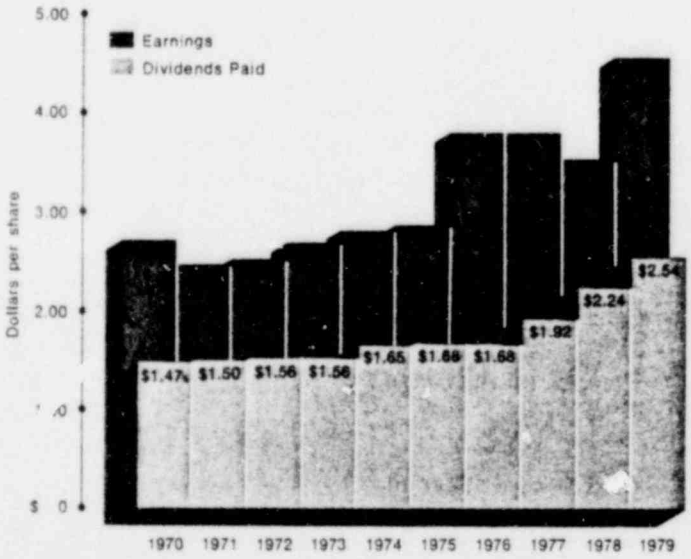
1979 Annual Report

Highlights	1979	1978	% Change	% Five-Year Compound Growth
Earnings Per Share	$ 4.56	$ 3.52	29.5	10.2
Common Dividends Paid Per Share (a)	$ 2.54	$ 2.24	13.4	9.0
Return on Common Equity	13.6%	10.5%	29.5	7.4
Operating Revenues (000)	$2,563,974	$2,328,798	10.1	13.5
Operating Expenses (000)	$2,178,978	$2,004,197	8.7	14.5
Energy Costs (000) (b)	$1,344,023	$1,240,029	8.4	19.9
Construction Expenditures (000)	$ 674,000	$ 568,000	18.7	16.0
Employees	12,917	12,845	0.6	(0.1)
Customers Served	3,082,382	2,986,545	3.2	2.7
Kilowatt-hour Consumption (000)	59,517,861	57,027,035	4.4	3.1

(a) On September 20, 1979, the Company's Board of Directors authorized an increase in the common stock quarterly dividend to $0.68 from $0.62 per share, effective with the October 31, 1979 payment, which is equivalent to $2.72 per share on an annual basis.

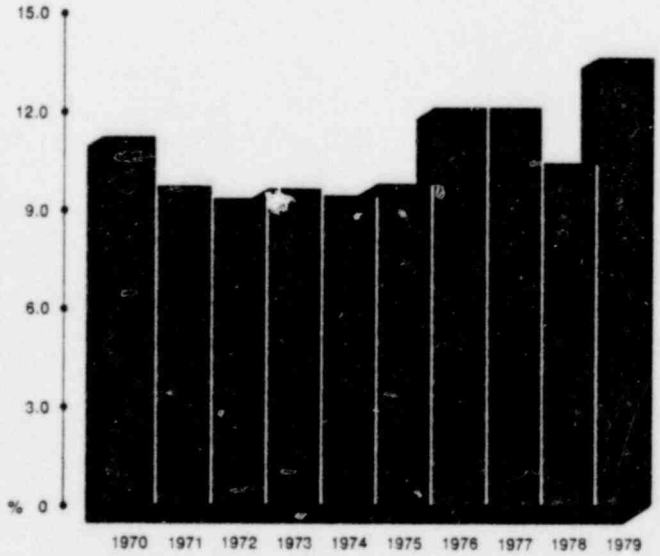
(b) Included in Operating Expenses.

Earnings and Dividends Paid Per Share



Recent increases in the common stock dividend underscore the Company's commitment to provide adequate returns to its common stock shareholders.

Return on Common Equity



One of the key contributing factors to the improvement in earnings and rate of return is the more positive ratemaking climate in which the Company operates.

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To Our More Than 180,000 Shareholders

Your Company's 1979 operations show improved financial results, progress in developing new sources of energy, and a continued commitment to conservation and load management. In addition, the Company intensified its efforts to control costs and improve productivity and management effectiveness.

Edison's earnings per share in 1979 amounted to $4.56, up from the $3.52 recorded in 1978. The improved earnings are attributable to increased operating revenues resulting from the December 1978 general rate increase, higher non-cash allowances for funds used during construction and increased kilowatt-hour (KWH) consumption, due largely to a substantial number of new customers.

Despite the earnings improvement, Edison began to face serious cash flow problems late in the year because of rapidly increasing prices paid for foreign oil which then had not been reflected in the Energy Cost Adjustment Clause. In recognition of this, in January 1980, the California Public Utilities Commission (CPUC) issued decisions to modify the energy clause procedure which should help alleviate future cash flow problems associated with any additional increases in foreign oil prices. The CPUC also has an accelerated general rate case procedure which is producing decisions in a timely manner, and recent CPUC decisions have recognized increasing costs of labor, operations and maintenance as well as allowing for more realistic rates of return.

Nevertheless, continued increases in operating costs and inflation caused the Company to file for a $340 million rate increase. This rate filing includes a requested rate of return on rate base of 10.78%, and a return on common equity of 15.0%, currently authorized at 9.60% and 13.49%, respectively. The Company requested the new rates to become effective January 1, 1981.

Common Stock Dividend Increased

On September 20, 1979, the Board of Directors declared a 9.7% increase in the common stock quarterly dividend by raising the rate, on an annual basis, to $2.72 per share. At year-end, the dividend was providing a yield on common stock market value of 11.1%.

The Board's action represents the fourth dividend increase in the past three years and emphasizes Edison's efforts to provide returns to its common stock shareholders which should tend to support a market price of common stock at least equal to its book value. The Company has paid quarterly cash dividends on its common stock each year since 1910.

Conservation

The current energy climate continues to underscore the need for our customers to conserve electric energy, both to reduce the use of low-sulfur, high-cost oil which the Company is required to burn to meet air quality standards, and to defer the need for increasingly expensive future plant facilities.

Edison has implemented more than 70 energy conservation and load management programs in its service territory. Our 1979 programs, coupled with the impact of the rising cost of electricity, resulted in an estimated reduction in energy consumption for the year of nearly three billion KWH, saving approximately $100 million in imported, high-cost fuel oil. In addition, the Company's projected peak demand is expected to be reduced by 700 megawatts (MW) by 1985, a capacity equivalent to an amount which could serve more than 450,000 residential customers. Such a reduction would mean lower capital expenditure requirements for new generating plants and a correspondingly reduced need for external financing.

Because of soaring OPEC oil prices, however, it is projected that customers' electric bills could increase by 50% by the end of 1980. The Company has embarked upon a conservation communications program to inform customers of the anticipated increase and to urge them to continue to use electricity as wisely and efficiently as possible.

Nuclear Power

The accident at Three Mile Island (TMI) in March 1979 has impacted public attitudes about nuclear power and significantly affected the future of nuclear energy as a resource option for the United States.

Although the San Onofre Nuclear Generating Station Unit No. 1 has significant safety and design differences from the TMI plant, Edison responded promptly to Nuclear Regulatory Commission (NRC) requests and recommendations involving the lessons learned from the TMI accident.

The Company has begun to implement a number of NRC-required modifications to Unit No. 1. Reviews and evaluations of the operating procedures at San Onofre are being conducted on a continuing basis. In addition, during the course of construction of San Onofre Units Nos 2 and 3, more than 40 improvements have been scheduled and will be made before these units are placed into operation. Because of slowed administrative procedures in processing licenses by the NRC staff following the TMI accident, Edison has rescheduled construction work to complete San Onofre Unit No. 2 in April 1981 rather than November 1980 as previously scheduled. Unit No. 3, previously scheduled for completion November 1981, will be rescheduled to mid-1982.

During 1979, San Onofre Unit No. 1 established a new production record, generating more than 3.3 billion KWH of electricity. The unit, which has an outstanding 12-year record of operation, achieved excellent results in 1979, operating at 87.9% of its capacity, and replacing the need to burn more than five million barrels of expensive foreign oil, saving about $95 million in replacement fuel costs.

In recognition of the increased attention being given to nuclear energy, the Company combined its nuclear functions under a new Nuclear Engineering and Operations Department. This reorganization centralized all nuclear projects under one department and is designed to more effectively manage and

coordinate Edison's nuclear operations, including the construction supervision of San Onofre Units Nos 2 and 3.

We are encouraged by the growing recognition of the necessity of nuclear energy to lessen our nation's reliance on foreign-controlled oil. President Carter recently said that nuclear energy must play "an important role in the United States to ensure our energy future." Also, Congress rejected efforts to impose a statutory moratorium on nuclear plant licensing. Another example is a four-year National Academy of Sciences study which concluded that more nuclear power plants are a necessity to meet our nation's electricity requirements for the next 30 years.

Nuclear power must remain a viable option if we are to continue to meet our customers' electricity needs reliably and economically without increasing our dependence on potentially interruptible, uncontrollable and expensive foreign oil.

Future Growth Projections

Edison's long-range average annual peak demand and KWH consumption forecasts are slightly below previous forecasts, but remain in the 3% to 3½% growth range. Although these growth projections are higher than those forecast by the California Energy Commission, which has authority for the siting of new power plants in the state, Edison is proceeding with generation resource plans to provide sufficient capacity reserves to meet projected customer demand for reliable electric service through the 1980s.

Even with conservation and the impact of higher prices for electricity, the Company is projecting a need for more than 6,000 additional MW of generating capacity to serve present customers and about 700,000 new customers during the next decade.

The new capacity requirement is expected to be met mostly by nuclear power plants now under construction, the development of coal projects, combustion turbines, increased hydroelectric capacity, purchased power and cogeneration, supplemented by a relatively small amount of alternative energy including solar, wind and geothermal.

Edison continues to emphasize the development of new energy resources as alternatives to expensive, imported fuel oil. The Company's energy research and development expenditure last year totaled more than $28 million, one of the highest among investor-owned electric utilities in the country. For 1980, Edison plans an expenditure of nearly $40 million for energy research.

Currently, the Company has under construction a 10-MW central station solar plant, two small wind turbines with a combined output of 3½ MW, and a 9-MW geothermal electric power plant. Edison also is involved in a 92-MW coal-gasification/combined cycle project. These demonstration projects, however, could account for only about 115 MW of the more than 6,000 MW needed during the next 10 years.

