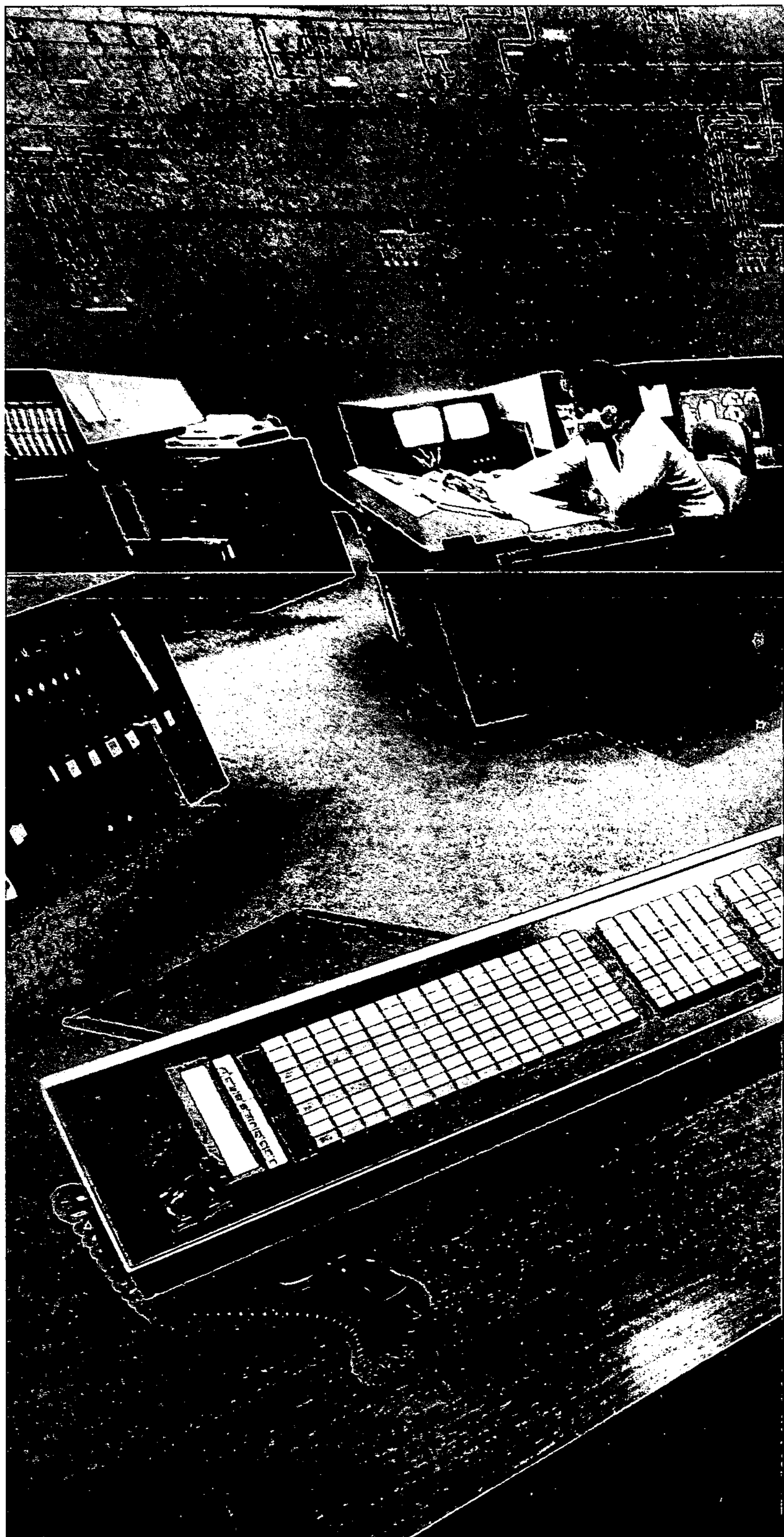
A 240-mile, 500-kilovolt (KV) line between Palo Verde, Arizona, and Edison's Devers Substation near Palm Springs was completed in March 1982. In addition to carrying Palo Verde power into the Edison system, the line also forms a major Company-owned interstate transmission path for firm generation capacity and economic power purchases from other utilities in the Southwest.

Generation Resources for the 1980s

After factoring in an expected 1,500 MW decrease in system demand through load management, Edison projects a need for 6,325 MW of new generating capacity during the next 10 years to meet the electricity requirements of its existing and new customers. This generation need is equal to nearly half of current Company-owned facilities and takes into account the planned retirement of older oil-and gas-fired units. The new capacity additions are planned to be met by 2,340 MW of nuclear power, 2,150 MW of alternative and renewable resources, and 1,835 MW of purchases. As a result of this flexible strategy, the Company deferred the 1,500-MW Ivanpah Coal Project.

Negotiations continued during the year with Mexico's Comisioń Federal de Electricidad for purchases of 260 MW of geothermal power to supplement 70 MW already under purchase contract. The 70 MW are expected to be delivered by early 1985 from Mexico's Cerro Prieto geothermal site.

In addition, Edison and other original California underwriters of the Hoover Dam power project are pursuing renewal of 50-year Hoover power contracts which expire in 1987. Some California municipalities, which were not original underwriters, are seeking Hoover power allotments for the first time, while Arizona and Nevada are pursuing increased allotments. Edison intends to protect its allotment rights as an underwriter in line with federal government criteria.



Edison's Energy Control Center integrates all electric power into the Company's system, including power purchases from throughout the Western U.S. and Canada. Power purchases in 1982 exceeded 22 billion kilowatt-hours or 34% of the Company's total sales.

Record power purchases in 1982 helped reduce our annual oil and gas consumption by the energy equivalent of more than 35 million barrels, saving customers more than $750 million.

Fuel and Purchased Power
In 1982, 34% of the Company's KWH sales, more than 22 billion KWH, was met by low-cost power purchases from neighboring electric utilities. As a result, Edison offset its need for more costly natural gas and oil by the energy equivalent of more than 35 million barrels in 1982, saving customers more than $750 million in fuel costs.

Edison's efforts to increase its level of economy power purchases were aided during the year by power information exchange programs initiated with the California Power Pool and the Western Systems Coordinating Council. The Company is further emphasizing transmission improvements in its pursuit of lower-priced purchased power. The construction of the Devers/Palo Verde 500-KV line, for example, saved $32 million through lower-cost power purchases in 1982.

Fuel and purchased power costs continued to be the single largest component of the total cost of providing electric service to customers in 1982, representing 52 cents out of each revenue dollar. Fuel and purchased power costs totaled $2.2 billion, down 12.9% from 1981 fuel and purchased power costs of $2.5 billion. While annual oil consumption of 4.5 million barrels in 1982 was the lowest annual amount since 1954, the consumption of natural gas increased to 257 billion cubic feet, the equivalent of 43 million barrels, representing almost 37% of the Company's total fuel mix.

Annual Peak Demand
Peak demand for electricity on the Edison system declined in 1982 primarily because of mild summer weather, conservation and reduced economic activity. The Company recorded a 1982 area peak demand of 13,149 MW on September 2, 1982, a 4.3% decrease from the record 13,738 MW set on August 27, 1981. The annual compound growth in peak demand over the last five years has been 2.6%.

Electric Consumption
Electric consumption by Edison's 3.3 million customers in 1982, including 42,457 new customers, was 59.3 billion KWH, compared to 62.4 billion KWH the previous year. This 5% reduction was primarily due to cooler summer temperatures and a significant decline in electric usage by the industrial sector, reflecting conservation efforts and reduced economic activity. The number of new customers added to Edison's system last year was the lowest since 1945.

Total electric consumption by Edison's 2.9 million residential customers in 1982 decreased 1.7% to 16.4 billion KWH from 16.7 billion KWH in 1981, despite the addition of 35,165 new residential customers to the Company's service territory during the year.

Average residential consumption decreased 3.3% in 1982 to 5,685 KWH from 5,879 KWH the previous year. The decrease was the result of cooler summer temperatures, higher electricity costs and continuing customer response to conservation programs.

Conservation and Load Management
1982 marked Edison's 10th year of formal conservation and load management planning and program implementation. The combination of customer response to Edison conservation programs plus the Company's direct conservation efforts on its system in 1982 resulted in a fuel cost savings of more than $200 million through fuel use reductions of 4.4 billion KWH, the energy equivalent of more than seven million barrels of costly oil and natural gas.

Of this total, Edison's efforts in voltage regulation, distribution circuit management and street light conversion contributed a savings of 1.7 billion KWH while customer response to Company conservation programs, including customer cogeneration, contributed a savings of 2.7 billion KWH.

Edison conservation programs offered to customers in 1982 included:

• Residential Conservation Service... a program in which Edison provided more than 30,000 free home-energy surveys in 1982, recommending conservation practices customers can follow to reduce electric bills by using energy more efficiently.

• Zero-interest loans... a program to help residential customers in SCE's Eastern Desert service territory pay for conservation improvements which, by year-end, encompassed 2,100 participants with an average loan of $2,000 per participant. Edison will offer a systemwide low-interest (8%) financing program in 1983.

• Commercial, industrial and agricultural energy audits ... a free energy audit program which produced an annual savings in 1982 of 1.3 billion KWH, the energy equivalent of $70 million in fuel oil costs.

Edison's load management programs are designed to shift the use of electricity from periods of peak usage to periods of reduced demand in order to defer construction of new generating facilities. The Company currently plans to reduce annual peak load growth from 2.6% to 2% by

1992 primarily through innovative rate-option load management programs presently in place or under evaluation. These include:

• Time of use rates... a program which utilizes special metering to encourage participating commercial and industrial customers to shift electric usage away from peak demand hours.

• Interruptible rates... a program in which participating commercial and industrial customers agree to reduce electrical usage when requested by Edison.

• Pool pump timing... a program which encourages residential customers to reduce electric demand during peak periods by changing clock timing hours on swimming pool and spa pumps.

• Air conditioning cycling... a program in which participating residential and commercial customers agree to allow Edison to cycle air conditioning compressors remotely during periods of capacity shortages.

• Demand Subscription Service... a program which uses remote controllers to allow Edison to limit electric usage of participating residential customers during critical periods.

Management Change

Robert H. Bridenbecker, formerly manager of Fuel Supply, was elected vice president of Fuel Supply on May 1. He succeeds William H. Seaman, who retired after 41 years of dedicated service.

Affirmative Action

Representation of minorities and females in the Company's work force increased in 1982 through affirmative action efforts. Minority representation increased from 25.4% to 26.3% at year-end. Female representation increased from 20.6% to 21.9% during the same period. During the five-year period from year-end 1977 through year-end 1982, minority representation increased from 18.9% to 26.3% and female representation from 17.1% to 21.9%.

Edison's Procurement Division provided increased opportunities to Minority Business Enterprises (MBEs) in 1982. Since the Company's Minority and Small Business Development Program was formally introduced in 1979, the number of MBEs qualified to provide goods and services to Edison has increased by 79%, and the number of opportunities to compete for contracts annually has increased by 410%.

Consumer Affairs

Edison established a corporate Consumer Affairs Committee in 1982 to provide oversight and development of policies, programs and communications directed at or affecting the consumer. The committee is responsible for assessing the current and future consumer environment, and recommending and directing appropriate corporate consumer affairs actions designed to help meet customers' needs in a prompt and forthright manner.

Edison's continuing efforts to live up to a 75-year tradition of good service, square dealing and courteous treatment were underscored last November and December when employees expended more than 300,000 work-hours in the restoration of electric service to customers during the most severe and widespread wind and rain storms in the Company's history. Over a one-week period beginning November 30, 1982, emergency crews worked in shifts around the clock to repair more than 1,200 power poles and towers. Other personnel handled about 226,000 customer calls, staffed warehouses and garages, and attended to the special needs of the physically handicapped and the elderly.

Percentage of Male, Female and Minority Employees at Year-End 1977 and 1982	Male % Year-End		Female % Year-End		Black % Year-End		Asian American % Year-End		American Indian % Year-End		Hispanic % Year-End		Total Minorities % Year-End	
	1977	1982	1977	1982	1977	1982	1977	1982	1977	1982	1977	1982	1977	1982
Management(1)	92.2	84.9	7.8	15.1	2.0	3.5	2.8	5.7	0.7	0.5	5.0	6.8	10.5	16.5
Non-Management(2)	78.9	74.6	21.1	25.4	7.0	9.1	2.0	3.2	0.8	1.1	12.9	17.8	22.7	31.3
Total Company(3)	82.9	78.1	17.1	21.9	5.5	7.2	2.2	4.1	0.7	0.9	10.5	14.1	18.9	26.3

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

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

(3) Includes all classes of employees.

Financial Review

The following discussion provides a review of the factors which had a significant impact on the Company's financial condition in 1982. Several of these events also may impact the Company in 1983 and beyond. Additionally, reference should be made to the accompanying financial statements and their related notes beginning on page 19.

Earnings Reach Record High

Earnings per share of common stock rose to a record calendar-year high of $5.13 from a previous high of $4.93 recorded in 1981. This increase was accompanied by a 14.89% earned rate of return on common equity, marking the third time in four years that Edison has earned a rate of return on common equity at essentially the level authorized by the California Public Utilities Commission (CPUC). This performance was largely attributable to continued stringent cost controls and productivity measures, a $92 million rate increase attrition allowance, and higher non-cash allowances for funds used during construction.