There is some confusion about the role of solar power. Solar-supplemented water and space heating are technologically feasible now and are economically attractive in certain applications, and Edison is encouraging installation of such systems in its service territory. Central station solar power plants to serve the overall electric needs of consumers, however, remain in the developmental stage and are not expected to make significant contributions to our nation's energy mix until at least the turn of the century.

Emphasis on Productivity Intensifies

To control costs, the Company intensified its productivity improvement programs during the year, placing emphasis on increasing the effective management of all resources, including fuel, finances, labor, materials and the efficiency of system operations.

In 1979, SCE added nearly 96,000 new customers to its system, the largest yearly increase in customers since 1963, and the second highest in the Company's history. During the last six years, about 455,000 new customers have been added to the system, yet the Company has been able to serve them with 474 fewer employees than at year-end 1973, a clear measure of our emphasis on improving productivity.

Change in Board of Directors

On August 16, Roy A. Anderson, chairman of the board and chief executive officer of Lockheed Corporation, was elected a director of the Company.

Mrs. Joan C. Hanley, speech pathologist, educator and businesswoman, was elected a director effective January 1, 1980, replacing Dr. Dorothy W. Nelson, who resigned after her nomination by President Carter to serve as judge of the United States Court of Appeals for the Ninth Circuit.

A Decade of Challenges

The 1980s will be a decade of critical energy decisions for the world, our nation and our Company. The energy challenges which lie ahead are formidable and will require the continued diligence, ingenuity and hard work of all employees and the support of shareholders. In this regard, Edison was named recently by a major credit rating agency, Standard and Poor's Corporation, as one of five electric utilities which are well-positioned to meet the challenges of the 1980s. The Company pledges its best efforts to achieve practicable and cost-effective energy solutions that will contribute to a productive economy and the betterment of society.

William R. Gould
President

Jack K. Horton
Chairman of the Board

February 21, 1980

Electric Consumption and Customers Increase

Consumption of electricity by Edison's 3.1 million customers totaled 59.5 billion KWH in 1979, an increase of 4.4% as compared with 1978, primarily the result of adding 95,837 new customers to the system. This was the largest yearly increase of new customers since 1963, and the second highest in the Company's history.

Residential consumption was up 5.3%, as compared with the previous year, while industrial usage gained 4.2% and commercial usage rose 3.7%. Consumption by other customer classifications increased 4.1%. The average annual growth in KWH consumption over the last five years has been 3.1%.

Record Peak Set During Heat Wave

Despite continuing conservation efforts by customers, a record net peak demand of 12,464 MW was set on September 11 during a prolonged heat wave and accompanying heavy use of air conditioning. The new net peak represents a 3.9% increase over the 11,997 MW peak recorded in September 1978. The average annual growth in peak demand over the last five years, including the 1979 peak, was 4.1%.

Edison Develops Capacity Shortage Plan

An assessment of the state's generating capacity levels in 1979 resulted in Edison and other major electric utilities in California developing a capacity shortage contingency plan to help avert a possible shortage of electric generation. However, because of the increased level of reserve sharing and the availability of electrical resources from out-of-state utilities during periods of peak customer demands, implementation of the statewide plan was not required.

Conservation Efforts Expand

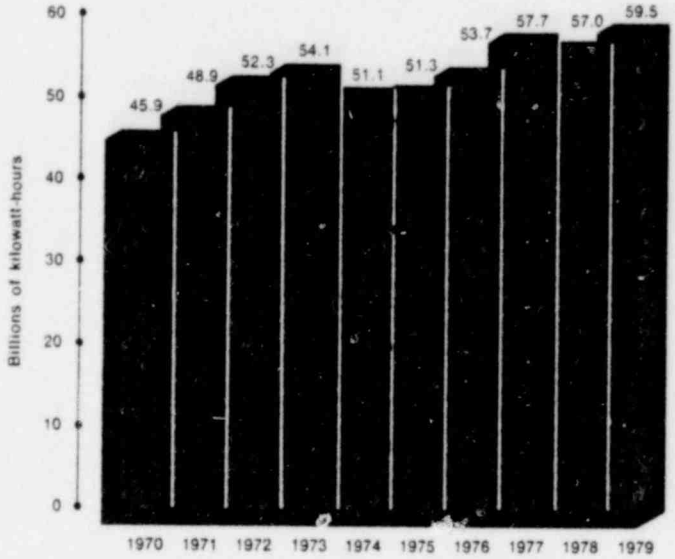
SCE continued its development and expansion of conservation programs designed to encourage more efficient use of electric energy by all customer groups and to moderate the growth of system peak demand.

During 1979, these programs included the installation of more than 60,000 electric water heater insulation jackets and the distribution of about 55,000 shower flow-control devices.

In July, Edison intensified its street lighting conversion program by expanding its five-year project to include conversion of all Edison-owned street lights to energy-efficient high-pressure sodium vapor lamps.

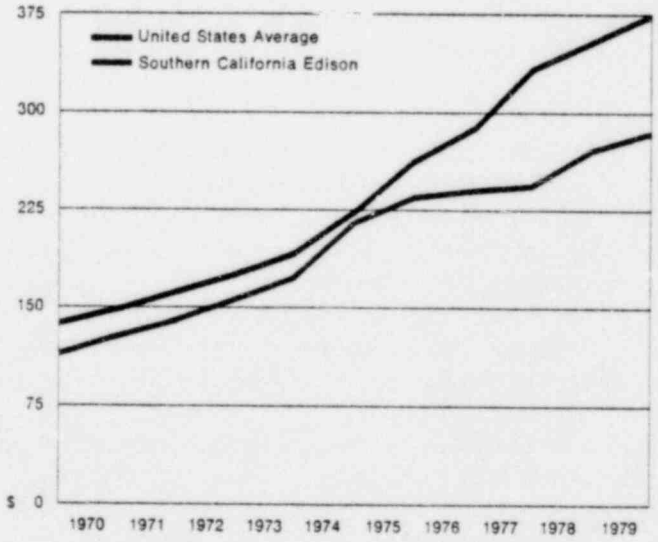
Edison participated with two other electric utilities in the state to develop a conservation/load management education package for students from elementary through secondary grades. In 1980, more than 15,000 sets of conservation materials are expected to be distributed to schools in Edison's service territory alone.

Kilowatt-Hour Consumption



Kilowatt-hour consumption increased 4.4% during the year primarily as a result of adding nearly 96,000 new customers. This was the largest yearly customer increase since 1963 and the second largest in the Company's history.

Average Annual Residential Bill



The average annual bill for the Company's residential customers compares favorably to the United States average.

In 1979, Edison's conservation display center recorded its 200,000th visitor. Conservation consultants at the center, located in a major shopping mall, have been providing information about energy-saving techniques for the home since it opened in July 1978.

Edison presented more than 90 Energy Management Awards in 1979 to commercial and industrial customers which made significant conservation and load management contributions. The combined efforts of these customers are expected to save approximately 10 million KWH annually and achieve a demand reduction of 3.1 MW.

The Company also is working with more than 65 industrial firms to develop methods of capturing waste heat to produce or cogenerate electricity with in-plant generators to conserve energy resources.

In 1979, Edison signed five cogeneration contracts totaling 40 MW, bringing to 56 MW the amount of cogeneration now under contract. The Company has identified about 450 MW of cogeneration potential and is vigorously pursuing this resource.

Other Edison conservation projects include experimental programs in appliance efficiency testing, agricultural energy saving techniques, conservation workshops, residential lighting projects and energy audits for all customer groups.

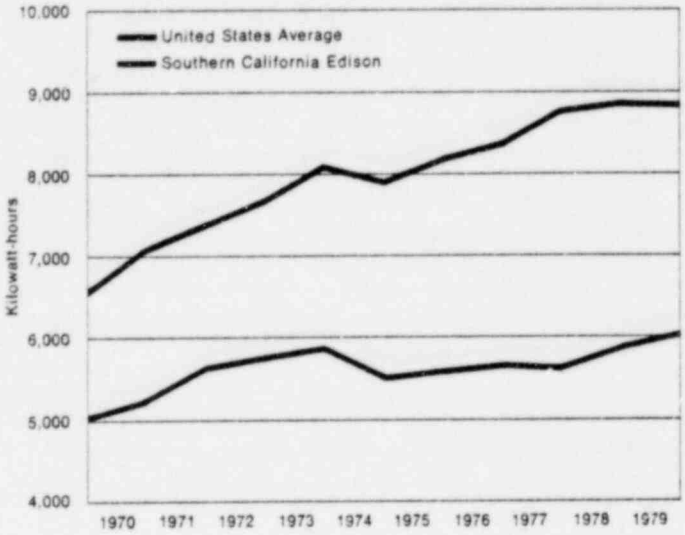
Load Management Activities Increase

Load management, the process of reducing peak demand by shifting some electric use away from peak periods to improve system efficiency, continues to be an integral element in future resource plans.

In May, the California Energy Commission adopted standards to establish several cost-effective load management programs in such areas as residential appliance cycling, the operation of swimming pool filter pumps and non-residential energy audits. Many of Edison's current programs comply with the new rules, and additional projects are being accelerated to further comply with the new standards on a timely and cost-conscious basis.

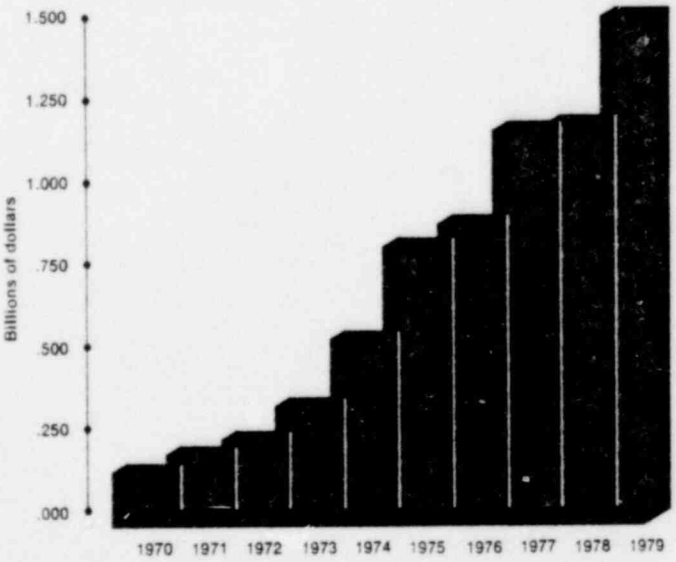
The Company expanded its residential automatic power-shift programs, previously involving 12,000 customers, by including an additional 2,200 volunteer residential customers from throughout the Edison system. The programs are designed to test the effectiveness of automatically cycling off and on air conditioners and electric water heaters during hot days when electric demand on the Company's system is highest. Preliminary results from these tests are expected in 1980.