Adverse factors which affected 1982 earnings included a reduction in kilowatt-hour sales, the dilutive effect of newly issued common stock and a series of winter storms which severely damaged equipment and resulted in record overtime costs.

Operating revenues for 1982 increased by $248 million, or 6%, to a total of $4.3 billion. This increase in revenues principally reflects rate adjustments to cover higher costs of fuel during the first half of the year and the $92 million attrition allowance effective January 1, 1982.

Kilowatt-hour sales for the year were down primarily because of a mild summer, contrasted with the unusually hot weather of 1981. This, combined with the effects of reduced economic activity and continued conservation efforts, resulted in a 3.9% decrease in sales to Edison customers. Total kilowatt-hour sales, which include sales to other utilities, decreased by 5%. The reduced sales to other utilities resulted from above-average amounts of hydroelectric power and reduced growth rates on their own systems.

Dividend Increased

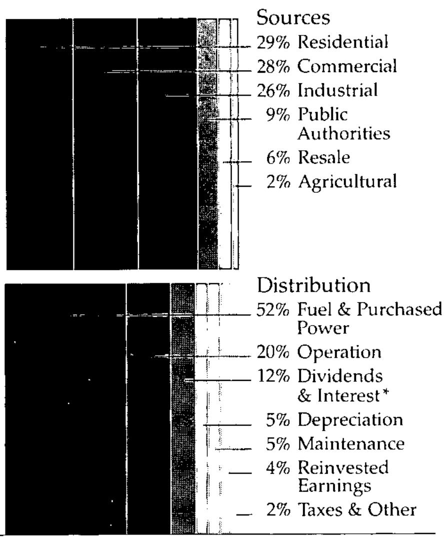
In September, the Board of Directors approved an 8.6% increase in the common stock dividend. The 7¢ per share increase in the quarterly rate brought the annual dividend to $3.52 per share as compared with the previous rate of $3.24 per share. The Board's action represented the seventh dividend increase in the past six years. Over that period, the dividend increase has averaged 13% annually. At year-end, the dividend was providing a 10% yield on the common stock market value of $35⅛ per share.

Rate Increases and Adjustments

Attrition Allowance: In the 1981 rate case, the Commission authorized the Company a $92 million rate increase Attrition Allowance which became effective on January 1, 1982. This represented the first time that the CPUC granted the Company rate relief to offset many of the inflationary increases in non-fuel operation and maintenance costs generally experienced in the year between general rate cases.

Sources and Distribution of Revenues

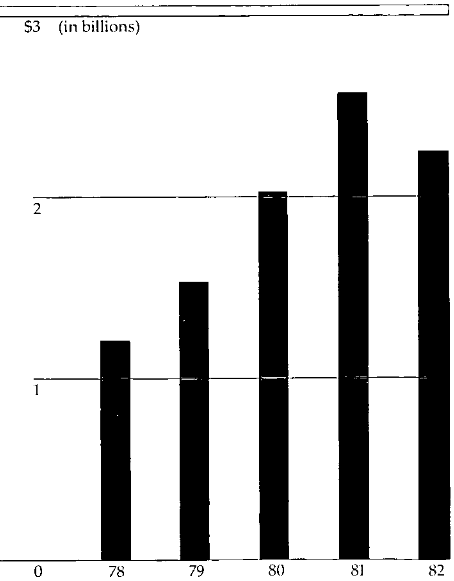
The Company's 1982 sources of revenues reflect a near equal balance from each of the major customer classes—residential, commercial, and industrial. More than half of these revenues were expended for fuel and purchase power.



**Reduced for dividends and interest capitalized (AFUDC)*

Fuel and Purchased Power Costs

Fuel and purchased power costs for 1982 were $2.23 billion, or 12.9% less than recorded 1981 costs. Principal reasons for the decrease in 1982 were a substantial increase in the availability of hydroelectric and purchased power, an increase in the availability of natural gas and a reduction in kilowatt-hour sales, all of which displaced the use of more costly fuel oil.



Energy Cost Adjustment Clause (ECAC) and Annual Energy Rate (AER): The tri-annual ECAC procedure is designed to adjust rates to reflect changes in fuel costs. The Company estimates total fuel costs projected to generate electricity during the subsequent four-month time period taking into consideration availability and changing cost of fuels and purchased power, and status of balancing accounts. The Commission reviews the Company's total fuel cost projections and adjusts electric rates upward or downward. Under this procedure, 98% of recorded fuel and purchased power costs above or below those used in establishing rates are accumulated in a balancing account and are reflected in subsequent ECAC rate adjustments.

During 1982, ECAC-related rate adjustments authorized by the Commission were: an increase of $546 million, on an annual basis, effective January 5, 1982 and a decrease of $719 million, on an annual basis, effective May 4, 1982. In September 1982, fuel-related rates were also reviewed by the Commission and remained unchanged.

The ECAC procedure also provides for an Annual Energy Rate (AER), which is a fixed rate established once a year and designed to recover a portion of estimated annual direct and indirect fuel costs. Direct fuel costs include fuel and purchased power. Indirect fuel costs include carrying charges on fuel oil inventory and other fuel related expenses. For 1982, indirect fuel cost estimates and 2% of direct fuel costs estimates were included in the AER.

The CPUC made changes in this procedure scheduled to go into effect in May 1983. The most significant change is to incorporate 10% of the estimates of both direct and indirect fuel costs in the AER. The remaining 90% of these costs, as recorded, is designed to be recovered through the tri-annual ECAC. This means that 90% of the Company's total recorded direct and indirect fuel costs should be recovered through ECAC, but that 10% of any difference between estimated and recorded annual fuel costs is at risk under the new AER procedure.

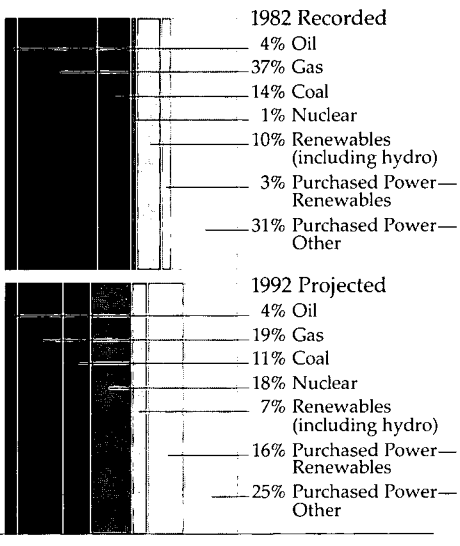
The CPUC decision limited this AER-related risk to a maximum positive or negative amount which, in 1983, approximates $32 million. The CPUC believes that such treatment provides an incentive for more efficient fuel management.

General Rate Case Decision: In December 1982, the Commission granted a general rate increase of $590 million annually, effective January 1, 1983. This decision incorporated these increases: $567 million in general rates, $14 million in the Conservation and Load Management Adjustment Clause rate and $9 million in the Annual Energy Rate. The Commission increased the Company's authorized rate of return on common equity from 14.95% to 16%. In granting this decision, the Commission recognized substantial inflationary increases in operating and capital costs, the effects of the federal Economic Recovery Tax Act of 1981, and additional expenses for customer conservation and load management programs.

The impact of this increase on the customer was partially offset by a reduction of $287 million annually in ECAC rates which reflected an increase in purchased power and hydroelectric resources because of above aver-

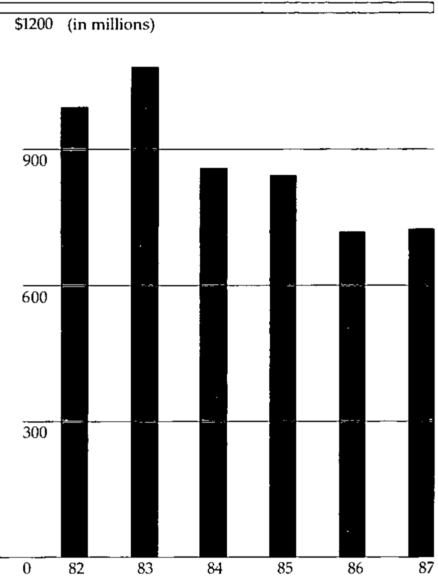
Generation Fuel Mix

SCE's continued commitment to alternative and renewable resources and the scheduled addition of nuclear power are expected to account for 23% and 19% of the 1992 generation fuel mix respectively, up substantially from 6% and 1% recorded in 1982. This emphasis on diversified fuel sources should enable the Company to limit capital expenditures and reduce dependence on high-cost oil and gas.



Funds Required for Construction

Construction expenditures are projected to decrease after 1983 primarily as a result of the completion of San Onofre Nuclear Units 2 and 3, reduced demand growth and the availability of alternate/renewable resources and purchased power. For the five-year period 1983–1987, funds required for construction currently are forecasted at $4.2 billion.



age precipitation in 1982. Therefore, the net effect of these two Commission actions on the Company's customers was a rate increase of $303 million, or 7.7%. Because of the decrease in ECAC rates last May, electric rates for residential customers in January 1983 were lower than electric rates in January 1982 despite the recent overall rate increase.

Electric Revenue Adjustment Mechanism (ERAM): In the 1983 general rate case decision, an Electric Revenue Adjustment Mechanism (ERAM) was established to stabilize the level of revenue authorized by the Commission regardless of fluctuations in the level of kilowatt-hour sales. This procedure, along with an attrition allowance for 1984, should again afford the Company an opportunity to earn in the range of its authorized rate of return on common equity during the next two-year rate cycle. The ERAM will protect customers by ensuring that a utility retains no more than the authorized revenues while encouraging the Company to promote conservation programs.

Other regulatory matters

Major Additions Adjustment Clause (MAAC): In February 1982, the Company filed to include in rate base the cost of owning and operating San Onofre Unit 2. At that time it was expected that in August 1982 the unit would meet the "used and useful" test for cost recovery. It also was expected that fuel savings, over time, would approximately offset the base rate increases with the long-range prospect of bill stabilization, assuming fossil fuels resumed their pattern of cost increases. In June, the CPUC decided it would be necessary for the unit to complete its full warranty run (200 hours at 100% capacity) before the unit would be eligible for rate base treatment. The Company petitioned for a rehearing of this unprecedented criterion, seeking a more reasonable and historical test of "used and useful" such as 100 hours at 80% capacity. In December, the CPUC denied Edison's request. It is now projected that San Onofre Unit 2 will not meet this unusually stringent criterion prior to mid-year 1983.

The Commission also established a two-phase procedure for including San Onofre in rate base. The first phase, which currently is in progress, consists of hearings to determine the procedures for cost recovery and the amount initially to be included in rates. The second phase will include hearings on the reasonableness of costs incurred in the construction of San Onofre. Although phase-two hearings have not been set, they are expected to take place in late 1983 or early 1984 after a CPUC consultant's report is completed.

New CPUC Commissioners: In December, Governor Brown appointed, and the State Senate confirmed, Donald Vial, former state director of industrial relations, to a six-year term on the CPUC replacing Commissioner Richard Gravelle. Governor George Deukmejian is expected to appoint a Commissioner to fill the vacancy created by the resignation of John Bryson, who served as president of the Commission since 1979. Commissioner Leonard Grimes was elected by the Commissioners as president of the Commission for 1983.

Record Level of Financings Completed

To finance the construction program during 1982, a record amount of capital, $1.08 billion, was raised, surpassing the record set in 1981. The Company sold nine security issues in addition to the ongoing sale of common stock through the Dividend Reinvestment and Stock Purchase Plan, the Employee Stock Purchase Plan and the Employee Stock Ownership Plan.

Details of these issues are shown in the following table:

Month	Issue	Term	Coupon Rate	Amount (Millions)
January	Pollution Control Bonds— Four Corners Generating Station	3 Years	10%	$ 177
February	Common Stock— 5,000,000 shares @ $28⅝			139
April	First and Refunding Mortgage Bonds	30 years	16%	125
April	Cumulative Preferred Stock	20 years	12.31%	50
April	Euro-Debentures	5 years	15%	75
August	Convertible Euro-Debentures	15 years	12½%	50
October	Euro-Debentures	8 years	11½%	75
November	Pollution Control Bonds— Four Corners	30 years	10¾%	80
November	First and Refunding Mortgage Bonds	30 years	12%	200
Ongoing	Dividend Reinvestment and Stock Purchase Plan			75
	Employee Stock Purchase Plan			25
	Employee Stock Ownership Plan			9
Total				$1,080

Responding to the continuing volatility of capital markets, additional emphasis was placed on expanding sources of capital, employing innovative financing techniques and maximizing financing flexibility.

Twice in 1982, the Company utilized tax-exempt financing for pollution control equipment as a vehicle to achieve lower borrowing costs. In January, $177 million of three-year tax-exempt bonds were issued to finance costs of constructing pollution control facilities at the coal-fired Four Corners Generating Station. In November, a brief but significant improvement in the tax-exempt market prompted the Company to issue 30-year tax exempt bonds for the purpose of refunding at maturity a portion of the three-year issue, resulting in millions of dollars of future savings to Edison's customers.

The Company again was active in the European market in 1982, placing $75 million of Euro-Debentures in April and $75 million in October. Increased demand abroad for the Company's common stock also enabled the Company to offer $50 million of Convertible Debentures in the European market. Because of the underlying equity value, investors were willing to accept a substantially lower yield than on conventional debt. The Company was the first utility in the United States to issue convertible debt in the European market. During 1981–1982, the Company placed a total of $375 million of debt securities in Europe, all at rates below levels existing in the domestic market.

In November, the last major financing of 1982, $200 million of 30-year mortgage bonds, was completed. Competitive bidding for the bonds originally was scheduled for October 26. However, the offering was postponed when interest rates climbed dramatically. The Company believed that although there was a risk of higher interest rates involved with a deferral, economic indicators supported a downturn in interest rates. Thus, it was concluded that the risk of delaying the bond offering was justified. On November 4, $200 million of bonds were successfully sold at a 12% interest rate. The nine-day deferral resulted in a 1¼% lower interest rate, representing a $2.5 million annual savings to customers from reduced interest costs.

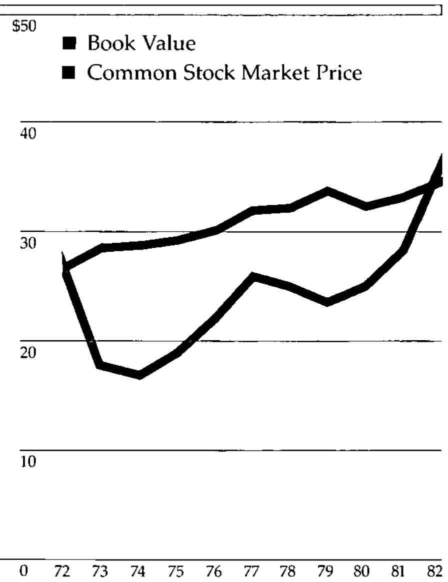
The $1.08 billion in new capital raised in 1982 brought the total capitalization of the Company to $8.28 billion. SCE's capital structure at year-end 1982 was 48% Debt, 11% Preferred and Preference Stock, and 41% Common Equity.

Improvement in Stock Price

The Company's common stock price continued its improvement in 1982. In August, the stock reached book value for the first time since early 1973. This favorable development reflects the strength of the Company's improved financial performance, an aggressive dividend policy, Edison's commitment to developing alternative and renewable energy resources and the result of hard work from cost-conscious employees. Based on the purchase price of $28¾ per share at the beginning of 1982 and the year-end price of $35⅛ per share, the Company's common stock provided a total return in 1982 of 33.7%, or $9.69 per share. This includes a price appreciation of $6.38 and dividends paid of $3.31.

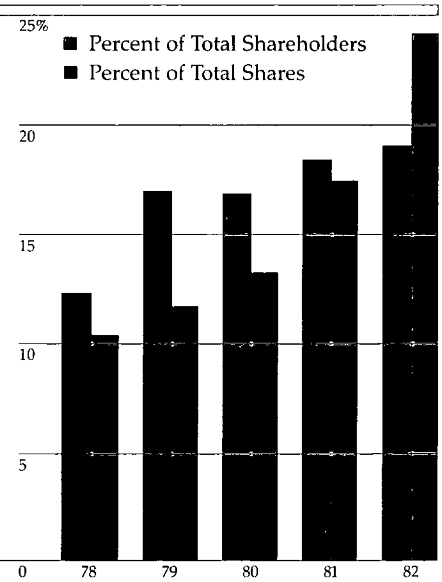
Stock Price Comparison

In August 1982, the Company's common stock reached book value for the first time since early 1973, reflecting the strength of Edison's financial performance, an aggressive dividend policy, the Company's continued commitment to developing alternative and renewable energy resources, and the hard work of cost-conscious employees.



Dividend Reinvestment and Stock Purchase Plan

Participation in the Dividend Reinvestment and Stock Purchase Plan (DRP) increased significantly in 1982, largely as a result of the benefits provided to participants from the Economic Recovery Tax Act of 1981. As of year-end 1982, over 37,000 participating shareholders held approximately 18.5 million shares of SCE common stock.



Responsibility for Financial Statements

The management of Southern California Edison Company has prepared and is responsible for the financial statements and the other related financial data contained in this Annual Report. The financial statements, which include amounts based on estimates and judgments of management, have been prepared in conformity with generally accepted accounting principles applied on a consistent basis.

To meet its responsibilities with respect to financial information, the Company maintains a system of internal accounting controls which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and that the financial records properly reflect the authorized transactions of the Company. This system is supported by written policies and procedures, organization structures that provide for appropriate division of responsibility, the selection and training of qualified personnel and is augmented by programs of internal audits. There are limits inherent in all systems of internal accounting control based on the recognition that the cost of such system should not exceed the benefits to be derived. The Company believes its system of internal accounting control appropriately balances this cost-benefit relationship.

An independent examination of these financial statements has been conducted by Arthur Andersen & Co., independent public accountants, in accordance with generally accepted auditing standards. In connection therewith, the independent accountants develop and maintain an understanding of the Company's accounting and financial controls, and conduct such tests and related procedures as they deem necessary to render their opinion as to the fairness of the financial statements.

The Audit Committee of the Board of Directors, composed entirely of directors who are not officers or employees of the Company, meets periodically with the management of the Company, the independent public accountants and the internal auditors to make inquiries as to the manner in which the responsibilities of each are being discharged. In addition, the Audit Committee recommends to the Board of Directors the annual appointment of the independent public accountants with whom the Audit Committee reviews the scope of the audit and the nature of other services provided as well as the related fees, the accounting principles being applied by the Company in financial reporting, the scope of internal financial auditing procedures, and the adequacy of internal accounting controls.

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

Report of Independent Public Accountants

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

We have examined the balance sheets and statements of capital stock and long-term debt of Southern California Edison Company (a California corporation, hereinafter referred to as the "Company"), as of December 31, 1982 and 1981, and the related statements of income, earnings reinvested in the business, additional paid-in capital and sources of funds used for construction expenditures for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, and also included similar examinations of the financial statements for each quarter within each of the years.

In our opinion, the financial statements referred to above present fairly the financial position of the Company as of December 31, 1982 and 1981, and the results of its operations and the sources of its funds used for construction expenditures for each of the three years in the period ended December 31, 1982, and further, in our opinion, the quarterly financial data set forth in Note 8 of "Notes to Financial Statements" summarize fairly the results of operations for each quarter within such years, all in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Los Angeles, California
February 4, 1983

ARTHUR ANDERSEN & CO.

Statements of Income

		Thousands of Dollars		
		Year Ended December 31,		
		1982	1981	1980
Operating Revenues:	Sales *(Notes 1 and 2)*	**$4,266,950**	$4,026,548	$3,631,373
	Other	**35,652**	27,808	29,744
	Total operating revenues *(Note 8)*	**4,302,602**	4,054,356	3,661,117
Operating Expenses:	Fuel *(Note 2)*	**1,778,553**	2,078,393	1,729,552
	Purchased power *(Note 10)*	**449,348**	479,813	280,675
	Provision for energy cost adjustments *(Notes 1 and 5)*	**367,565**	(90,273)	361,600
	Other operation expenses *(Notes 6, 7 and 10)*	**496,585**	441,939	392,593
	Maintenance *(Note 1)*	**210,160**	193,397	228,269
	Provision for depreciation *(Note 1)*	**220,927**	202,182	187,959
	Taxes on income—current and deferred *(Notes 1 and 5)*	**177,251**	197,865	38,683
	Property and other taxes *(Note 5)*	**65,486**	59,885	69,652
	Total operating expenses *(Notes 3 and 9)*	**3,765,875**	3,563,201	3,288,983
Operating Income *(Note 8)*		**536,727**	491,155	372,134
Other Income and Income Deductions:	Allowance for equity funds used during construction *(Note 1)*	**209,485**	162,879	121,488
	Interest income	**34,571**	39,025	33,889
	Taxes on non-operating income—credit *(Notes 1 and 5)*	**100,655**	54,261	30,358
	Other—net	**965**	13,896	1,524
	Total other income and income deductions	**345,676**	270,061	187,259
Total Income Before Interest Charges		**882,403**	761,216	559,393
Interest Charges:	Interest on long-term debt	**360,915**	281,626	227,163
	Other interest and amortization *(Note 1)*	**59,367**	59,351	55,493
	Total interest charges	**420,282**	340,977	282,656
	Allowance for debt funds used during construction *(Note 1)*	**(93,633)**	(69,673)	(40,799)
	Net interest charges	**326,649**	271,304	241,857
Net Income *(Note 8)*		**555,754**	489,912	317,536
Dividends on Cumulative Preferred and Preference Stock		**72,396**	67,888	60,950
Earnings Available for Common and Original Preferred Stock		**$ 483,358**	$ 422,024	$ 256,586
Weighted Average Shares of Common and Original Preferred Stock Outstanding and Common Stock Equivalents (000)		**94,257**	85,610	73,241
Earnings Per Share *(Notes 1 and 8)*		**$5.13**	$4.93	$3.50
Dividends Declared Per Common Share		**$3.38**	$3.10	$2.84

The accompanying notes are an integral part of these financial statements.

Southern California Edison Company

Balance Sheets

Assets		1982	1981
		Thousands of Dollars December 31,	
Utility Plant:	Utility plant, at original cost *(Notes 1, 2 and 9)*	**$ 6,609,540**	$6,115,484
	Less—Accumulated provision for depreciation *(Notes 1 and 9)*	**2,185,667**	2,015,212
		4,423,873	4,100,272
	Construction work in progress *(Notes 6 and 9)*	**4,108,878**	3,377,644
	Nuclear fuel, at amortized cost	**45,660**	24,542
		8,578,411	7,502,458
	Less—Accumulated deferred income taxes *(Notes 1 and 5)*	**79,084**	25,972
		8,499,327	7,476,486
Other Property and Investments:	Real estate and other, at cost—less accumulated provision for depreciation	**11,383**	9,194
	Subsidiary companies *(Note 1)*	**104,378**	124,558
		115,761	133,752
Current Assets:	Cash and equivalents *(Note 4)*	**120,661**	10,409
	Cash investments—financing subsidiary *(Note 1)*	**127,849**	—
	Receivables, less reserves of $8,105,000 and $10,682,000 for uncollectible accounts at respective dates *(Note 1)*	**306,041**	306,267
	Fuel stock, at cost (first-in, first-out) *(Note 4)*	**605,162**	579,633
	Materials and supplies, at average cost	**64,185**	63,197
	Regulatory balancing accounts—net *(Notes 1 and 5)*	—	39,441
	Accumulated deferred income taxes—net *(Notes 1 and 5)*	**198,939**	4,872
	Prepayments and other (taxes, insurance, etc.)	**42,563**	38,943
		1,465,400	1,042,762
Deferred Charges:	Unamortized debt expense *(Note 1)*	**29,169**	22,368
	Accumulated deferred income taxes—net *(Notes 1 and 5)*	**21,892**	—
	Other deferred charges	**26,015**	27,203
		77,076	49,571
		$10,157,564	$8,702,571

The accompanying notes are an integral part of these financial statements.

Capitalization and Liabilities		Thousands of Dollars December 31, 1982	1981
Capitalization:	Preferred Stock—subject to mandatory redemption/repurchase requirements:		
	Cumulative Preferred Stock	**$ 383,000**	$ 337,500
	Preference Stock	**62,000**	62,000
	Preferred Stock—other:		
	Original Preferred Stock	**4,000**	4,000
	Cumulative Preferred Stock	**458,755**	458,755
	Preference Stock	**8,265**	13,553
	Common Stock, including additional stated capital	**856,152**	776,523
	Other Shareholders' Equity:		
	Additional paid-in capital	**1,142,932**	953,268
	Earnings reinvested in the business	**1,393,780**	1,238,317
	Long-term debt *(Note 1)*	**3,970,400**	3,444,080
		8,279,284	7,287,996
Current Liabilities:	Accounts payable	**411,240**	360,018
	Commercial paper payable *(Note 4)*	**—**	266,500
	Notes payable to banks *(Note 4)*	**23,992**	28,687
	Short-term borrowings—financing subsidiary *(Notes 1 and 4)*	**123,300**	—
	Long-term debt due within one year	**53,500**	121,025
	Preferred Stock to be redeemed within one year	**4,500**	—
	Taxes accrued *(Note 5)*	**166,139**	61,774
	Interest accrued	**112,666**	85,089
	Customer deposits	**16,732**	12,518
	Dividends declared	**90,636**	75,036
	Regulatory balancing accounts—net *(Notes 1 and 5)*	**362,187**	—
	Other	**38,094**	76,269
		1,402,986	1,086,916
Commitments and Contingencies *(Notes 2, 3 and 10)*			
Reserves and Deferred Credits:	Customer advances and other deferred credits	**146,877**	66,697
	Accumulated deferred investment tax credits *(Notes 1 and 5)*	**274,280**	200,598
	Accumulated deferred income taxes—net *(Notes 1 and 5)*	**—**	21,141
	Reserves for pensions, insurance, etc. *(Note 7)*	**54,137**	39,223
		475,294	327,659
		$10,157,564	$8,702,571

The accompanying notes are an integral part of these financial statements.