Average Annual Use Per Residential Customer



Since the oil embargo of 1973, the average annual kilowatt-hour consumption by the Company's residential customers has increased moderately.

Annual Fuel and Purchased Power Expenses



Over the past decade, annual fuel and purchased power expenses for the Company increased more than one billion dollars.

During 1979, experiments were conducted to evaluate conservation and load management alternatives involving time-of-use (TOU) rates for residential, commercial and industrial users. TOU rates are designed to provide economic incentives to encourage customers to shift electric usage to non-peak periods on a voluntary basis. All large non-residential customers, 1,000-kilowatt (KW) demand or greater, on the Edison system are on TOU rates.

Through 1979, the Company completed the adjustment and/or installation of trippers on swimming pool time clocks for about 22,000 customers to shut off filter pumps during peak demand periods. Since this program began in 1977, more than 42,000 customers have participated.

Edison also is involved in residential and non-residential off-peak cooling systems for air conditioning using ice storage systems. These systems displace energy usage by making ice at night when demand for electricity is less than during the day. The ice is used throughout the day to chill water for air conditioning systems in place of energy-consuming refrigeration compressors.

Two experimental projects scheduled for implementation in 1980 involve the use of visual display devices installed in the homes of nearly 400 volunteer participants. These devices are designed to display continuously changing information such as energy costs, monthly billing calculations and projections of the next month's electricity bill.

The Company is developing another new experimental load management concept called "Demand Subscription Service." This program will provide economic incentives to certain customers who will select a maximum demand limit. Should a customer's demand exceed the pre-selected limit, electric service could be interrupted automatically by Edison if needed

Planned Capacity Additions

Under Construction	No. Units	Percent Complete (as of 12-31-79)	Fuel Type	Total Capacity (Megawatts-SCE Share Only)	Scheduled Operating Date
Big Creek 3 #5	1	87	Hydro	31	1980
Geothermal-Brawley	1	60	Geothermal	Demonstration Project	1980
Wind	2	8	Wind	Demonstration Projects	1980
San Onofre 2 & 3	2	76	Nuclear	1,760	1981, 83
Solar One	1	3	Solar	Demonstration Project	1982
Palo Verde 1, 2 & 3	3	30	Nuclear	579	1983, 84, 86
Cholla 4*	1	65	Coal Purchase	347	1984
Planned					
Cogeneration	—		Customer Generation	60	1981 - 1989
California Geothermal	2		Geothermal	54	1982
California Department of Water Resources*	—		Hydro Exchange	510**	1983
Mexico Geothermal*	—		Geothermal Purchase	330	1984 - 1986
Coal Gasification	1		Coal	Demonstration Project	1984
Combustion Turbine	20		Oil	Up to 1,290	1985 - 1987
Allen-Warner Valley Energy System	6		Coal	1,045	1985 - 1989
Balsam Meadow	1		Hydro	200	1986
Dinkey Creek*	—		Hydro Purchase	120	1986
California Coal 1, 2, 3	3		Coal	750	1988, 89, 90

*Purchase or exchange power. No capital required by Edison.
**Replaces existing contract for 340 MW which terminates in 1983.

at a time of system peak load. Service could be readily restored once the customer's demand has been reduced to the pre-selected level, or when the system's peak has passed. Edison expects to test this service on 2,000 new residential customers during 1980 and 1981.

Progress continued on other load management programs, including the promotion of solar energy for supplemental water and space heating.

Generation Resources Under Construction

The Company projects a need for more than 6,000 MW of new generating capacity for the next decade to meet the electric needs of its customers. This generation requirement is equal to about 45% of Edison's current Company-owned capacity.

Last year, SCE spent approximately $674 million on its construction program and currently projects an expenditure of about $728 million for 1980.

The two 80% Edison-owned 1,100-MW units now under construction at the San Onofre Nuclear Generating Station site are approximately 76% complete. The scheduled operating dates are December 1981 for Unit No. 2 and February 1983 for Unit No. 3. These dates reflect a delay in the units caused by the slowed administrative procedures in processing licenses by the NRC staff following the TMI accident.

The delay will result in an increase in total project costs for Units Nos 2 and 3 of $140 million. More than three-quarters of this increase results from the cost of carrying the money invested in the project for the longer period.

Edison has a 15.8% interest (579 MW) in three 1,222-MW units being constructed at the Palo Verde Nuclear Generating Station near Phoenix, Arizona. Construction is approximately 30% complete. The units are scheduled for firm operation in the 1983-86 period.

In July, Arizona Public Service Company, Palo Verde project manager, canceled proposed Units 4 and 5, in which Edison would have had a 32.3% interest.

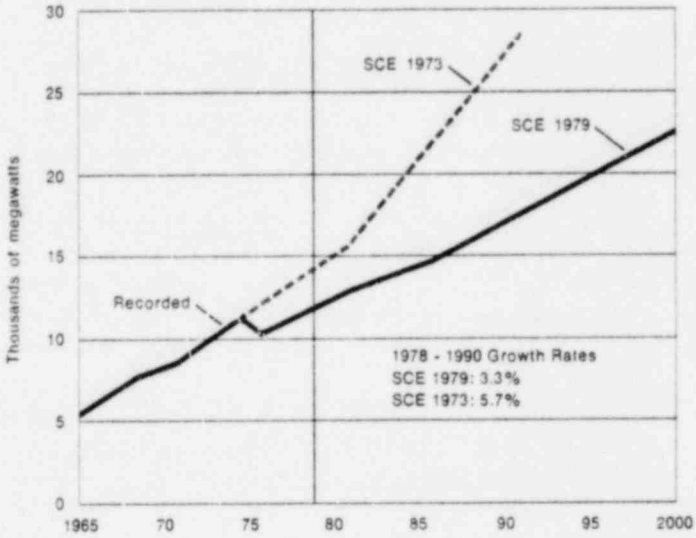
Construction of a 31-MW hydroelectric unit at Big Creek is approximately 87% complete. The scheduled firm operating date is March 1980.

Generation Resources Planned

In August, the California Energy Commission approved Edison's Notice of Intent for the siting of a 1,290-MW combustion-turbine "peaker park" to be built in California's Lucerne Valley. This facility, which can be put into operation or shut down rapidly, is scheduled for completion in the mid-1980s, subject to obtaining timely regulatory approvals.

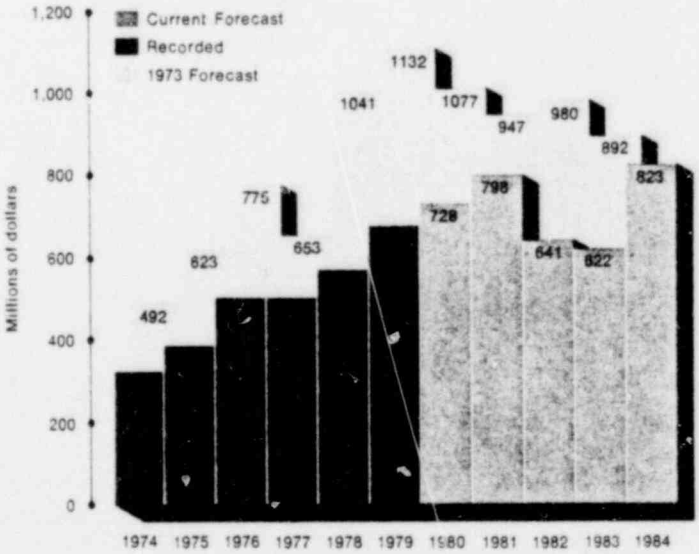
In December, Edison filed a Notice of Intent with the California Energy Commission to build a three-unit, 1500-MW coal-fired generating station (the California Coal Project) at one of five proposed sites in the Company's service territory. Edison would be a 50% owner and would serve as manager and operator.

Peak Demand Forecast Comparison



Projections for both kilowatt-hour consumption and peak demand have been reduced by nearly one-half from the pre-oil embargo growth rates projected in 1973, resulting in a reduced need for new electric generating capacity.

Funds Required for Construction



A comparison of the pre-oil embargo 1973 10-year construction expenditure forecast with the Company's recorded expenditures and current forecast reflects substantially lower construction expenditures as a result of the reduction of growth rate projections. Construction expenditures for the five-year period 1980-84 currently are projected at approximately $3.6 billion.

Preliminary engineering is in progress for a new 200-MW hydroelectric unit, to be located near Big Creek between Huntington and Shaver Lakes, with a new diversion tunnel and dam at Balsam Meadow. Operation of this facility is scheduled for the mid-1980s.

The Company is participating in the planning for two out-of-state coal-fired generating stations. The proposed Allen-Warner Valley Energy System consists of a 2,000-MW plant to be built near Las Vegas, Nevada, and a 500-MW plant to be located near St. George, Utah. One of the participants, the Nevada Power Company, will be project manager. Edison's initial share of the two-plant project, scheduled for completion in the mid-to-late 1980s, would be approximately 1,045 MW.

Edison is actively pursuing the acquisition of non-capital generation resources to reduce the large amount of capital required by the Company for its annual construction program, and to further reduce dependence on fuel oil. In some instances, Edison can purchase, with minimal or no expenditure of capital funds, portions of generating resources constructed and owned by other utilities. In 1979, the Company acquired the rights to purchase approximately 630 MW of generating capacity for the 1983-2000 period, and is presently pursuing similar power purchases in the western United States, Canada and Mexico.

Edison Pursues New Energy Resources

Edison continued its efforts to lessen dependence on oil and natural gas through the development of alternative energy resources.

In September, preliminary excavation for a 10-MW solar plant commenced on the nation's first electric generating station powered directly by solar energy and connected to a utility grid. In late 1979, contracts were awarded for approximately 1,800 heliostats (mirrors) and the construction of a visitor's information center. The solar facility, located at SCE's Cool Water Generating Station site in the California desert, is scheduled for completion in 1982. The project is a cooperative effort by Edison, which will serve as project manager of the non-solar portion of the plant, the U.S. Department of Energy, the Los Angeles Department of Water and Power, and the California Energy Commission.

The Company's geothermal energy program expanded in 1979 with the start of construction of a 9-MW power plant at Brawley, one of three geothermal sites in the Imperial Valley of California being developed by the Company. Scheduled for operation in early 1980, this electric generating facility will be the first utility-owned plant in the United States operating on a hot water (in contrast to steam) resource.

SCE's geothermal activities also include the development of two other Imperial Valley power plants, a 9-MW unit near Salton Sea, and a 45-MW facility at Heber, both with operating dates in 1982.

In July, the Company and Texaco Inc. signed an agreement to build a 92-MW coal-gasifier/combined cycle test facility at the Cool Water site designed to demonstrate the feasibility of producing and using a clean-burning gas from coal in actual power plant operation. The test unit is scheduled for preliminary operation in 1983.

Operating Revenues and Kilowatt-Hour Consumption

Class of Service	*Operating Revenues (000)*				*Kilowatt-Hour Consumption (000)*			
	% of 1979 total	*1979*	*1978*	*% change*	*% of 1979 total*	*1979*	*1978*	*% change*
Residential	29.8	$ 764,595	$ 704,658	8.5	27.2	16,191,091	15,369,184	5.3
Agricultural	1.8	47,146	40,449	16.6	1.6	975,311	851,017	14.6
Commercial	25.9	663,678	610,735	8.7	24.3	14,454,319	13,937,000	3.7
Industrial	26.7	683,013	593,580	15.1	29.2	17,351,728	16,652,243	4.2
Public Authorities	8.7	222,223	202,573	9.7	7.9	4,701,251	4,656,895	1.0
Interdepartmental	—	39	30	30.0	—	1,134	1,015	11.7
Resale	5.8	149,266	134,038	11.4	7.4	4,426,206	4,170,027	6.1
Subtotal	98.7	2,529,960	2,286,063	10.7	97.6	58,101,040	55,637,381	4.4
Resale-Special Contracts	0.8	20,038	4,215	*	0.9	558,385	233,106	139.5
Public Authorities-Special	0.1	3,128	4,265	(26.7)	1.5	858,436	1,156,548	(25.8)
Total Sales of Electric Energy	99.6	2,553,126	2,294,543	11.3	100.0	59,517,861	57,027,035	4.4
Other Electric Revenues	0.4	10,848	34,255	(68.3)	—	—	—	—
Total	100.0	$2,563,974	$2,328,798	10.1	100.0	59,517,861	57,027,035	4.4

*Indicates over 200%.

Edison is constructing two wind turbine generators (WTG) near its Devers Substation near Palm Springs. One is a horizontal axis unit expected to produce 3 MW of electricity in a 40 mph wind, making it the highest output WTG being tested in the nation. The second unit is a vertical axis design and will produce ½ MW of electricity in a 35 mph wind. Testing of both units will begin in 1980.

The Company is actively studying the feasibility of magnetohydrodynamics (MHD) systems to test the possibility of converting power plants from oil to coal-burning. MHD converts the thermal energy of a fuel such as coal directly to electricity without moving parts, and offers the possibility of higher system efficiency.

Edison also is participating in a multi-utility program to develop fuel cell generating units. Fuel cells generate energy by converting the chemical energy in liquid and gaseous fuels, including synthetic fuels, directly into electricity.

Energy Costs Continue to Rise

Fuel costs continue to represent the Company's largest expense. Fuel and purchased power costs amounted to $1.5 billion in 1979, compared with $1.2 billion in 1978, representing approximately 70% of the Company's total 1979 operating expenses. Fuel and purchased power costs for 1980 are expected to reach $2.2 billion, an increase of 47% over 1979 costs.

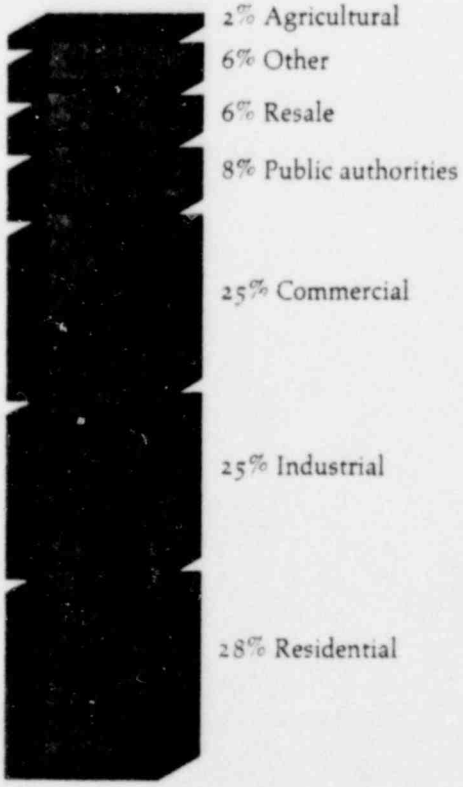
Fuel oil requirements for 1979 totaled 48 million barrels, nearly three million barrels more than the previous year. The Company expects fuel oil use to decline to approximately 41 million barrels in 1980, primarily because of a projected increase in natural gas availability.

Federal Fuel Regulations

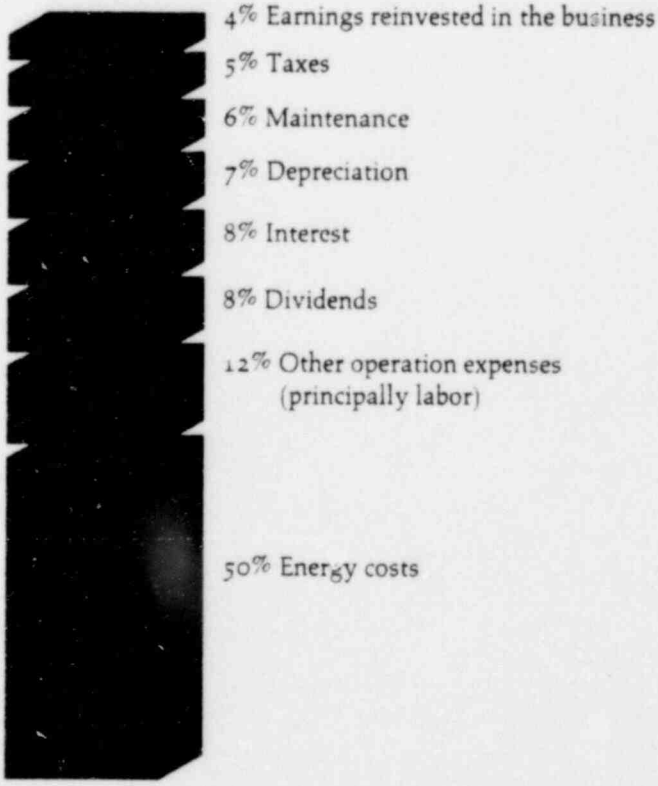
The Powerplant and Industrial Fuel Use Act of 1978 (PIFUA) prohibits the use of natural gas as a primary energy source in existing power plants after 1990. However, prior to 1990, natural gas may be used in proportions generally not greater than the average use during 1974-1976, which, on a systemwide basis for Edison, is about 24% of combined oil and gas requirements. However, temporary exemptions have been issued to use gas in excess of the prescribed limits.

PIFUA also prohibits use of natural gas or oil in any new power plant except as permitted by specific exemption. Although regulations implementing PIFUA are not final, they

Source of Income: 1979



Distribution of Income: 1979



are being challenged in the courts. Consequently, the full impact of PIFUA on Company operations cannot yet be determined.

Edison has for many years been studying various synthetic fuels, such as oil shale and fuel gas made from coal and other domestic sources. These studies have identified certain alternative fuels which may serve to reduce the use of oil, the objective of PIFUA and the President's proposed oil displacement program announced in July 1979.

The President's program proposed that utilities reduce oil consumption, saving one million barrels of oil a day on a national basis by 1990. This is to be achieved by converting coal-capable oil-fired generation to coal burning and by use of alternative fuels. Physical conversion to coal burning to meet this requirement is not feasible on the Edison system, and equivalent use of alternate fuels may not be possible for a number of reasons, including permit process constraints related to synthetic fuel production, delivery and utilization.

The Company supports legislation which would expedite the permit process for construction and operation of synthetic fuel production plants.

Edison Files for Rate Increase

On December 26, Edison filed for a $340 million rate increase based on a 1981 test year. This rate filing includes a requested rate of return on rate base of 10.78%, and a return on common equity of 15.0%, currently authorized at 9.60% and 13.49%, respectively.

Resale Rates

On January 15, 1979, the Company filed an application with the Federal Energy Regulatory Commission (FERC) for higher rates and an optional TOU rate for resale customers. These higher rates became effective, subject to refund, August 16, 1979, and are designed to increase annual revenues by approximately $5.5 million.

In August 1979, Edison received decisions, subject to further review, from the FERC on resale rate cases filed January 2, 1974, and October 31, 1975. These rate case decisions will produce annual increases in resale revenues of approximately $12 million and $13.4 million, respectively.

Costly Air Quality Rule

The California Air Resources Control Board adopted a rule requiring a 90% reduction of oxides of nitrogen from power plants by 1990. In its current form, this regulation could cost the Company's ratepayers as much as $1.5 billion. Edison is working with local and state agencies to achieve reasonable emissions reductions more compatible with state and federal objectives at a significantly lower cost to the Company.

SOHIO Project Canceled

On May 25, 1979, Standard Oil of Ohio (SOHIO) announced its decision to cancel a project which would have included the construction and operation of air quality equipment at one of the Company's steam generation plants. Costs incurred by Edison for this project have been reimbursed by SOHIO in accordance with the project agreement.

Management Succession Plans Continue

Edison continues to plan for effective management at all levels through formal programs of executive and management development and replaceability. During the year, a number of changes occurred at the officer level.