Statements of Sources of Funds Used for Construction Expenditures

		Thousands of Dollars		
		Year Ended December 31,		
		1982	1981	1980
Funds Provided By—				
Operations:	Net income *(Note 8)*	**$555,754**	$489,912	$317,536
	Non-cash items in net income—			
	Depreciation *(Note 1)*	**220,927**	202,182	187,959
	Allowance for debt and equity funds used during construction *(Note 1)*	**(303,118)**	(232,552)	(162,287)
	Investment tax credits deferred—net *(Notes 1 and 5)*	**64,612**	47,386	25,235
	Other—net	**99,609**	3,701	29,271
	Total funds from operations	**637,784**	510,629	397,714
	Dividends	**(395,103)**	(336,546)	(273,312)
	Total funds from operations—reinvested	**242,681**	174,083	124,402
Long-term Financing:	Sales of securities—			
	Long-term debt	**576,864**	634,435	350,000
	Preferred stock	**49,474**	—	75,000
	Common stock (a)	**264,634**	292,356	258,607
	Reduction for long-term debt due within one year	**(53,500)**	(121,025)	(143,548)
	Reduction for preferred stock to be redeemed within one year	**(4,500)**	—	—
	Conversion of preference stock	**(5,290)**	(6,344)	(7,169)
	Total funds from long-term financing	**827,682**	799,422	532,890
Other Sources (Uses) of Funds—	Working capital changes—			
	Cash and equivalents	**(238,101)**	(2,767)	(2,937)
	Receivables—net	**226**	(17,288)	(76,251)
	Fuel stock and materials and supplies *(Note 4)*	**(26,517)**	(880)	(284,654)
	Regulatory balancing accounts—net *(Notes 1 and 5)*	**196,059**	(37,568)	235,512
	Accounts payable	**51,222**	3,678	67,443
	Net short-term borrowings	**(147,895)**	110,214	30,793
	Long-term debt and preferred stock due within one year	**(63,025)**	(22,523)	59,004
	Other changes in working capital	**121,463**	(41,038)	63,274
	Net (increase) decrease in working capital	**(106,568)**	(8,172)	92,184
	Sale of non-current assets	**—**	50,623	89,557
	Other—net	**30,108**	(59,193)	(57,523)
	Total other sources (uses) of funds	**(76,460)**	(16,742)	124,218
Funds Used for Construction Expenditures		**$993,903**	$956,763	$781,510

(a) Includes conversions of Preference Stock, 5.20% Convertible Series, to Common Stock.

The accompanying notes are an integral part of these financial statements.

Statements of Earnings Reinvested in the Business

		Thousands of Dollars		
		Year Ended December 31,		
		1982	1981	1980
Balance at January 1		**$1,238,317**	$1,092,137	$1,054,296
Add:	Net income	**555,754**	489,912	317,536
		1,794,071	1,582,049	1,371,832
Deduct:	Dividends declared on capital stock—			
	Original Preferred	**1,589**	1,454	1,334
	Cumulative Preferred	**67,291**	62,504	55,230
	Preference	**5,105**	5,384	5,720
	Common—$3.38 per share for 1982, $3.10 per share for 1981, and $2.84 per share for 1980	**321,118**	267,204	211,028
	Capital stock expense	**5,188**	7,186	6,383
		400,291	343,732	279,695
Balance at December 31 (a)		**$1,393,780**	$1,238,317	$1,092,137

(a) Includes undistributed earnings of unconsolidated subsidiaries of $4,867,000 and appropriated earnings related to certain federally-licensed hydroelectric projects of $4,177,000 at December 31, 1982.

Statements of Additional Paid-in Capital

	Thousands of Dollars		
	Year Ended December 31,		
	1982	1981	1980
Balance at January 1	**$ 953,268**	$763,519	$601,578
Premium received on sale of common stock	**189,668**	189,754	161,949
Payments made in lieu of issuing fractional shares of common stock	**(4)**	(5)	(8)
Balance at December 31	**$1,142,932**	$953,268	$763,519

The accompanying notes are an integral part of these financial statements.

Statements of Capital Stock

	December 31, 1982 Shares Outstanding	December 31, 1982 Redemption Price Per Share	Thousands of Dollars Stated Value—December 31, 1982	Thousands of Dollars Stated Value—December 31, 1981
Preferred Stock—Subject to Mandatory Redemption/ Repurchase Requirements (a) (b) (f):				
$100 Cumulative Preferred—par value $100 per share:				
7.325% Series	750,000	$110.00	**$ 75,000**	$ 75,000
7.80% Series	600,000	110.00	**60,000**	60,000
8.54% Series	750,000	108.54	**75,000**	75,000
8.70% Series A	525,000	110.00	**52,500**	52,500
12.00% Series	750,000	112.00	**75,000**	75,000
12.31% Series	500,000	105.83	**50,000**	—
			387,500	337,500
Less: Preferred stock to be redeemed within one year			**4,500**	—
			$383,000	$337,500
Preference—par value $25 per share: 7.375% Series	2,480,000	$ 25.25	**$ 62,000**	$ 62,000
Preferred Stock—Other:				
Original Preferred—5%, prior, cumulative, participating, not redeemable, authorized 480,000 shares, par value $8⅓ per share	480,000	—	**$ 4,000**	$ 4,000
Cumulative Preferred—authorized 24,000,000 shares, par value $25 per share (a):				
4.08% Series	1,000,000	$ 25.50	**$ 25,000**	$ 25,000
4.24% Series	1,200,000	25.80	**30,000**	30,000
4.32% Series	1,653,429	28.75	**41,336**	41,336
4.78% Series	1,296,769	25.80	**32,419**	32,419
5.80% Series	2,200,000	25.25	**55,000**	55,000
8.85% Series	2,000,000	26.50	**50,000**	50,000
9.20% Series	2,000,000	26.50	**50,000**	50,000
$100 Cumulative Preferred—authorized 12,000,000 shares, par value $100 per share (a):				
7.58% Series	750,000	102.50	**75,000**	75,000
8.70% Series	500,000	107.00	**50,000**	50,000
8.96% Series	500,000	107.00	**50,000**	50,000
			$458,755	$458,755
Preference—authorized 10,000,000 shares, par value $25 per share (a) (c): 5.20% Convertible Series	330,617	$ 25.00	**$ 8,265**	$ 13,553
$100 Preference—authorized 2,000,000 shares, par value $100 per share	—	—	**$ —**	$ —
Common Stock—authorized 140,000,000 shares, par value $8⅓ per share, including additional stated capital (c) (d) (e) (f)	96,691,973	—	**$856,152**	$776,523

(a) All series of $100 Cumulative Preferred Stock, Cumulative Preferred Stock and Preference Stock are redeemable at the option of the Company. The 500,000 shares of $100 Cumulative Preferred Stock, 12.31% Series, are not subject to such redemption until May 1, 1992. The various series of the $100 Cumulative Preferred Stock, and the Preference Stock, 7.375% Series, are subject to certain restrictions on redemption for refunding purposes. Authorized shares of Preferred Stock—Subject to Mandatory Redemption or Repurchase Requirements are included under Preferred Stock—Other.

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

Series	*Redemption or Repurchase* Commencement Date	Number of Shares Annually	Price Per Share (1)
$100 Cumulative Preferred			
7.325%	7/31/83	30,000	$100
7.80%	11/30/83	15,000(2)	$100
8.54%	6/30/86	22,500	$100
8.70% A	6/30/85	13,125(3)	$100
12.00%	12/31/86	22,500	$100
12.31%	4/30/88	35,000(4)	$100
Preference			
7.375%	2/1/85	496,000	$ 25

(1) Plus accumulated unpaid dividends. Redemption or repurchase to continue annually until all shares are redeemed or repurchased.
(2) Based upon 2.5% of shares originally outstanding and increasing to 5.5% by 2003.
(3) Based upon 2.5% of shares originally outstanding and increasing to 9.5% by 2000.
(4) Based upon 7% of shares originally outstanding and increasing to 13.25% by 2002.

For each of the five years subsequent to December 31, 1982, the aggregate mandatory redemption or repurchase requirements will be: $4,500,000 for 1983, $4,500,000 for 1984, $18,212,500 for 1985, $22,712,500 for 1986, and $22,712,500 for 1987.

(c) Under a prescribed formula, the conversion price of the Preference Stock, 5.20% Convertible Series is adjusted when additional shares of Common Stock are sold by the Company. The shares of Common Stock reserved for conversion and the adjusted conversion prices per share were as follows:

	December 31, 1982	1981
Shares of Common Stock reserved	262,393	430,268
Adjusted conversion price per share	$31.50	$31.50

(d) The Company has reserved 1,600,000 shares of its Common Stock for the conversion of $50,000,000 principal amount of 12½% Convertible Subordinated Debentures, Due 1997, issued by Southern California Edison Finance Company, N.V.

(e) At December 31, 1982, there were 3,654,749 authorized and unissued shares of Common Stock reserved for sale and issuance under provisions of the Company's stock purchase plans. On February 1, 1983, the Company issued 682,927 shares of Common Stock under these plans.

(f) Transactions in the capital stock accounts during 1982, 1981 and 1980 reflect the following:

Shares of Common Stock were issued through public offerings and for the Dividend Reinvestment and Stock Purchase Plan (DRP), Employee Stock Purchase Plan (ESPP), Employee Stock Ownership Plan (ESOP), and the conversion of 211,522, 253,761 and 286,780 shares in the respective years of Preference Stock, 5.20% Convertible Series (5.20% Series) as follows:

Shares Issued	*1982*	*1981*	*1980*
Public offerings	5,000,000	8,000,000	7,000,000
DRP	2,498,253	1,906,474	1,751,330
ESPP	820,752	1,053,413	953,885
ESOP	601,948	591,084	1,033,794
5.20% Series	167,748	198,483	219,873

500,000 shares of $100 Cumulative Preferred Stock, 12.31% Series were issued in 1982 and 750,000 shares of $100 Cumulative Preferred Stock, 12.00% Series were issued in 1980.

The accompanying notes are an integral part of these financial statements.

Statements of Long-term Debt

		Thousands of Dollars December 31, 1982	1981
First and Refunding Mortgage Bonds (a)(d)(e):			
	Due 1982–1986 (4¼%–10%)	**$ 421,800**	$ 362,500
	Due 1987–1991 (4¼%–15¼%)	**675,000**	675,000
	Due 1992–1996 (5⅞%–8⅛%)	**555,000**	555,000
	Due 1997–2001 (7%–8⅞%)	**515,030**	515,030
	Due 2002–2005 (8¼%–15⅛%)	**830,000**	830,000
	Due 2010–2021 (10¾%–16%)	**763,300**	358,300
		3,760,130	3,295,830
First Mortgage Bonds (Calectric) (a)(d)	Due 1984–1991 (3¼%–5⅛%)	**60,000**	60,000
Promissory Notes (b)(d)	Due 1982–1983 (5½%)	**3,500**	7,027
Promissory Notes (c)(d)	Due 1986–1994 (12%–16¾%)	**375,000**	175,000
Pollution Control Indebtedness (d)(e)	Due 1984 (8⅛%)	**92,500**	92,500
Principal amounts outstanding		**4,291,130**	3,630,357
Long-term debt due within one year (d)		**(53,500)**	(121,025)
Unamortized debt premium or (discount)—net		**(22,024)**	(16,252)
Securities held by trustees (e)		**(245,206)**	(49,000)
Total long-term debt		**$3,970,400**	$3,444,080

(a) The authorized principal amount of each series of First and Refunding Mortgage Bonds is equal to the amount outstanding. The Trust Indenture under which these bonds are issued permits the issuance from time to time of additional bonds, including additional bonds equal in principal amount to bonds retired, pursuant to the restrictions and conditions contained therein. Substantially all of the properties of the Company are subject to the lien of the Trust Indenture. The Trust Indenture requires semiannual deposits with the Trustee of 1½% of the principal amount of the Company's outstanding First and Refunding Mortgage Bonds and the Calectric First Mortgage Bonds. The Calectric Indenture requires an annual cash deposit with the Trustee of 1% of the principal amount of Calectric First Mortgage Bonds issued or 166⅔% of such amount if property additions are used to satisfy the annual deposit requirements. In addition, an amount equivalent to the excess of 15% of defined operating revenues over costs of maintenance of the property subject to the lien of such indenture is required to be deposited with the Trustee annually. These deposit requirements of such indentures may be or have been satisfied by property additions and replacements, and by delivery and cancellation of bonds outstanding under the applicable indenture.

(b) The Company has entered into a financing agreement, as amended, with certain English banks pursuant to which it issued promissory notes payable in pounds sterling. The Company has entered into forward exchange contracts with a United States bank to purchase pounds sterling to repay substantially all of the promissory notes at maturity.

(c) Promissory Notes payable to Southern California Edison Finance Company N.V. (Finance) have been issued in exchange for the proceeds from the issuance of Debentures by Finance. Payment of the principal and interest on $325,000,000 and $50,000,000 principal amount of the Debentures are, respectively, unconditionally guaranteed and guaranteed on a subordinated basis by the Company. The subordinated Debentures are convertible into the Company's Common Stock. As of December 31, 1982, the Company has guaranteed the bank borrowings and Commercial Paper of a wholly-owned subsidiary of the Company. These short-term borrowings are reflected in the Company's balance sheet at December 31, 1982.

(d) Maturities and sinking fund requirements of long-term debt for the five years subsequent to December 31, 1982, are as follows:

Year Ended December 31,	*Thousands of Dollars* *Maturities*	*Sinking Fund Requirements*	*Total*
1983	$ 53,500	$ —	$ 53,500
1984	175,500	—	175,500
1985	272,800	5,250	278,050
1986	113,000	5,250	118,250
1987	196,000	5,250	201,250

(e) Promissory notes and First and Refunding Mortgage Bonds have been issued to different municipalities and other governmental agencies in exchange for the proceeds from the issuance of Pollution Control Revenue Bonds. The Company is obligated to pay the principal and interest on these bonds. The proceeds have been deposited with Trustees and are being utilized to defray the construction and other specified costs of pollution control facilities. The Company issued First and Refunding Mortgage Bonds, Series VVP, Due 2012 in the principal amount of $80,000,000 and Series WWP, Due 2003 in the principal amount of $88,000,000 on December 8, 1982 and February 3, 1983, respectively. The proceeds from these issuances are held in trust for purposes of refunding First and Refunding Mortage Bonds, Series SSP, Due 1985.