Jack B. Moore, vice president of advanced engineering, retired August 31, and on December 31, James H. Drake, vice

Percentage of Male, Female and Minority Employees at Year-End 1974 and 1979

	Male % Year-End		Female % Year-End		Black % Year-End		Asian American % Year-End		American Indian % Year-End		Hispanic % Year-End		Total Minorities % Year-End	
	1974	1979	1974	1979	1974	1979	1974	1979	1974	1979	1974	1979	1974	1979
Management[1]	94.1	89.6	5.9	10.4	1.8	2.5	3.5	4.8	0.4	0.5	3.9	5.6	9.6	13.3
Non-Management[2]	80.5	77.1	19.5	22.9	6.4	7.9	1.3	2.4	0.6	0.9	10.5	15.2	18.8	26.4
Total Company[3]	84.6	81.1	15.4	18.9	5.0	6.1	2.0	3.2	0.6	0.8	8.5	12.1	16.1	22.2

(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.

president of engineering and construction, and G. E. Wilcox, vice president of personnel, both retired. Each of these officers provided 30 years of distinguished service to the Company.

Glenn J. Bjorklund, previously a customer service vice president, was elected corporate vice president in charge of system development, effective August 1.

The Board of Directors elected three other officers, effective January 1, 1980: Robert Dietch, previously Southeastern Division manager, was elected a vice president in charge of Edison's newly-created nuclear engineering and operations department; C. E. Hathaway, previously a customer service vice president, was elected corporate vice president of personnel; and Dr. Lawrence T. Papay, previously a general superintendent, was elected vice president for advanced engineering.

On September 20, Mrs. Honor Muller was elected corporate secretary, effective November 1, succeeding Joseph C. Bobek, who retired after serving the Company with merit for 33 years.

On March 1, Robert L. Boynton was appointed a customer service vice president.

SCE Chairman Honored

In 1979, Edison Chairman of the Board Jack K. Horton was elected chairman of the Edison Electric Institute (EEI), the association of America's investor-owned electric utility companies. Mr. Horton assumed leadership of the EEI at a significant time for the industry. During his term, the consolidation of the Institute and the National Association of Electric Companies was completed, and the resulting organization, the EEI, moved from New York City to Washington, D.C. In 1979, the Institute also developed far-reaching nuclear programs designed to respond to the TMI incident.

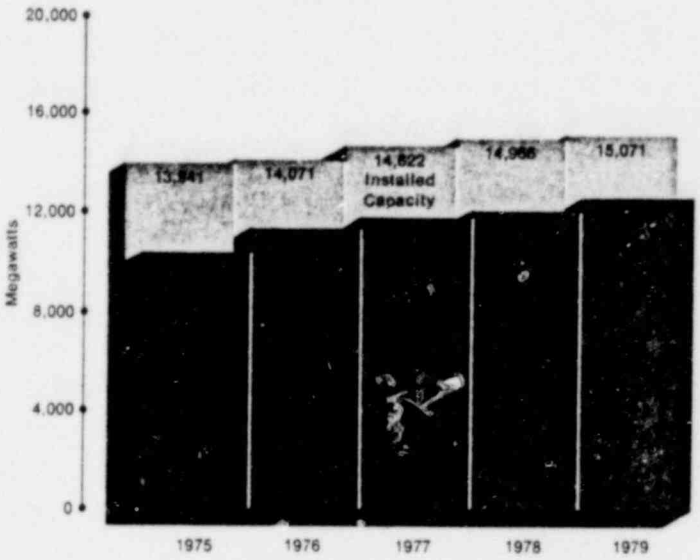
Affirmative Action Program Continues

Efforts to increase the representation of minorities and females in the work force continued during 1979 through the Company's Affirmative Action Program.

During 1979, minority representation increased from 20.7% at the beginning of the year to 22.2% at year-end. Female representation increased from 18.0% to 18.9% during the same period.

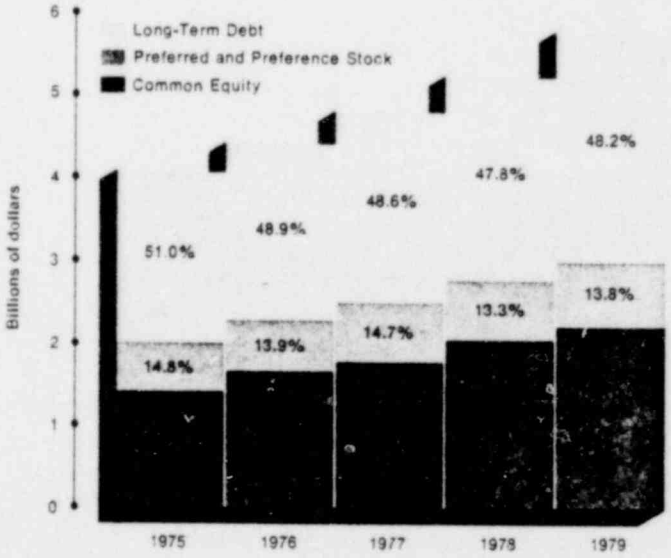
During the five-year period year-end 1974 through year-end 1979, minority representation in the work force increased from 16.1% to 22.2%, and females have increased from 15.4% to 18.9%.

Area Installed Capacity and Area Peak Demand



In 1979, a September heat wave and heavy use of air conditioning pushed the demand for electricity to a record area peak demand of 12,662 megawatts, a 4.1% increase over the 1978 peak. The net main system peak reached 12,464 megawatts on the same day.

Total Capitalization



At year-end 1979, the Company's capital structure was 48.2% long-term debt, 13.8% preferred and preference stock, and 38.0% common equity.

Financial Review

The Company experienced an improvement in its financial position during the year principally as a result of the December 1978 general rate increase which became fully effective on January 1, 1979.

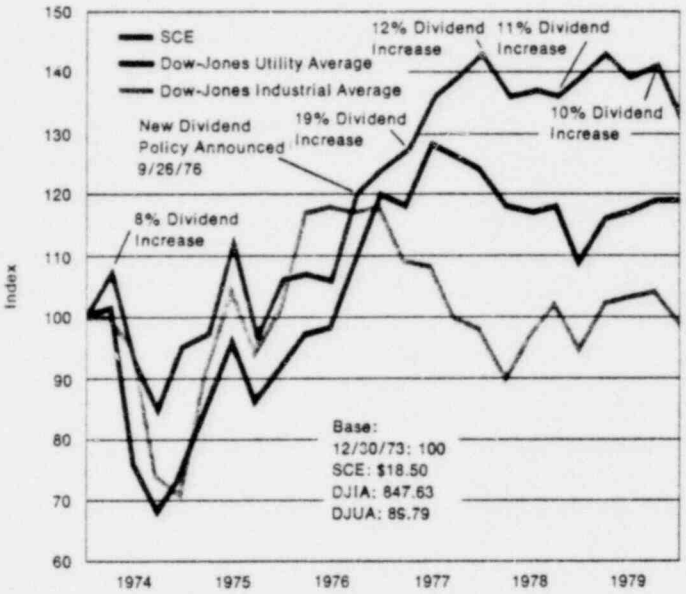
A more detailed review of the factors affecting Edison's operations is contained in the Commentary on the Summary of Operations of this report on Page 29. Financial highlights for the year include the following:

- Revenues surpassed the two and one-half billion dollar level during 1979, totaling $2.56 billion for the year, an increase of $235 million or 10.1% over the prior year. This increase is primarily attributable to: (1) the general rate increase which became effective at the beginning of the year; (2) increased energy costs for generation and purchased power, and (3) kilowatt-hour usage by new customers.
- Earnings per share for 1979 were $4.56 per share, reflecting a 30% increase over the $3.52 per share recorded in 1978. Earnings per share over the past five years have grown at an average annual rate of 10.2%.
- The Company's return on average common equity increased from 10.54% for 1978 to 13.64% for 1979.
- Pre-tax interest coverage increased from 2.66 times in 1978 to 3.05 times in 1979.

Recognizing these improved results and Edison's continuing intent to provide more competitive returns to its common shareholders, the Board of Directors declared a 9.7% increase in the common stock quarterly dividend on September 20, 1979, by raising the rate from 62 to 68 cents per share. On an annual basis, the increased dividend is equivalent to $2.72 per share.

This action, combined with three other dividend increases declared since early in 1977, has contributed to a growth in the Company's dividend rate over the past five years of 9% annually.

Stock Price Information



The Company's common stock price has increased primarily as a result of an aggressive dividend policy initially announced in 1976.

Energy Cost Recovery

Although earnings per share increased substantially in 1979, cash flow was adversely affected during the year by rising energy costs for generation which, at the time, were not fully reflected in the Company's rates through the Energy Cost Adjustment Clause (ECAC). Under the ECAC procedure, energy costs above or below those used in establishing rates are accumulated in a balancing account, and the accumulated amount is reflected in succeeding rate adjustments. In 1979 the CPUC authorized two energy cost adjustment increases totaling approximately $500 million annually. At year-end 1979, accumulated net undercollections and accrued interest in the balancing account amounted to approximately $304 million.

To improve cash flow, Edison petitioned the CPUC on December 21, 1979, to modify an earlier ECAC decision to accelerate the recovery of undercollections already incurred. On January 29, 1980, the CPUC granted the Company's request and authorized an ECAC increase to recover $81 million during the period between February 3 to April 30, 1980, instead of later in the year.

In addition, the CPUC instituted a number of interim changes which are intended to improve the cash recovery aspect of the ECAC procedure. First, the CPUC increased the frequency for filing ECAC adjustments from two to three times per year and adopted the use of more current energy prices and balancing account amounts as well as estimates of energy mix, rather than the historical data previously used, for determining energy cost billing factor adjustments. Secondly, more flexibility has been provided for determining the period during which undercollected energy costs are to be recovered.

In another decision, the CPUC revised the rate for accruing interest on under or overcollected amounts in the balancing account from a fixed rate of 7% to a floating rate which more nearly matches current short-term borrowing or investment rates. Currently that rate is approximately 13%.

Financing Program Continues

A return to double-digit inflation, the Federal Reserve Board's tightening of monetary policy, and uncertain domestic and world affairs all contributed to a dramatic rise in interest rates during 1979. Despite the difficult capital market conditions created by these events, the Company was able to raise $433 million in new capital at comparatively attractive rates through two private and two public securities issues. This capital, combined with an additional $47 million raised through the sale of common stock under Edison's Dividend Reinvestment and Stock Purchase Plan, and Employee Stock Purchase Plan, was used to help finance the Company's continuing construction program. Details of these issues are provided in the accompanying table.