Notes to Financial Statements

Note 1—Summary of Significant Accounting Policies

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

Utility Plant—
The cost of additions and replacements of retirement units of property is capitalized and included in utility plant. Such cost includes labor, material, indirect charges for engineering, supervision, transportation, etc., and an allowance for debt and equity funds used during construction (AFUDC). The amount of AFUDC capitalized is also reported in the Statements of Income as a reduction of interest charges for the debt component of AFUDC and as other income for the equity component. Although AFUDC increases net income, it does not represent current cash earnings. The AFUDC rate for the year 1982 was 9.20%, for the year 1981 was 8.77%, and for the year 1980 was 7.82%, based upon a formula prescribed by the FERC.

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

Property-related accumulated deferred income taxes reflect the consumption of value in the plant and equipment to which they relate and have been deducted from utility plant. This treatment is consistent with the method utilized in ratemaking proceedings to determine the rate base on which the Company is entitled to earn a return.

Depreciation—
For financial reporting purposes, depreciation of utility plant is computed on a straight-line remaining life basis and approximated 3.6%, 3.6% and 3.5% of average depreciable plant for the years 1982, 1981 and 1980, respectively. The Company's rates are designed to recover the original cost of utility plant, including the estimated decommissioning costs of $58,000,000 (stated in current year dollars) for nuclear generation facilities in service, through depreciation expense over the estimated remaining useful lives of the facilities.

Taxes—
Accounting policies with respect to taxes on income and related investment tax credits are set forth in Note 5, together with supplementary tax information.

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

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

Subsidiaries—
The Company's investments in unconsolidated subsidiary companies, all of which are wholly-owned, are accounted for by the equity method except for the Company's subsidiary engaged in Eurodebenture financings. For this subsidiary, cash investments and short-term borrowings are presented separately on the balance sheet of the Company. None of the Company's other wholly-owned subsidiaries is considered significant for financial reporting purposes.

Earnings Per Share—
Earnings per share are determined by dividing the earnings available for Common and Original Preferred Stock by a weighted average number of such shares outstanding. After providing for cumulative preferred and preference stock dividend requirements, effect is given to the participating provisions of the Original Preferred Stock and Common Stock Equivalents for funds held for the purchase of the Company Common Stock by the Employee Stock Purchase Plan Trustee in each period. The dilutive effect on earnings per share of the conversion of the 5.20% Convertible Series Preference Stock issued by the Company and Convertible Debentures issued by Southern California Edison Finance Company N.V., an affiliate of the Company, is not significant.

Reclassification—
Accumulated deferred income taxes related to utility plant have been reclassified in the Company's prior year balance sheet to make them comparable to the classification in 1982.

Note 2—Commitments and Contingencies

Construction program and fuel supply—
The Company has significant purchase commitments in connection with its continuing construction program. As of December 16, 1982 (the date of the Company's latest approved budget), funds required for construction expenditures are estimated at $1,079,000,000 for 1983, $852,000,000 for 1984 and $847,000,000 for 1985. Minimum long-term commitments of approximately $1.8 billion exclusive of the Chevron contract discussed below existed on December 31, 1982, under the Company's fuel supply and transportation arrangements.

Fuel Supply Litigation—
The Company entered into a contract (for the period January 1, 1978 through June 30, 1986) with Chevron U.S.A. Inc. (Chevron) to purchase fuel for generation. Due to environmental, economic, regulatory and other factors, the Company reduced, and then suspended (commencing April 1, 1982), its fuel deliveries under the contract. On May 19, 1982, the Company sent a notice to Chevron which, among other things, terminated the contract effective June 24, 1982. Chevron disputes the effectiveness of this notice. On July 26, 1982, the Company sent an additional notice to Chevron which, while preserving the Company's rights under the May 19 notice, gave notice of termination under two other sections of the contract, which terminations became effective as of October 25, 1982 and January 31, 1983, respectively.

On April 30, 1982, Chevron filed an action against the Company in the Superior Court of the State of California for the City and County of San Francisco for declaratory relief and breach of contract. Chevron alleged that the Company had no contractual basis to reduce below certain levels or suspend deliveries of fuel, or terminate the contract. Chevron did not specify the amount of damages alleged to have been incurred. Chevron did seek a ruling that the Company would be obligated to pay a "facility charge" (approximately $8,300,000 a month) during the remaining contract term. The Company disagrees with Chevron's interpretation of the contract and with many of Chevron's allegations. The Company believes that it has substantial affirmative defenses and intends to vigorously defend the Chevron action.

On August 2, 1982, the Company filed a cross-complaint against Chevron seeking, among other things, a declaratory judgment that the Company properly and effectively terminated the subject contract and the return from Chevron of approximately $12,000,000 in underlift payments made by the Company to Chevron in the last half of 1981 on a provisional basis.

If Chevron is finally successful in pursuing its present position and if rate recovery of the Company's costs under or resulting from the contract is not allowed, the Company's financial exposure would be significant. Although the Company cannot predict with certainty whether the CPUC and the FERC will allow the Company to recover its costs under or resulting from the contract, the Company expects to include any such costs in existing or special fuel cost recovery proceedings and believes that such costs are a proper item for recovery through rates.

Government licenses—
The terms and provisions of licenses granted by the United States cover the Company's major and certain minor hydroelectric plants. These licenses also cover certain storage and regulating reservoirs and related transmission facilities. All of the above licenses expire at various times between 1983 and 2009. The licenses contain numerous restrictions and obligations on the part of the Company, including the right of the United States to acquire Company properties or, under certain conditions, the FERC to issue a license to a new licensee upon the payment to the Company of specified compensation.

Resale revenues—
Pursuant to FERC procedures, on February 1, 1976, August 16, 1979, July 16, 1981, and June 2, 1982, increases in the Company's resale rates became effective, subject to refund with interest to the extent that any of the increases are subsequently determined to be inappropriate. Effective May 2, 1974, a Fuel Clause Adjustment (FCA) was added to the Company's resale rates and has been modified concurrent with the subsequent base rate increases beginning with the February 1, 1976, increase. As of December 31, 1982, revenues subject to refund, after giving effect to incremental FCA billing credits, aggregated approximately $281.8 million.

The Company believes that, based on present facts, the amount of refunds, if any, likely to result from the outstanding proceedings would not have a significant effect on net income.

Notes to Financial Statements (continued)

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 monetary damages and a trebling of such damages, and certain injunctive relief, and alleges that the Company (i) is engaging in anticompetitive 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 action 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 plaintiffs have estimated their actual damages before trebling at approximately $68,100,000 through July 31, 1982, and at approximately $38,000,000 for the period August 1, 1982 to July 31, 1985. 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.

Note 3—Leases

Rental payments charged to operating expenses amounted to $39,542,000, $39,087,000 and $25,327,000 for 1982, 1981 and 1980, respectively.

The Company leases nuclear fuel to meet its fuel requirements at the San Onofre Nuclear Generating Station. Under the terms of the lease agreement, quarterly payments are based upon consumption of the nuclear fuel and are designed to return to the lessor the accumulated investment in nuclear fuel and a financing charge on unrecovered costs.

The nuclear fuel lease and certain other leased property would meet the criteria requiring capitalization under an Accounting Standard issued by the Financial Accounting Standards Board. However, since these leases are treated as operating leases for ratemaking purposes, they have been accounted for in the same manner. If such leases had been capitalized, related assets and liabilities of approximately $489,595,000 and $367,800,000 would have been recorded at December 31, 1982 and December 31, 1981, respectively. The difference between imputed depreciation and interest expense for these capital lease properties and actual recorded lease expense is insignificant.

At December 31, 1982, estimated rental commitments for unrecorded capital leases and noncancelable operating leases consisted of the following:

	Thousands of Dollars	
Year Ended December 31	Capital Leases(a)	Operating Leases
1983	$20,420	$12,403
1984	16,318	1,267
1985	12,151	912
1986	8,695	602
1987	4,869	336
For Periods Thereafter	5,398	7,462
Total Future Rental Commitments	67,851	$22,982
Less amount representing interest	14,156	
Present value of future minimum rental commitments	$53,695	

(a) Excludes nuclear fuel. The unrecovered cost base of the nuclear fuel lease was $435,900,000 at December 31, 1982.

Note 4—Compensating Balances and Short-term Debt

In order to continue lines of credit with various banks, the Company presently maintains deposits aggregating approximately $12,000,000 which are not legally restricted as to withdrawal. The lines of credit, which are also available to support commercial paper, amounted to $552,000,000 as of December 31, 1982, and $551,000,000 as of December 31, 1981. In addition, the Company also has lines of credit totaling $35,000,000 as of December 31, 1982 and December 31, 1981, which may be utilized for general corporate purposes.

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 Company has guaranteed commercial paper and notes payable (included on the Company's balance sheet) issued by its wholly-owned subsidiary engaged in financings. Proceeds from the issuance of the commercial paper and notes payable are used for capitalization of an affiliate engaged in Eurodebenture borrowings. The lines of credit available for the issuance of commercial paper amounted to $103,600,000 at December 31, 1982.

Note 5—Taxes

In accordance with CPUC requirements, deferred income taxes are generally not provided for net increases or decreases in income tax expense which result from reporting certain transactions for income tax purposes in a period different from that in which they are reported in the financial statements. The major items for which deferred income taxes are provided are the tax effects of resale revenues, depreciation related to plant additions after December 31, 1980 (post-1980 property), and regulatory balancing account provisions.

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

For post-1980 property, provisions of the Economic Recovery Tax Act of 1981 apply to tax depreciation and ITC. Under these provisions, tax depreciation is based upon shorter lives, and additional ITC are available. In addition, there are provisions which require the adoption of normalization accounting for post-1980 property with respect to the difference between tax depreciation and depreciation of tax basis using book method and lives. There are also provisions which no longer permit the flow through of ITC. Under transitional rules of the Act, these normalization provisions were not applicable to the Company for 1981 but did first apply, in part, in 1982.

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

	Thousands of Dollars		
	Year Ended December 31,		
	1982	1981	1980
Current:			
Federal	**$140,350**	$ 44,800	$ 38,582
State	**55,621**	25,629	36,909
	195,971	70,429	75,491
Deferred—Federal and State:			
Investment tax credits—net	**64,612**	47,386	25,235
Regulatory balancing accounts	**(192,726)**	26,548	(107,322)
Other	**8,739**	(759)	14,921
	(119,375)	73,175	(67,166)
Total taxes on income	**$ 76,596**	$143,604	$ 8,325
Taxes on income included in operating expenses	**$177,251**	$197,865	$ 38,683
Taxes on income included in other income	**(100,655)**	(54,261)	(30,358)
Total taxes on income	**$ 76,596**	$143,604	$ 8,325
Differences between the federal statutory tax rate and the Company's effective tax rate are reconciled as follows:			
Federal statutory tax rate	**46.0%**	46.0%	46.0%
Allowance for debt and equity funds used during construction	**(22.0)**	(16.9)	(22.9)
Percentage repair allowance	**—**	—	(3.5)
Administrative and general expense capitalized	**(2.1)**	(1.5)	(3.4)
Investment tax credits—net	**(5.0)**	(4.3)	(6.8)
Nuclear fuel lease interest capitalized	**(3.3)**	(3.0)	(3.3)
Taxes capitalized	**(3.3)**	(2.3)	(2.3)
State tax provision	**1.9**	4.9	2.1
All other differences	**(0.1)**	(0.2)	(3.3)
Effective tax rate	**12.1%**	22.7%	2.6%
Other taxes included in operating expenses:			
Property	**$ 46,126**	$ 41,632	$ 54,114
Payroll and other	**19,360**	18,253	15,538
	$ 65,486	$ 59,885	$ 69,652

Note 6—Research and Development

Research and Development (R&D) costs are expensed currently if they are of a general nature. Plant-related R&D costs are accumulated in construction work in progress until a determination is made as to whether such projects will result in construction of electric plant. If no construction of electric plant ultimately results, the costs are generally charged to other operation expenses.

	Thousands of Dollars		
	Year Ended December 31,		
	1982	1981	1980
R&D costs charged to expense	**$25,998**	$26,542	$21,964
R&D costs deferred/capitalized	**24,218**	32,047	20,165
Total R&D expenditures	**$50,216**	$58,589	$42,129

Note 7—Employee Benefit Plans

Pension Plan—
The Company's current pension program is based on a trusteed pension plan, which is non-contributory by employees. The annual normal cost of the plan is funded by the Company with contributions determined on the basis of a level premium funding method. There are no unfunded prior service costs. Pension costs are reserved for on the basis of actuarial determinations and amounted to $42,079,000, $36,137,000 and $40,321,000 for 1982, 1981 and 1980, respectively.

	Thousands of Dollars	
	January 1,	
	1982(a)	1981
Actuarial present value of accumulated plan benefits:		
Vested	**$449,580**	$383,676
Nonvested	**22,123**	16,621
	$471,703	$400,297
Net assets available for benefits	**$507,966**	$478,658

(a) Latest available information.