Prior to the rapid acceleration of interest rates in October, Edison undertook several financings in the private and public markets which, in retrospect, were at relatively favorable rates. In April and June, the Company privately placed $53 million in preferred stock and $105 million in mortgage bonds, respectively. The Company then moved to the public market in September and negotiated the sale of $75 million in preferred stock.

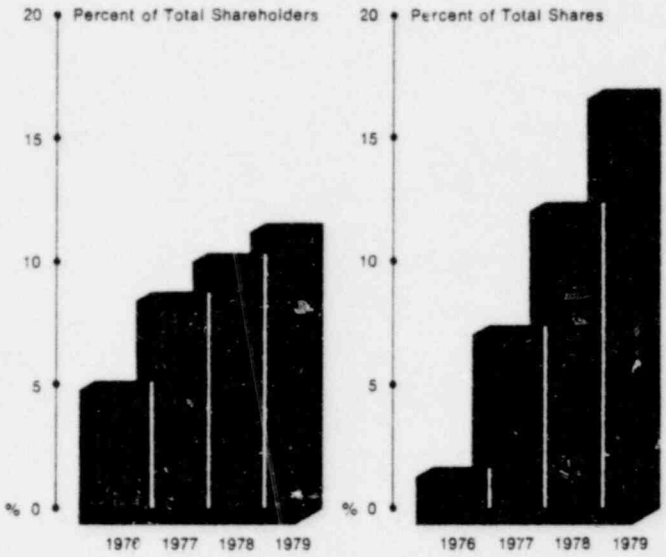
During the year, Edison again looked to foreign sources for new capital and entered into a 7½-year financing agreement, utilizing mortgage bonds, with a syndicate of foreign banks. The agreement, signed on September 18, permits the Company to borrow up to $50 million at any time during the first year at a floating interest rate. At the end of the first year the full $50 million will be borrowed and the interest rate will convert from a floating rate to a fixed rate of 9⅝% for the remaining 6½ years.

On October 6, the Federal Reserve Board implemented strong measures to curb monetary expansion and slow the growth in inflation. As a result, interest rates began to rise dramatically. With a $200 million public offering of mortgage bonds already on the calendar for competitive bidding on October 11, Edison faced its first issue of debt at a coupon rate in excess of 10%. However, because of the prospect of continuing high long-term bond rates and possible disruptions in the short and long-term capital markets, the Company went forward with the financing.

Reflecting the $480 million in total new capital raised in 1979, Edison's capital structure at year-end was 48.2% debt, 13.8% preferred and preference stock, and 38.0% common equity.

Short-term cash requirements increased in 1979 as a result of rising energy costs not being fully reflected in the Company's rates. Edison has been financing the temporary shortfall primarily through the issuance of commercial paper, the lowest cost form of short-term financing available to the Company. Edison maintains 100% back-up lines of credit to support the issuance of commercial paper.

Dividend Reinvestment and Stock Purchase Plan



Since the 5% discount feature was added to the Dividend Reinvestment and Stock Purchase Plan in early 1977, participation has increased significantly. In 1979, more than 16,000 participating shareholders purchased 1.2 million shares with nearly $28 million of dividends and optional cash payments.

1979 Financings

Month	Issue and Cost to Company	Net Proceeds (Millions)
April	Cumulative Preferred Stock, Series A Dividend Rate — 8.70%	$ 53
June	25-year First & Refunding Mortgage Bonds Coupon Rate — 9.95%	105
September	Cumulative Preferred Stock Dividend Rate — 8.54%	75
October	25-year First & Refunding Mortgage Bonds Coupon Rate — 11.75%	200
Periodically	Dividend Reinvestment and Stock Purchase Plan, and Employee Stock Purchase Plan	47
		$480

Looking to 1980, the Company's capital expenditures are expected to amount to approximately $728 million for the construction of new facilities and $85 million to refund maturing debt obligations. To help finance these capital needs, Edison currently expects to raise approximately $700 million in new capital through the issuance of common and preferred stock, and mortgage bonds.

The first issue of the new year, seven million shares of common stock, was completed on February 13, 1980, at a market price of $23.125 per share, raising approximately $157 million in net proceeds. In addition, a public offering of $200 million of mortgage bonds is scheduled for April 1.

Over the five-year period 1980 to 1984, construction expenditures are projected to amount to approximately $3.6 billion, an average of more than $700 million per year. Construction expenditures, as a percent of total capitalization, are expected to average less than 10% annually during this period which is within the Company's objective to maintain a stable and financially manageable growth in plant additions.

Dividend Stock Plan Continues to Grow

At the end of 1979, more than 16,000 shareholders, or about 12% of the holders of Edison's common stock, were participating in the Dividend Reinvestment and Stock Purchase Plan (DRP). This represented approximately 11 million shares, or 17% of the Company's total common stock outstanding on December 31, 1979.

During the year, participants purchased 1.2 million shares with nearly $28 million of dividends and optional cash payments. Since the DRP was started in 1976, nearly $53 million has been invested in new shares.

Southern California Edison Company

Capital Stock—Dividend and Price Information

Class and Series of Stock	Quarterly Dividends Paid Per Share (a)	High and Low Sales Prices ($)															
		Calendar Quarter — 1978								Calendar Quarter — 1979							
		1		2		3		4		1		2		3		4	
		High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
Original Preferred	.62	27¾	25¼	27	24⅞	27⅛	25	27⅛	24⅜	27½	25½	27⅜	24½	28	25⅞	27⅞	25¼
Cumulative Preferred:																	
4.08%	.25½	12¾	11¾	12¾	10⅝	12⅝	11⅜	12¾	10½	11⅝	10¼	11⅜	10⅛	11⅜	10	10½	8⅝
4.24%	.26½	13⅜	11⅞	13⅛	11¼	13¼	11½	12¼	10½	12¼	10⅝	12	10⅜	12⅛	10	11⅛	8¼
4.32%	.27	13⅝	11¾	13½	11⅜	12⅞	11⅜	12⅞	10⅝	12	10½	13	10⅜	12	10	10¾	8½
4.78%	.29⅞	14¾	13¼	14¾	12¾	14	12⅜	13¾	11⅜	13⅜	11¾	13⅜	11⅛	13¼	11½	12¼	10
5.80%	.36¼	18	16½	18	15⅛	17¼	15¾	17½	15⅛	16⅛	14⅝	16⅛	14½	16⅜	14⅜	15¼	12
8.85%	.553125	27⅛	24⅝	25¾	23¾	26½	23½	26	22½	24¾	22¼	24	21¾	24¼	22⅝	22⅞	18¾
9.20%	.57½	27¼	25⅜	27	24½	27¼	24⅝	27	23½	25⅛	23½	25⅝	22⅝	25½	23½	23¾	19
$100 Cumulative Preferred:																	
7.325% (b)	1.83⅛	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
7.58%	1.89½	90	86½	88½	81⅛	90	79¼	86⅞	82	82¼	77½	84¼	78½	85⅝	77	77⅜	63
7.80% (b)	1.95	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8.54%	2.562(c)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	93	85¼
8.70%	2.17½	104	100	103	94¼	103	93	101	91	95⅝	89	96⅝	90	98⅜	87½	87	72
8.70%-A (b)	1.59½(d)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8.96%	2.24	106⅜	100¾	104	97⅞	106⅞	95¾	104	94⅝	98½	94	100	91	99½	90	92	74
Preference:																	
5.20%	.32½	18¾	17¾	18⅞	16	19⅛	17⅜	19⅜	16¾	19⅞	18½	19⅝	17⅝	19¼	18½	19	17⅛
Convertible																	
7.375% (b)	.460938	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common	.62	26⅞	25	26¾	22⅞	27	25⅛	26⅝	23½	27⅜	25⅝	27¼	24¼	26⅞	25¼	26½	23½

(a) Quarterly dividends were paid at the rates indicated in each quarter of 1979 except the fourth quarter dividend on Original Preferred Stock and Common Stock, which was at the rate of $0.68 per share.

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

(c) Initial pro rata dividend paid December 31, 1979. Subsequent quarterly dividends to be paid at $2.135 per share or $8.54 annually.

(d) Initial pro rata dividend paid June 30, 1979. Subsequent quarterly dividends paid at $2.175 per share or $8.70 annually.

Report of Management

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

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

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

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

H. Fred Christie
Senior Vice President
and Chief Financial Officer

Jack K. Horton
Chairman of the Board
and Chief Executive Officer

Report of Independent Public Accountants

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

We have examined the balance sheets and statements of capital stock and long-term debt of Southern California Edison Company (a California corporation, hereinafter referred to as the "Company"), as of December 31, 1979 and 1978, and the related statements of income, earnings reinvested in the business, additional paid-in capital and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, 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, 1979 and 1978, and the results of its operations and the changes in its financial position for the years then ended and further, in our opinion, the quarterly financial data set forth in Note 2 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 8, 1980

ARTHUR ANDERSEN & CO.

Statements of Income

		Year Ended December 31, 1979	1978
		Thousands of Dollars	
Operating Revenues:	Sales *(Notes 1 and 3)*	$2,553,126	$2,294,543
	Other	10,848	34,255
	Total operating revenues *(Note 2)*	2,563,974	2,328,798
Operating Expenses:	Fuel *(Note 3)*	1,433,658	1,086,051
	Purchased power	99,245	118,698
	Provision for energy cost adjustments *(Notes 1, 3 and 5)*	(188,880)	35,280
	Subtotal — energy costs	1,344,023	1,240,029
	Other operation expenses *(Notes 3, 6 and 7)*	322 191	283,622
	Maintenance *(Note 1)*	177,407	164,111
	Provision for depreciation *(Note 1)*	178,637	157,203
	Taxes on income — current and deferred *(Notes 1 and 5)*	100,292	72,803
	Property and other taxes	56,428	86,429
	Total operating expenses	2,178,978	2,004,197
Operating Income *(Note 2)*		384,996	324,601
Other Income and Income Deductions:	Allowance for equity funds used during construction *(Note 1)*	92,019	58,471
	Other — net *(Notes 1 and 5)*	47,739	31,319
	Total other income and income deductions	139,758	89,790
Total Income before Interest Charges		524,754	414,391
Interest Charges:	Interest on long-term debt	179,626	154,301
	Other interest and amortization *(Note 1)*	25,456	28,357
	Total interest charges	205,082	182,658
	Allowance for debt funds used during construction *(Note 1)*	(26,547)	(19,950)
	Net interest charges	178,535	162,708
Net Income *(Note 2)*		346,219	251,683
Dividends on Cumulative Preferred and Preference Stock		53,738	49,457
Earnings Available for Common and Original Preferred Stock		$ 292,481	$ 202,226
Weighted Average Shares of Common and Original Preferred Stock Outstanding and Common Stock Equivalents (000)		64,202	57,477
Earnings Per Share *(Notes 1 and 2)*:	Primary	$4.56	$3.52
	Fully diluted	$4.39	$3.38
Dividends Declared Per Common Share		$2.60	$2.30

The accompanying notes are an integral part of these statements.