An actuarial rate of return assumption of 6.5% was used in determining the actuarial present value of accumulated plan benefits as of January 1, 1982 and January 1, 1981.

Employee Stock Purchase Plan—
Under the Employee Stock Purchase Plan (ESPP), adopted to supplement employees' income after retirement, employees may elect to contribute specified percentages of their regular monthly base pay to a trustee for the purchase of Company Common Stock and the Company contributes to the ESPP an amount equal to one-half of the employees' contributions, less forfeitures. The Company's contributions to the ESPP amounted to $4,687,000, $4,452,000 and $3,679,000 for 1982, 1981 and 1980, respectively. In addition, employees may elect to contribute up to 5% of their regular monthly base pay through supplemental contributions without regard to years of service. These supplemental contributions are not matched by the Company.

Effective July 1, 1982, the ESPP was amended to permit certain participants to make annual elections to diversify a portion of their accumulated contributions for Company Common Stock to other authorized forms of investments.

Employee Stock Ownership Plan—
Under the Employee Stock Ownership Plan (ESOP), shares of Company Common Stock are purchased for the benefit of eligible employees and held in trust using funds generated by additional 1% and ½% investment tax credits and matching employee contributions for the ½% ITC. The Company has elected the additional 1% ITC for the years 1976 through 1981, and the ½% ITC for the years 1978 through 1981. As of December 31, 1982, 2,563,249 shares of Common Stock were held by the Trustee under the ESOP. In addition, as of December 31, 1982, the Company had a liability to the ESOP in the amount of $13,527,000.

For the years 1978 through 1981 the amounts of ESOP ITC were higher than those utilized in the Federal income tax returns for such years. All of the 1978, 1979 and 1980 ESOP ITC were utilized in the 1980 and 1981 Federal income tax returns. However, none of the 1981 ESOP ITC was utilized in the 1981 Federal income tax return. If not completely utilized in 1982 or future income tax returns, the excess ITC would expire in 1996, in which event the Company would be allowed a tax deduction for the amounts contributed to ESOP.

Note 8—Quarterly Financial Data

	Thousands of Dollars			
Three Months Ended	Operating Revenues	Operating Income	Net Income	Earnings Per Share
December 31, 1982	$1,015,323	$135,574	$137,419	$1.23
September 30, 1982	1,110,617	169,066	166,858	1.55
June 30, 1982	1,047,426	120,636	126,786	1.15
March 31, 1982	1,129,236	111,451	124,691	1.18
December 31, 1981	1,039,320	113,026	127,862	1.27
September 30, 1981	1,122,674	150,996	147,944	1.51
June 30, 1981	983,848	121,409	113,939	1.13
March 31, 1981	908,514	105,724	100,167	1.00
December 31, 1980	969,227	91,649	70,495	0.71
September 30, 1980	1,058,916	103,011	88,427	0.99
June 30, 1980	828,028	88,996	76,929	0.84
March 31, 1980	804,946	88,478	81,685	0.96

Note 9—Jointly-Owned Utility Projects

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

	Thousands of Dollars			
	December 31, 1982			
Projects	Utility Plant in Service	Estimated Accumulated Provision for Depreciation	Construction Work in Progress	Ownership Interest
Axis Generating Station	$ 12,289	$ 7,605	$ 99	33.3%
Brawley Geothermal Generating Project	9,813	4,636	47	50.0
Cool Water Coal Gasification	—	—	18,060	16.7
El Dorado System	21,130	5,896	(223)	60.0(a)
Four Corners Generating Station—Units 4 & 5	112,359	35,521	145,007	48.0
Mohave Generating Station	191,823	52,263	4,014	56.0
Pacific Intertie DC System	69,096	20,493	968	50.0
Palo Verde Generating Station	68	—	698,943	15.8
San Onofre Generating Station—Unit 1	288,543	72,313	90,858	80.0
San Onofre Generating Station—Units 2 & 3	—	—	2,764,854	75.05
San Onofre Generating Station, Common Facilities—Units 1, 2, & 3	23,945	4,019	32,295	75.87
Solar One Generating Station	16,992	2,241	976	80.0
Total	$746,058	$204,987	$3,755,898	

(a) Represents a composite rate.

Note 10—Long-term Purchased Power and Transmission Contracts

Under firm contracts, the Company has agreed to purchase portions of the generating output of certain facilities and to purchase firm transmission service where appropriate. 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 provider) whether or not the facility or transmission line is operating. None of such power 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 and firm transmission service obtained under the contracts, including payments made when a facility or transmission line is not operating, is included in Purchased Power and Other Operation Expenses, respectively, in the Statements of Income. Certain information as of December 31, 1982, pertaining to purchased power contracts is summarized in the following table:

	Dollars in Thousands
Share of Effective Operating Capacity—Megawatts (MW) (a)	718.5
Share of Energy Output	7.9%–14.6%
Total Estimated Annual Cost	$41,574
Company's Portion of Estimated Annual Cost Applicable to Suppliers' Annual Minimum Debt Service Requirement	$ 5,326
Company's Allocable Portion of Interest of Suppliers included in Annual Minimum Debt Service Requirement	$ 3,525
Related Long-term Debt or Lease Obligations Outstanding of Company	None

(a) Effective operating capacity may vary according to water availability and other conditions. The Company has agreed to certain reductions in its share of operating capacity prior to the expiration date of a certain contract.

Additional information as of December 31, 1982 pertaining to both purchased power and transmission service contracts is summarized in the following table:

	Dollars in Thousands	
	Purchased Power	Transmission Service
Date of Expiration	1984–1987	1984–2016
Variable Components of Contracts	(a)	(a)
Required Future Minimum Annual Payments		
1983	$ 9,666	$ 6,990
1984	9,593	6,855
1985	1,560	5,696
1986	1,644	5,581
1987	723	5,465
Later years	—	108,175
Total	23,186	138,762
Less Amount Representing Interest to Reduce Total to Present Value	(1,324)	(79,302)
Total at Present Value	$21,862	$ 59,460
Total Purchases for the Years Ended December 31,		
1982	$39,414	$ 7,409
1981	$36,603	$ 7,658
1980	$38,121	$ 8,155

(a) The variable components of certain contracts are based upon a pro-rata share of actual operating, maintenance, and fuel costs or on the U.S. Government cost of service.

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

The Company's primary financial statements are stated on the basis of historical costs in accordance with generally accepted accounting principles. During periods of significant changes in price levels, amounts reported on this basis reflect dollars of varying purchasing power and accordingly do not measure the effects of inflation. The following supplementary information is presented in accordance with the requirements of the Financial Accounting Standards Board (FASB) for the purpose of providing certain information about the effects of both general inflation (represented by constant dollar amounts) and changes in specific prices (represented by current cost amounts).

This information inherently involves the use of assumptions, approximations and estimates, and therefore, should be viewed in that context and not as precise measurements of the effects of inflation on the Company.

Statement of Earnings Available for Common and Original Preferred Stock Adjusted for Changing Prices for the Year Ended December 31, 1982

	Thousands of Dollars		
	As Reported in the Primary Financial Statements	Adjusted For General Inflation (a) (Constant Dollar)	Adjusted For Changes in Specific Prices (a) (Current Cost)
Total Operating Revenues	$4,302,602	$4,302,602	$4,302,602
Operating Expenses:			
Provision for depreciation	220,927	506,000	606,000
Other operating expenses	3,544,948	3,544,948	3,544,948
Other income and deductions	(345,676)	(345,676)	(345,676)
Net interest charges	326,649	326,649	326,649
Dividends on cumulative preferred and preference stock	72,396	72,396	72,396
	3,819,244	4,104,317	4,204,317
Earnings available for common and original preferred stock (excluding reduction of utility plant to net recoverable cost)	$ 483,358	$ 198,285(b)	$ 98,285
Other Adjustments For Changing Prices:			
Increase in specific prices (current cost) of utility plant held during year (c)			$1,145,048
Reduction of utility plant to net recoverable cost		$ (55,256)	(468,089)
Effect of increase in general price level on utility plant			(631,648)
Excess of increase in specific prices over increase in general price level, after reduction to net recoverable cost			$ 45,311
Gain from decline in purchasing power of net amounts owed		$ 205,561	$ 205,561

(a) In average 1982 dollars.

(b) Including the reduction to net recoverable cost, the earnings available for common and original preferred stock on a constant dollar basis would have been $143,267,000 for 1982.

(c) At December 31, 1982, current cost of utility plant, net of accumulated depreciation (but exclusive of deferred income taxes) was $15,835,636,000 while related historical cost and net recoverable cost was $8,578,411,000.

Supplementary Information (continued)

Five Year Comparison of Selected Supplementary Financial Data Adjusted for the Effects of Changing Prices
(Data adjusted for the effects of changing prices are reported in average 1982 dollars.)

In Thousands of Dollars, Except Per Share Amounts	Year Ended December 31, 1982	1981	1980	1979	1978
Total Operating Revenues					
As reported	$4,302,602	$4,054,356	$3,661,117	$2,563,974	$2,328,798
In constant 1982 dollars	$4,302,602	$4,305,893	$4,291,577	$3,411,948	$3,447,908
Earnings Available for (Loss on) Common and Original Preferred Stock (a)					
As reported	$483,358	$422,024	$256,586	$292,481	
In constant 1982 dollars	$198,285	$165,897	$ 45,183	$161,175	
At current cost	$ 98,285	$ 76,686	$(50,938)	$ 74,678	
Earnings (Loss) Per Share on Common and Original Preferred Stock (a)					
As reported	$5.13	$4.93	$3.50	$4.56	
In constant 1982 dollars	$2.10	$1.94	$ .62	$2.51	
At current cost	$1.04	$ .90	$(.70)	$1.16	
Excess of Increase in General Price Level Over Increase in Specific Prices of Utility Plant after Reduction to Net Recoverable Cost	$(45,311)	$279,785	$490,803	$660,243	
Net Assets at Year End at Net Recoverable Cost					
As reported	$3,392,864	$2,968,108	$2,529,577	$2,233,133	
In constant 1982 dollars and current cost	$3,334,088	$3,043,862	$2,836,459	$2,810,114	
Gain from Decline in Purchasing Power of Net Amounts Owed	$205,561	$397,850	$521,504	$601,829	
Cash Dividends Declared Per Common Share					
As reported	$3.38	$3.10	$2.84	$2.60	$2.30
In constant 1982 dollars	$3.37	$3.27	$3.29	$3.42	$3.37
Market Price Per Share at Year End					
In historical dollars	$35.125	$28.75	$25.625	$24.50	$25.75
In constant 1982 dollars	$34.52	$29.48	$28.69	$30.83	$36.72
Average Consumer Price Index (Base Year 1967 = 100)	289.3 (b)	272.4	246.8	217.4	195.4

(a) Excludes Reduction of Utility Plant to Net Recoverable Cost.
(b) Estimated.

The amounts adjusted for general inflation represent historical costs of utility plant restated in terms of dollars of equal purchasing power (constant dollars) as measured by the Consumer Price Index for all Urban Consumers. This method is intended to measure income after restating all revenues and expenses in dollars of equivalent purchasing power.

The current cost amounts reflect the changes in specific prices of utility plant from the date the plant was acquired to the present, and differ from constant dollar amounts to the extent that prices in general have increased more or less rapidly than specific prices. The current cost of utility plant represents the estimated cost of replacing existing plant assets and was determined by restating its historical cost using indices reported in the Handy-Whitman Index of Public Utility Construction Costs. This method is intended to measure income after reflecting the cost of providing electric service at current price levels.

In accordance with procedures specified by the FASB, total operating revenues and all expenses other than

Supplementary Information (continued)

depreciation were considered to reflect the average price level for the current year and accordingly remain unchanged from those amounts reported in the Company's primary financial statements. The current year's provision for depreciation on the constant dollar and current cost amounts of utility plant was determined by applying the Company's average annual depreciation rates to the indexed plant amounts.

No adjustments to income tax expense have been made in computing the impact of inflation since only historical costs are deductible for income tax purposes.

Fuel inventories and the cost of fuel consumed in the generation of electricity have not been restated from their historical cost. The recovery of fuel and purchased power costs are limited to historical costs through the operation of the Company's energy cost adjustment clauses. For this reason fuel inventories and deferred recoverable energy costs are effectively monetary assets.

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

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

Operating Revenues and Kilowatt-Hour Sales

Class of Service	Operating Revenues (Thousands of Dollars)				Kilowatt-Hour Sales (000)			
	% of 1982 total	1982	1981	% change	% of 1982 total	1982	1981	% change
Residential	28.7	$1,233,338	$1,115,758	10.5	27.7	16,403,116	16,688,956	(1.7)
Agricultural	1.6	68,281	75,257	(9.3)	1.5	856,929	1,116,308	(23.2)
Commercial	28.5	1,226,532	1,090,694	12.5	26.2	15,557,692	15,562,087	—
Industrial	25.9	1,112,784	1,063,823	4.6	26.4	15,675,707	17,000,598	(7.8)
Public Authorities	8.4	363,572	331,972	9.5	7.6	4,515,855	4,667,700	(3.3)
Interdepartmental	—	127	77	64.9	—	1,279	1,218	5.0
Resale	5.4	232,095	244,720	(5.2)	7.1	4,237,698	4,539,467	(6.6)
Subtotal	98.5	4,236,729	3,922,301	8.0	96.5	57,248,276	59,576,334	(3.9)
Resale-Special Contracts	.5	23,067	99,240	(76.8)	1.0	609,119	1,639,158	(62.8)
Public Authorities-Special	.2	7,154	5,007	42.9	2.5	1,469,458	1,235,827	18.9
Total Sales of Electric Energy	99.2	4,266,950	4,026,548	6.0	100.0	59,326,853	62,451,319	(5.0)
Other Electric Revenues	.8	35,652	27,808	28.2	—	—	—	
Total	100.0	$4,302,602	$4,054,356	6.1	100.0	59,326,853	62,451,319	(5.0)

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

Results of Operations

For 1982, earnings per share increased by 4%, from $4.93 to $5.13, the highest in the Company's history.

The Company's earned rate of return on common equity for the year was 14.89% as compared with the 14.95% rate authorized for 1982. This marks the third time in four years the Company has earned a rate of return on common equity at essentially the level authorized by the California Public Utilities Commission (CPUC). Effective January 1, 1983, the Company was granted a general rate increase by the CPUC of $590 million annually with an authorized rate of return on common equity of 16%.

The following table presents amounts and percentages of increase (decrease) in the rate components of operating revenues from the prior years.

Increase (Decrease) from Prior Years	Dollars in millions 1982	%	1981	%	1980	%
Operating Revenues:						
Energy Cost Adjustment Billing Factor	$ 151	7.0	$ (19)	(0.9)	$ 973	80.6
Annual Energy Rate	136	(a)	32	—	—	—
Base Rates	40	2.7	280	23.3	31	2.6
Resale & Special Contracts	(87)	(24.8)	102	41.5	74	43.0
Other Electric Revenue	8	28.2	(2)	(6.5)	19	174.2
Total Operating Revenues	$ 248	6.1	$ 393	10.7	$1,097	42.8
KWH Sales (Millions)	(3,124)	(5.0)	2,536	4.2	397	0.7
Customers	42,457	1.3	68,719	2.2	81,586	2.6

(a) Indicates over 200%.

Total operating revenues for 1982 reflected an overall increase in rates which was partially offset by a decrease in kilowatt-hour sales. The increased revenues were a result of higher revenue from the Energy Cost Adjustment Billing Factor (derived through application of ECAC provisions) which revenue is based upon higher fuel and purchased power costs and thereby does not affect earnings, increases in the annual energy rate revenues and higher base rates. Resale and special contracts revenues were down from 1981 primarily as the result of reduced sales and rates. Kilowatt-hour sales decreased 5.0% for 1982 primarily as a result of mild summer weather conditions experienced in Southern California and the impact of reduced economic activity. These factors were coupled with the smallest increase in the number of total customers since 1945.

The general rate decision granted in December 1982 also established an Electric Revenue Adjustment Mechanism (ERAM), the purpose of which is to stabilize base rate revenues regardless of fluctuations in the level of kilowatt-hour sales. This procedure, along with an attrition allowance for 1984, affords the Company an opportunity to again earn its authorized rate of return. In a separate decision, the CPUC modified the Annual Energy Rate (AER) component of the Energy Cost Adjustment Clause (ECAC). The AER is a fixed rate established once-a-year and designed to recover a portion of estimated annual direct and indirect fuel costs. Direct fuel costs include fuel and purchased power. Indirect fuel costs include carrying charges on fuel oil inventory and other fuel related expenses. For 1982, indirect fuel cost estimates and 2% of direct fuel costs estimates were included in the AER. The CPUC made changes in this procedure scheduled to go into effect in May 1983. The most significant change is to incorporate 10% of the estimates of both direct and indirect fuel costs in the AER. The remaining 90% of these costs, as recorded, is designed to be recovered through the tri-annual ECAC. This means that 90% of the Company's total recorded direct and indirect fuel costs should be recovered through ECAC, but that 10% of any difference between estimated and recorded annual fuel costs is at risk under the new AER procedure. The CPUC decision limited this AER-related risk to a maximum positive or negative amount which, in 1983, approximates $32 million. The CPUC believes that such treatment provides an incentive for more efficient fuel management.

The following table presents amounts and percentages of increase (decrease) from the prior years in selected items from the Statements of Income.

Increase (Decrease) from Prior Years	Dollars in millions, Except Earnings Per Share 1982	%	1981	%	1980	%
Other Operation Expenses	$ 55	12.4	$ 49	12.6	$ 70	21.9
Maintenance Expense	17	8.7	(35)	(15.3)	51	28.7
Taxes on Operating Income	(21)	(10.4)	159	(a)	(62)	(61.4)
Operating Income	46	9.3	119	32.0	(13)	(3.3)
Allowance for Debt and Equity Funds Used During Construction	71	30.3	70	43.3	44	36.9
Other Income	29	27.1	41	63.0	18	37.8
Total Interest Charges	79	23.3	58	20.6	78	37.8
Net Income	66	13.4	172	54.3	(29)	(8.3)
Earnings Available for Common and Original Preferred Stock	61	14.5	165	64.5	(36)	(12.3)
Earnings Per Share	$.20	4.1	$1.43	40.9	$(1.06)	(23.2)
Weighted Average Number of Shares (Millions)	9	10.1	12	16.9	9	14.1

(a) Indicates over 200%.

Increases in other operation expenses continue to be due to system growth and to the impact of inflation on the costs of labor, material and services. The Company is continuing its efforts to control these expenses with continued emphasis on productivity and cost controls; however, certain of these expenses which are not directly affected by cost controls accounted for a substantial portion of the increase in other operation expenses.

Year-to-year variations in levels of maintenance expense have been significantly influenced by inflation, scheduling of major maintenance projects and weather conditions. The latter was responsible for $13 million of the increase in 1982 because of severe property damage suffered during storms in November and December.

Taxes on operating income for 1982 decreased from 1981 primarily as a result of lower pre-tax net income and higher net tax deductions.

The $46 million increase in operating income reflected the continued emphasis on cost control and productivity improvement. Also, an attrition allowance rate increase at the beginning of the year helped offset non-fuel inflationary cost increases.

The increase in earnings available, in addition to reflecting higher operating income, also reflected increases in other income and the non-cash allowance for funds used during construction (AFUDC) partially counteracted by increases in interest charges and dividends on cumulative preferred and preference stock.

The higher interest charges were due to additional long-term debt outstanding and higher interest rates. The additional indebtedness was incurred by the Company primarily in connection with its continuing construction program, which is also responsible for the increasing levels of the non-cash AFUDC.

Although earnings available for common and original preferred stock increased in 1982 by $61 million, the Company's issuance of additional shares of common stock increased the average number of shares outstanding during the year and resulted in a net increase in earnings per share of 20¢.

A discussion relating to the effects of changing prices follows the "Notes to Financial Statements" beginning on page 32.

Liquidity

Liquidity refers to the ability of a company to generate funds, whether from operations, long-term financings or other sources, adequate to meet the requirements of its construction program. The following table provides a summary of the Company's sources of funds used for construction expenditures for the years 1982, 1981 and 1980.

	Dollars in millions		
	1982	1981	1980
Funds from Operations—Reinvested	$ 243	$ 174	$ 125
Funds from Long-term Financing—net	828	800	533
Other Sources (Uses) of Funds	(77)	(17)	124
Funds Used for Construction Expenditures	$ 994	$ 957	$ 782
Funds Provided by Operations as a Percent of Funds Used for Construction Expenditures	24%	18%	16%

The Company is engaged in an extensive construction program designed to accommodate existing and projected demands of its electric system. Because of the high level of construction work in progress primarily related to the construction of San Onofre Units 2 and 3, a significant portion of the Company's net income in recent years has been attributable to AFUDC which, although providing an offset for the higher money costs incurred because of the construction program, does not represent current cash income of the Company. AFUDC constituted approximately 55%, 47% and 51% of net income for the years 1982, 1981 and 1980, respectively. AFUDC is expected to decline significantly when San Onofre Units 2 and 3 are placed in service with a resulting reduction in this non-cash portion of net income. Assuming the costs incurred in connection with the construction and operation of these units receive appropriate and timely rate treatment, sufficient revenues would be produced through rates to offset the decline in AFUDC.

First phase hearings on the Major Additions Adjustment Clause (MAAC) resumed during January 1983 to consider the appropriate procedure for recovering the costs associated with owning, operating and maintaining San Onofre Unit 2. The second phase of the hearings, which will address the reasonableness of the Company's investment in Unit 2, is expected to take place in late 1983 or early 1984.

Capital Resources

To provide the funds for construction expenditures for the five years through 1987 estimated to total $4.2 billion and to meet long-term debt maturities and sinking fund requirements and preferred stock redemption requirements aggregating $899 million during such years, the Company estimates that approximately $2.6 billion, or 50%, of such expenditures will be provided from external sources. The balance of funds required for these purposes is expected to be obtained from operations, primarily during the latter part of such period, with a majority of construction funds in 1983 projected to be obtained from external sources.

The Company's estimates of funds available from operations for the five years through 1987 assume the receipt of adequate and timely rate relief, the timely inclusion of the additional San Onofre Units and the Palo Verde Units in rate base and the realization of its assumptions regarding cost increases, including the cost of capital. The Company's estimates and underlying assumptions are subject to continuous review and periodic revision.

The timing, type and amount of all additional long-term financing are also influenced by market conditions, rate relief and other factors, including limitations imposed by the Company's Articles of Incorporation and Trust Indenture.

The Company's long-term goal is to maintain a capital structure with approximately equal amounts of debt and equity. The Company's capital structure at the end of the years 1982, 1981 and 1980 is shown below:

	1982	1981	1980
Long-Term Debt	47.9%	47.3%	46.3%
Preferred and Preference Stock	11.1	12.0	13.9
Common Equity	41.0	40.7	39.8
	100.0%	100.0%	100.0%

Funds provided by long-term financing, after giving effect to the reduction of long-term debt, securities held by trustees and the conversion of preference stock, amounted to $828 million in 1982. This reflects pollution control equipment financing bond issues and unsecured debt offerings in the European market, as well as traditional public and private debt and equity offerings. In addition, the Company uses short-term borrowings as a part of normal daily operations and to meet interim cash needs for capital projects. The Company has a total of $841 million of available short-term borrowing facilities with foreign and domestic banks.

Capital Stock—Dividend and Price Information

	Quarterly	High and Low Sales Prices ($)															
	Dividends Paid	Calendar Quarter—1982								Calendar Quarter—1981							
Class and	Per	1		2		3		4		1		2		3		4	
Series of Stock	Share (a) (f)	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Original Preferred	.81	29⅜	24½	29¼	25½	31	25¾	34½	30½	24⅞	22	26	22¾	27	23¼	27½	24
Cumulative Preferred:																	
4.08%	.25½	8¼	6⅝	7¾	6⅞	8½	7	9¼	7¾	8⅝	7	8¼	7	7⅞	6⅝	8⅛	6¼
4.24%	.26½	8¼	6½	8	7⅛	9⅛	7¼	9⅜	8⅜	8⅞	7¼	8⅜	7¼	8⅞	6⅞	9½	6⅝
4.32%	.27	8⅛	7	8⅜	7	9¼	7¼	9⅝	8⅛	8½	7⅝	8½	7⅛	8½	7	8¼	6¾
4.78%	.29⅞	8⅝	7½	9	7¼	9¾	7¾	10⅞	9	9⅛	7⅞	9⅛	7¾	9¾	7¾	9	7¼
5.80%	.36¼	10⅝	9¼	10¾	9½	13	9⅞	12⅞	11½	11⅝	10	11⅝	9¾	10¾	9½	10⅞	9
8.85%	.553125	16	14⅛	16⅝	14½	18¼	14¾	19½	16⅞	17	15⅝	16¾	14⅞	15⅞	14⅛	16⅛	14
9.20%	.57½	16⅜	14½	17⅛	15¼	19	15⅜	20¼	17⅝	17¾	16	17	15⅛	16⅝	14¾	17⅛	14½
$100 Cumulative Preferred:																	
7.325% (b)	1.83⅛	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7.58%	1.89½	54½	47¾	56⅛	49⅜	60⅝	50½	66⅝	57	57⅜	54	55⅞	50	54	48½	53	48
7.80% (b)	1.95	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8.54%	2.13½	63¾	59	70¼	62¾	73	69	83½	68	(c)	(c)	(c)	(c)	72⅝	62½	62¼	61¾
8.70%	2.17½	62	55½	64	57¼	68⅝	58	76	65½	66	59	64	57	62	54⅝	61¾	55¾
8.70%-A (b)	2.17½	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8.96%	2.24	61⅛	56¾	64½	60	71½	60⅜	78	68½	68¼	63	66⅜	61	64	58⅝	66	56¾
12.00%	3.00	89	81½	100	90	102	89¾	106⅛	99	100⅝	95	99	94½	97¼	88½	93¾	82⅜
12.31% (b)(g)	.34194444	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Preference:																	
5.20%	.32½	25½	22⅜	26⅜	24¼	28	23½	29	25½	20	17¾	21⅝	19	21⅝	19	24	20¼
Convertible:																	
7.375% (b)	.460938	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common (d)(e)	.81	32½	28	33⅝	29⅞	35⅞	29½	37⅛	31¼	26¼	22⅞	28	24	28¼	24¼	30⅝	26⅜

(a) Quarterly dividends were paid at the rates indicated in each quarter of 1982 except the fourth quarter dividend on Original Preferred Stock and Common Stock which was at the rate of $0.88 per share.