Statements of Changes in Financial Position

		Year Ended December 31, 1979	1978
		Thousands of Dollars	
Funds Provided By:			
Operations —	Net income *(Note 2)*	$ 346,219	$251,683
	Non-fund items —		
	Depreciation *(Note 1)*	178,637	157,203
	Equity in earnings of unconsolidated subsidiaries *(Note 1)*	(3,133)	(608)
	Allowance for debt and equity funds used during construction *(Note 1)*	(118,566)	(78,421)
	Investment tax credit deferred — net *(Notes 1 and 5)*	45,533	32,568
	Other — net	9,269	4,788
	Earnings distributed from unconsolidated subsidiaries	1,000	1,000
	Total from operations	458,959	368,213
Long-term financing —	Preferred stock	127,500	—
	*Preference stock	(13,828)	(14,522)
	*Common stock	62,002	203,364
	Long-term debt	355,000	200,000
	Total from long-term financing	530,674	388,842
Other sources —	Construction advances and other	11,628	9,258
	Decrease in working capital	3,918	13,067
	Total from other sources	15,546	22,325
	Total funds provided	$1,005,179	$779,380
Funds Applied To:	Construction expenditures — net	$ 792,713	$646,252
	Less — allowance for debt and equity funds used during construction *(Note 1)*	118,566	78,421
	Funds used for construction expenditures	674,147	567,831
	Advances to unconsolidated subsidiaries	5,769	3,630
	Dividends	221,400	182,738
	Repayment of long-term debt	33,736	35,500
	Customer refunds — net	49,321	(36,918)
	Other — net	20,806	26,599
	Total funds applied	$1,005,179	$779,380
Working Capital Changes:	Receivables and temporary cash investments	$ (79,429)	$ 79,155
	Fuel stock, materials and supplies *(Notes 3 and 4)*	132,731	(11[illegible],118)
	Deferred energy costs — net *(Notes 1, 3 and 5)*	167,105	(14,286)
	Notes and accounts payable	(270,346)	68,803
	Taxes, interest accrued and other	46,021	(32,621)
	**Increase (Decrease) in working capital	$ (3,918)	$ (13,067)

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

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

The accompanying notes are an integral part of these statements.

Southern California Edison Company

Balance Sheets

ASSETS		December 31, 1979	1978
		Thousands of Dollars	
Utility Plant:	Utility plant, at original cost *(Notes 1 and 3)*	$5,502,984	$5,303,746
	Less — Accumulated provision for depreciation *(Note 1)*	1,676,148	1,519,174
	Net utility plant	3,826,836	3,784,572
	Construction work in progress *(Note 6)*	2,058,958	1,493,573
	Nuclear fuel, at amortized cost	15,728	13,572
	Total utility plant	5,901,522	5,291,717
Other Property and Investments:	Real estate and other, at cost — less accumulated provision for depreciation	11,110	7,658
	Subsidiary companies *(Note 1)*	93,725	85,818
	Total other property and investments	104,835	93,476
Current Assets:	Cash *(Note 4)*	4,705	7,458
	Temporary cash investments	—	80,532
	Receivables, less reserves of $8,496,000 and $5,608,000 for uncollectible accounts at respective dates *(Notes 1 and 8)*	212,728	211,625
	Fuel stock, at cost *(first-in, first-out) (Notes 3 and 4)*	284,827	163,021
	Materials and supplies, at average cost	39,388	28,463
	Deferred energy costs *(Notes 1, 3 and 5)*	303,622	102,369
	Prepayments and other (taxes, insurance, etc.)	80,266	42,022
	Total current assets	925,536	635,490
Deferred Charges:	Unamortized debt expense *(Note 1)*	16,589	14,709
	Other deferred charges	28,755	22,305
	Total deferred charges	45,344	37,014
		$6,977,237	$6,057,697

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

CAPITALIZATION AND LIABILITIES		December 31, 1979	1978
		Thousands of Dollars	
Capitalization:	Preferred Stock — subject to mandatory redemption requirements:		
	Cumulative Preferred Stock	$ 262,500	$ 135,000
	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	27,067	40,895
	Common stock, including additional stated capital	577,259	547,166
	Other Shareholders' Equity:		
	Additional paid-in capital	601,578	569,673
	Earnings reinvested in the business	1,054,296	931,217
	Long-term debt *(Notes 1, 4 and 8)*	2,746,207	2,477,474
	Total capitalization	5,793,662	5,226,180
Current Liabilities:	Accounts payable	288,897	154,495
	Commercial paper payable *(Note 4)*	134,340	—
	Notes payable to banks *(Note 4)*	19,840	19,986
	Current maturities of long-term debt	84,544	33,737
	Customer refunds — current	58,139	52,724
	Taxes accrued *(Note 5)*	73,312	92,550
	Interest accrued	55,619	51,069
	Customer deposits	14,583	15,601
	Dividends declared	48,381	43,205
	Accumulated deferred income taxes — net *(Notes 1 and 5)*	88,076	53,928
	Other	19,947	23,612
	Total current liabilities	885,678	540,907
Commitments and Contingencies *(Note 3)*			
Reserves and Deferred Credits:	Customer advances and other deferred credits	51,598	46,115
	Customer refunds	58,454	107,774
	Accumulated deferred income taxes and investment tax credits *(Notes 1 and 5)*	155,297	110,096
	Reserves for pensions, insurance, etc. *(Note 7)*	32,548	26,625
	Total reserves and deferred credits	297,897	290,610
		$6,977,237	$6,057,697

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

Statements of Earnings Reinvested in the Business

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

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

(b) Includes undistributed earnings of unconsolidated subsidiaries of $10,753,000 at December 31, 1979.

Statements of Additional Paid-in Capital

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

The accompanying notes are an integral part of these statements.

Statements of Capital Stock

		December 31, 1979		December 31,	
		Shares Outstanding	Redemption Price Per Share	1979	1978
				Thousands of Dollars	
Preferred Stock — Subject to Mandatory Redemption Requirements (a) (b):					
$100 Cumulative Preferred (d):	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	—
	8.70% Series A	525,000	110.00	52,500	—
				$262,500	$135,000
Preference —	7.375% Series	2,480,000	26.25	$ 62,000	$ 62,000
Preferred Stock — Other (a) (b):					
Original Preferred — 5%, prior, cumulative, participating, not redeemable		480,000		$ 4,000	$ 4,000
Cumulative Preferred:	4.08% Series	1,000,000	$ 25.50	$ 25,000	$ 25,000
	4.24% Series	1,200,000	25.80	30,000	30,000
	4.32% Series	1,653,429	28.75	41,336	41,336
	4.78% Series	1,296,769	25.80	32,419	32,419
	5.80% Series	2,200,000	25.65	55,000	55,000
	8.85% Series	2,000,000	26.50	50,000	50,000
	9.20% Series	2,000,000	27.25	50,000	50,000
$100 Cumulative Preferred:	7.58% Series	750,000	105.00	75,000	75,000
	8.70% Series	500,000	111.00	50,000	50,000
	8.96% Series	500,000	111.00	50,000	50,000
				$458,755	$458,755
Preference (c) (d) — $100 Preference	5.20% Convertible Series	1,082,680	25.00	$ 27,067	$ 40,895
Common Stock — including additional stated capital (a) (c) (d)		64,894,936		$577,259	$547,166

(a) The Company's Articles of Incorporation authorize the issuance of:

Class of Stock	Shares Authorized	Par Value Per Share
	(000)	
Original Preferred	480	$ 8⅓
Cumulative Preferred	24,000	25
$100 Cumulative Preferred	6,000	100
Preference	10,000	25
$100 Preference	2,000	100
Common	90,000	8⅓

(b) Cumulative Preferred and Preference Stock Redemption Provisions — All series of $100 Cumulative Preferred Stock, Cumulative Preferred Stock and Preference Stock are redeemable at the option of the Company. The various series of $100 Cumulative Preferred Stock, the Cumulative Preferred Stock, 8.85% Series and 9.20% Series, and the Preference Stock, 7.375% Series, are subject to certain restrictions on redemption for refunding purposes. The $100 Cumulative Preferred Stock, 7.325% Series, has a cumulative sinking fund provision requiring the redemption of 30,000 shares annually at $100 per share plus accumulated unpaid dividends, commencing July 31, 1983, and continuing until all shares are redeemed. Commencing November 30, 1983, and continuing until all shares are redeemed, the $100 Cumulative Preferred Stock, 7.80% Series, has a cumulative sinking fund provision requiring the annual redemption of a specified percentage of the shares originally outstanding (2.5% in 1983 and increasing to 5.5% by 2003) at $100 per share plus accumulated unpaid dividends. Commencing September 1, 1984, and continuing until all shares are repurchased, the Company has a contractual obligation to offer to repurchase a minimum of 496,000 shares annually of its Preference Stock, 7.375% Series, at $25 per share plus accumulated unpaid dividends. Commencing June 30, 1985, and continuing until all shares are redeemed, the $100 Cumulative Preferred Stock, 8.70% Series A, has a cumulative sinking fund provision requiring the annual redemption of a specified percentage of shares originally outstanding (2.5% in 1985 and increasing to 9.5% by 2000) at $100 per share plus accumulated unpaid dividends. Commencing June 30, 1986, and continuing until all shares are redeemed, the $100 Cumulative Preferred Stock, 8.54% Series, has a mandatory sinking fund provision requiring the annual redemption of 22,500 shares at $100 per share plus accumulated unpaid dividends. For each of the five years subsequent to 1979, the aggregate mandatory redemption requirements will be: none for 1980 through 1982, $4,500,000 for 1983, and $16,900,000 for 1984.