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

(c) No shares traded.

(d) Dividends declared on Common Stock totaled $3.38 and $3.10 for 1982 and 1981, respectively.

(e) As of December 31, 1982, there were approximately 155,000 Common Stock shareholders.

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

(g) Initial pro rata dividend paid April 30, 1982. Subsequent quarterly dividends to be paid at $3.0775 per share or $12.31 annually.

Southern California Edison Company

Selected Financial Data 1972–1982

		1982	1981
Summary of Operations *(in thousands of dollars except percent and per share data)*	Operating Revenues	**$ 4,302,602**	$4,054,356
	Operating Expenses	**3,765,875**	3,563,201
	Fuel and Purchased Power Costs (a)	**2,227,901**	2,558,206
	Taxes on Income—Current and Deferred (a)	**177,251**	197,865
	Allowance for Debt and Equity Funds Used During Construction	**303,118**	232,552
	Interest Charges	**420,282**	340,977
	Net Income	**555,754**	489,912
	Earnings Available for Common and Original Preferred Stock	**$ 483,358**	$ 422,024
	Weighted Average Shares of Common and Original Preferred Stock Outstanding and Common Stock Equivalents	**94,257**	85,610
	Per Share Data:		
	Primary Earnings	**$5.13**	$4.93
	Fully Diluted Earnings	**$5.09**	$4.91
	Dividends Declared Per Common Share	**$3.38**	$3.10
	Dividend Payout Ratio (paid basis)	**64.5%**	61.5%
Balance Sheet Data *(in thousands of dollars except percent and per share data)*	Total Assets (b)	**$10,157,564**	$8,702,571
	Gross Utility Plant	**10,764,078**	9,517,670
	Accumulated Provision for Depreciation	**2,185,667**	2,015,212
	Percent of Gross Utility Plant	**20.3%**	21.2%
	Long-term Debt (excludes current maturities):		
	Bonds	**3,529,647**	3,224,867
	Debentures	**—**	—
	Other	**440,753**	219,213
	Preferred Stock—Subject to Mandatory Redemption/ Repurchase Requirements (excludes portion to be redeemed within one year)	**445,000**	399,500
	Preferred Stock—Other	**471,020**	476,308
	Common Stock, including Additional Stated Capital	**856,152**	776,523
	Additional Paid-in Capital	**1,142,932**	953,268
	Earnings Reinvested in the Business	**$ 1,393,780**	$1,238,317
	Capital Structure (percent):		
	Long-term Debt (excludes current maturities)		
	Bonds	**42.6%**	44.3%
	Debentures	**—**	—
	Other	**5.3**	3.0
	Preferred & Preference Stock (excludes current portion)	**11.1**	12.0
	Common Equity	**41.0**	40.7
	Rate of Return on Common Equity	**14.89%**	14.87%
	Book Value Per Common Share	**$34.96**	$33.74
Operating and Sales Data	Area Generating Capacity at Peak (MW) (c)	**15,349**	15,592
	Total Energy Requirement (KWH) (000)	**66,578,540**	69,179,641
	Percent Energy Requirement:		
	Thermal	**55.5%**	67.6%
	Renewable/Alternate (including hydro)	**9.7**	5.8
	Purchased Power & Other Sources (d)	**34.8**	26.6
	Kilowatt-Hour Sales (000)	**59,326,853**	62,451,319
	Number of Customers	**3,275,144**	3,232,687
	Average Annual KWH Sales Per Residential Customer	**5,685**	5,879
	Number of Employees	**15,797**	14,569
	Area Peak Demand (MW)	**13,149**	13,738

(a) Included in Operating Expenses.

(b) The years 1971 through 1981 have been restated to reflect the deduction of property-related accumulated deferred income taxes from Utility Plant.

1980	1979	1978	1977	1976	1975	1974	1973	1972
$3,661,117	$2,563,974	$2,328,798	$2,064,914	$1,846,540	$1,647,134	$1,360,959	$1,075,949	$ 927,674
3,288,983	2,178,978	2,004,197	1,734,192	1,539,400	1,380,528	1,108,249	843,530	709,724
2,010,227	1,532,903	1,204,749	1,189,597	903,447	824,826	541,890	344,990	240,135
38,683	100,292	72,803	68,792	59,506	46,623	70,618	46,496	44,542
162,287	118,566	78,421	60,238	47,610	26,773	16,163	10,190	7,152
282,656	205,082	182,658	161,078	144,368	126,185	112,959	97,728	91,752
317,536	346,219	251,683	251,979	226,798	176,781	160,344	146,110	135,648
$ 256,586	$ 292,481	$ 202,226	$ 206,330	$ 185,047	$ 137,177	$ 124,656	$ 117,268	$ 110,469
73,241	64,202	57,477	54,347	48,678	47,965	44,580	43,965	43,965
$3.50	$4.56	$3.52	$3.80	$3.80	$2.86	$2.80	$2.67	$2.51
$3.48	$4.39	$3.38	$3.63	$3.61	$2.75	$2.68	$2.57	$2.43
$2.84	$2.60	$2.30	$2.06	$1.68	$1.68	$1.68	$1.56	$1.56
79.4%	55.7%	63.6%	50.5%	44.2%	58.7%	58.9%	58.4%	62.2%
$7,706,933	$6,949,917	$6,030,045	$5,698,068	$4,993,330	$4,701,910	$4,451,810	$3,861,572	$3,740,743
8,406,309	7,577,670	6,810,891	6,191,733	5,658,433	5,147,333	4,766,175	4,458,631	4,233,067
1,840,233	1,676,148	1,519,174	1,383,009	1,258,327	1,149,311	1,051,024	958,210	851,910
21.9%	22.1%	22.3%	22.3%	22.2%	22.3%	22.1%	21.5%	20.1%
2,938,796	2,685,632	2,388,212	2,219,716	2,055,966	1,931,757	1,863,951	1,640,349	1,640,139
—	—	75,046	75,135	75,224	75,313	75,401	75,490	75,579
7,028	60,575	14,216	20,023	20,671	25,968	14,327	6,871	7,991
399,500	324,500	197,000	197,000	75,000	75,000	75,000	75,000	—
482,652	489,822	503,650	518,172	537,753	537,753	487,753	437,753	437,753
673,921	577,259	547,166	470,374	442,741	395,709	395,709	362,376	362,376
763,519	601,578	569,673	443,109	427,422	350,503	350,503	316,636	316,636
$1,092,137	$1,054,296	$ 931,217	$ 862,956	$ 769,425	$ 671,548	$ 616,562	$ 569,938	$ 512,164
46.2%	46.4%	45.7%	46.2%	46.7%	47.5%	48.1%	47.1%	48.9%
—	—	1.4	1.5	1.7	1.9	1.9	2.2	2.3
0.1	1.0	0.3	0.4	0.5	0.6	0.4	0.2	0.2
13.9	14.1	13.4	14.9	13.9	15.1	14.5	14.7	13.1
39.8	38.5	39.2	37.0	37.2	34.9	35.1	35.8	35.5
10.44%	13.58%	10.74%	11.98%	12.40%	9.78%	9.35%	9.59%	9.42%
$33.19	$34.22	$32.57	$32.30	$30.67	$29.64	$28.50	$28.46	$27.14
15,504	15,071	14,966	14,278	14,071	13,941	13,750	13,500	12,819
65,459,278	66,216,910	63,877,116	63,344,706	59,427,973	56,279,231	55,105,988	57,730,121	55,686,776
71.2%	82.0%	73.8%	87.4%	75.1%	76.2%	75.2%	84.8%	86.4%
9.2	7.7	9.3	2.5	4.4	8.4	10.1	9.1	6.6
19.6	10.3	16.9	10.1	20.5	15.4	14.7	6.1	7.0
59,915,187	59,517,861	57,027,035	57,726,273	53,685,378	51,327,508	51,089,981	54,092,934	52,309,906
3,163,968	3,082,382	2,986,545	2,900,856	2,814,403	2,749,680	2,691,691	2,626,492	2,566,341
5,939	6,010	5,883	5,630	5,650	5,596	5,541	5,885	5,777
14,157	12,917	12,845	12,671	12,510	12,377	12,970	13,391	12,907
12,841	12,662	12,159	11,564	11,292	10,369	10,279	10,535	10,317

(c) Includes 2,080, 2,323 and 2,283 MW available from others in 1982, 1981 and 1980, respectively.

(d) Includes non-Edison owned renewable/alternative sources.

Board of Directors

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

Howard P. Allen, *President*

Roy A. Anderson, *Chairman of the Board and Chief Executive Officer, Lockheed Corporation, Burbank, California*

Norman Barker, Jr., *Chairman of the Board and Chief Executive Officer, First Interstate Bank of California, and Vice Chairman of the Board, First Interstate Bancorp, Los Angeles, California*

Edward W. Carter, *Chairman of the Board, Carter Hawley Hale Stores, Inc., Los Angeles, California*

Warren Christopher, *Senior Partner, Law Firm of O'Melveny & Myers, Los Angeles, California*

Walter B. Gerken, *Chairman of the Board and Chief Executive Officer, Pacific Mutual Life Insurance Company, Newport Beach, California*

Joan C. Hanley, *General Partner and Manager, Miramonte Vineyards, Rancho California, California*

Jack K. Horton, *Chairman of the Executive Committee and Consultant (Retired Chairman of the Board and Chief Executive Officer, Southern California Edison Company), Los Angeles, California*

Frederick G. Larkin, Jr., *Chairman of the Executive Committee, Security Pacific National Bank, Los Angeles, California*

T. M. McDaniel, Jr., *Corporate Director and Consultant (Retired President, Southern California Edison Company), San Marino, California*

*John V. Newman, *President, CBS-Sony California, Inc. (Citrus Production), Oxnard, California*

Gerald H. Phipps, *President, Gerald H. Phipps, Inc., General Contractors (Building Construction), Denver, Colorado*

Henry T. Segerstrom, *Managing Partner, C. J. Segerstrom & Sons (Real Estate Development), Costa Mesa, California*

E. L. Shannon, Jr., *Chairman of the Board and Chief Executive Officer, Santa Fe International Corporation (Oil Service, Engineering, Petroleum Exploration and Production), Alhambra, California*

H. Russell Smith, *Chairman of the Board, Avery International (Manufacturer of Self-Adhesive Products), Pasadena, California*

*Richard R. Von Hagen, *President, Lloyd Corporation, Ltd. (Real Estate Development and Production of Oil and Gas), Beverly Hills, California*

Executive Officers

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

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R. H. Bridenbecker, *Vice President (Fuel Supply)*

John R. Bury, *Vice President and General Counsel*

Robert Dietch, *Vice President (Nuclear Engineering and Operations)*

C. E. Hathaway, *Vice President (Human Resources)*

Joe T. Head, Jr., *Vice President (Power Supply)*

P. L. Martin, *Vice President (Customer Service and Conservation)*

A. L. Maxwell, *Vice President and Comptroller*

Edward A. Myers, Jr., *Vice President (Communications and Revenue Services)*

Michael L. Noel, *Vice President and Treasurer*

L. T. Papay, *Vice President (Advanced Engineering)*

Robert E. Umbaugh, *Vice President (Administration)*

Honor Muller, *Secretary*

**Messrs. Newman and Von Hagen, having reached retirement age, are not nominees for reelection to the Board of Directors in 1983.*

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

Distribution of Record Shareholders

as of December 31, 1982	Preferred	Common
Total Shareholders	35,622	154,662
Class of Investor		
Males	6,481	35,549
Females	14,056	56,288
Joint Accounts	9,311	42,654
Fiduciaries	2,917	15,888
Religious, Charitable, Fraternal and Educational Institutions	214	529
Financial Institutions	1,351	1,779
Other	1,292	1,975
Amount of Holdings		
1 to 99 shares	14,640	53,515
100 shares	7,957	31,319
101 to 499 shares	9,229	53,344
500 to 999 shares	1,990	11,049
1,000 or more shares	1,806	5,435
Geographical Location		
Service Territory	9,659	38,015
Remainder of California	11,866	46,857
United States (except California) and Possessions	14,023	69,306
Foreign Countries	74	484

1983 Annual Shareholders' Meeting:
The annual meeting of shareholders of Southern California Edison Company will be held at 10 a.m., Thursday, April 21, 1983, at the Company's Corporate Headquarters, 2244 Walnut Grove Avenue, Rosemead, California 91770. Telephone (213) 572-1212.

For Investor Relations:
Institutional Investors contact:
Assistant Treasurer &
Manager of Investor Relations
Telephone (213) 572-1090

Individual Shareholders contact:
Southern California Edison Company
Secretary's Department—Room 240
Post Office Box 400
Rosemead, California 91770

For Dividend Reinvestment and Stock Purchase Plan information:
Telephone (213) 572-1852 or
(213) 572-1995

For other shareholder inquiries: (Dividends, account status, etc.)
Telephone (213) 572-1997

Stock Transfer Agent:
Southern California Edison Company
Post Office Box 400
Rosemead, California 91770
Telephone (213) 572-1393 or
(213) 572-1394

Registrar of Stock:
Security Pacific National Bank
Los Angeles, California

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

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

Preferred and Preference Stocks:
American Stock Exchange
Pacific Stock Exchange

Ticker Symbol:
SCE (Common Stock)

Media Listings:
SCalEd

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