(c) Under a prescribed formula, the conversion prices of convertible securities are adjusted when additional shares of Common Stock are sold by the Company. On December 31, 1979, the shares of Common Stock reserved for the conversion of the Preference Stock, 5.20% Convertible Series, amounted to 796,088 shares at the adjusted conversion price of $34.00 per share. In addition, 2,024,380 shares of Common Stock were reserved for the conversion of 3⅛% Convertible Debentures, Due 1980, at the adjusted conversion price of $37.00 per share.

(d) Transactions in the capital stock accounts during 1978 and 1979 reflect the following: On October 25, 1978, 6,000,000 shares of Common Stock were issued at an initial public offering price of $25.375 per share, and 525,000 shares of $100 Cumulative Preferred Stock, 8.70%, Series A, and 750,000 shares of $100 Cumulative Preferred Stock, 8.54% Series, were issued during 1979. Additional shares of Common Stock were issued as follows:

	Shares Issued	
	1979	1978
Dividend Reinvestment and Stock Purchase Plan	1,165,073	637,014
Employee Stock Purchase Plan	756,427	631,521
Employee Stock Ownership Plan	30,282	203,879
Conversion of 553,140 and 580,854 shares in respective years of Preference Stock, 5.20% Convertible Series	406,573	417,710

The accompanying notes are an integral part of these statements.

Statements of Long-term Debt

			Year Ended December 31, 1979	1978
			Thousands of Dollars	
First and Refunding Mortgage Bonds (a):	Series F,	Due 1979 (3%)	$ —	$ 30,000
	Series G,	Due 1981 (3⅝%)	40,000	40,000
	Series H,	Due 1982 (4¼%)	37,500	37,500
	Series I,	Due 1982 (4¾%)	40,000	40,000
	Series J,	Due 1982 (4⅞%)	40,000	40,000
	Series K,	Due 1983 (4⅝%)	50,000	50,000
	Series L,	Due 1985 (5%)	30,000	30,000
	Series M,	Due 1985 (4⅛%)	60,000	60,000
	Series N,	Due 1986 (4½%)	30,000	30,000
	Series O,	Due 1987 (4¼%)	40,000	40,000
	Series P,	Due 1987 (4¼%)	50,000	50,000
	Series Q,	Due 1988 (4⅜%)	60,000	60,000
	Series R,	Due 1989 (4⅜%)	60,000	60,000
	Series S,	Due 1990 (4½%)	60,000	60,000
	Series T,	Due 1991 (5¼%)	75,000	75,000
	Series U,	Due 1991 (6⅛%)	80,000	80,000
	Series V,	Due 1992 (5⅞%)	80,000	80,000
	Series W,	Due 1993 (6⅜%)	100,000	100,000
	Series X,	Due 1994 (7⅝%)	75,000	75,000
	Series Y,	Due 1994 (8⅛%)	100,000	100,000
	Series Z,	Due 1995 (7⅞%)	100,000	100,000
	Series AA,	Due 1996 (8%)	100,000	100,000
	Series BB,	Due 1997 (7⅜%)	125,000	125,000
	Series CC,	Due 1999 (8¼%)	100,000	100,000
	Series DDP,	Due 1999 (7%)	15,030	15,030
	Series EE,	Due 1981 (9%)	100,000	100,000
	Series FF,	Due 2000 (8⅞%)	150,000	150,000
	Series GG,	Due 2001 (8⅞%)	125,000	125,000
	Series HH,	Due 2002 (8¼%)	125,000	125,000
	Series II,	Due 1984 (7¼%)	75,000	75,000
	Series JJ,	Due 2003 (9⅝%)	200,000	200,000
	Series KK,	Due 2004 (9.95%)	105,000	—
	Series LL,	Due 1987 (9⅝%) (c)	—	—
	Series MM,	Due 2004 (11¾%)	200,000	—
			2,627,530	2,352,530
First Mortgage Bonds (Calectric) (a)		Due 1980-1991 (2⅞%-5⅛%)	66,000	66,000
Convertible Debentures (b)		Due 1980 (3⅛%)	74,902	74,902
Promissory Notes *(Note 8)*		Due 1980-1983 (5½%)	14,217	17,953
Short-term debt expected to be refinanced — Commercial paper (c)			50,000	—
Principal amounts outstanding			2,832,649	2,511,385
Current maturities of long-term debt (d)			(84,544)	(33,737)
Unamortized premium or (discount) — net			(1,898)	(174)
Total long-term debt			$2,746,207	$2,477,474

(a) All mortgage bonds are secured by utility plant, substantially all of which is subject to a lien under the Company's trust indentures. Additional First and Refunding Mortgage Bonds, including additional bonds equal in principal amount to bonds retired, may be issued subject to the provisions of the applicable trust indentures. Each of the bond indentures requires special deposits with the trustees, which are based primarily upon the amount of bonds outstanding. These deposit requirements of $77,780,900 in 1979 were satisfied by property additions and replacements. The Company expects to satisfy these requirements in the same manner in 1980. The First and Refunding Mortgage Bonds, Series DDP and KK, are subject to mandatory sinking fund requirements commencing on July 1, 1990 and June 15, 1985, respectively.

(b) At December 31, 1979 and 1978, the 3⅛% Convertible Debentures, Due 1980, were convertible at the adjusted rate of one share of Common Stock for each $37.00 and $37.50, respectively, of the principal amount of such debentures. Any such debentures which are converted may not be reissued.

(c) In September 1979, the Company entered into a financing agreement with certain foreign banks that permits the Company to borrow, at any time through September 17, 1980, up to $50,000,000 at a floating interest rate based on the London Interbank Offered Rate. On September 18, 1980, as required by the agreement, the Company will borrow any additional amount necessary to bring the total borrowings to $50,000,000. Commencing on that date, the principal outstanding will bear interest at the fixed rate of 9⅝% per annum. The borrowings will be secured by the concurrent issuance of an equal principal amount of the Company's First and Refunding Mortgage Bonds, Series LL, due March 18, 1987. The financing agreement contains no restrictive covenants. There were no outstanding borrowings under the agreement at December 31, 1979. Because the Company expects to refinance $50,000,000 of short-term obligations through the operation of the agreement, such amount has been classified as long-term debt in the balance sheet at December 31, 1979.

(d) Current maturities of long-term debt at December 31, 1979, included 3⅛% Convertible Debentures, Due August 15, 1980, in the amount of $74,902,000; First Mortgage Bonds (Calectric), Series of 2⅞%, Due June 1, 1980, in the amount of $6,000,000, 5½% Promissory Notes, Due February 28, 1980, in the amount of $1,832,000 and Due August 31, 1980, in the amount of $1,810,000. The amounts of maturing long-term debt will be $143,548,000 in 1981; $121,025,000 in 1982; $53,501,000 in 1983; and $83,000,000 in 1984.

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1 — Summary of Significant Accounting Policies

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

Utility Plant —
Additions to utility plant and replacements of retirement units of property are capitalized at original cost, which includes labor, material, indirect charges for engineering, supervision, transportation, etc., and an allowance for debt and equity funds used during construction. Maintenance is charged with the cost of repairs and minor renewals; plant accounts with the replacement of property units; and the depreciation reserve with the cost, less net salvage, of property units retired. The Company also owns undivided interests in jointly-owned facilities and the balance sheet at December 31, 1979 includes utility plant, accumulated provision for depreciation, and construction work in progress of $528,620,000, $128,445,000, and $1,827,317,000, respectively, pertaining to such facilities.

Depreciation —
Depreciation of utility plant is computed on a straight-line remaining life basis for financial statement purposes, and approximated 3.5% and 3.2% of average depreciable plant for the years 1979 and 1978, respectively. Although the eventual cost of retiring a nuclear generating unit cannot be predicted with certainty, the Company has estimated that decommissioning costs will approximate $36,000,000 for nuclear generation facilities in service. The Company's rates are designed to recover such costs through depreciation expense over the estimated remaining useful lives of such facilities.

Income Taxes —
Accounting policies with respect to income taxes, including investment tax credits applicable thereto, are set forth in Note 5, together with supplementary income tax information.

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

Revenues —
Customers are billed monthly, except for most residential customers who are billed bi-monthly. Revenues are recorded when customers are billed.

Deferred Energy Costs —
Deferred energy costs result from the Company's Energy Cost Adjustment Clause (ECAC), which requires monthly entries to adjust the results of operations and the maintenance of a balancing account for overcollections or undercollections. Variations between ECAC revenues and the related energy costs included in rates are deferred until such variations are refunded to, or recovered from, utility customers through CPUC authorized rate adjustments. ECAC related energy costs include incurred transportation and storage costs related to spent nuclear fuel. The income tax effects of ECAC also are deferred. For income tax purposes, billed revenues and incurred energy costs are utilized in the determination of taxable income.

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

Allowance for Funds Used During Construction (ADC) —
ADC is the generally accepted utility accounting procedure designed to capitalize the cost of both debt and equity funds used to finance plant additions during construction periods and to restore net income to the level which would have been experienced without the construction program through a transfer of such costs from the income statement to the balance sheet as utility plant construction work in progress. Such costs are recovered from customers as a cost of service through provisions for depreciation in future periods. Although ADC increases net income, it does not represent current cash earnings. The effective annual ADC rate was 7.76% for 1979 and 6.96% for 1978, based upon a formula prescribed by the FERC which provides for the separate computation of ADC applicable to debt funds and to equity funds and permits semi-annual compounding.

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

Note 2 — Quarterly Financial Data

Three Months Ended	Thousands of Dollars			Earnings Per Share	
	Operating Revenues	Operating Income	Net Income	Primary	Fully Diluted
December 31, 1979 ...	$709,252	$100,352	$92,538	$1.19	$1.15
September 30, 1979 ...	684,334	106,738	98,822	1.32	1.27
June 30, 1979	566,656	81,748	71,183	0.91	0.88
March 31, 1979	603,733	96,159	83,677	1.13	1.09
December 31, 1978 ...	600,902	99,162	85,455	1.19	1.15
September 30, 1978 ...	634,334	90,778	68,846	1.00	0.96
June 30, 1978	545,444	70,612	50,912	0.69	0.67
March 31, 1978	547,518	64,050	46,470	0.62	0.59

Note 3 — Commitments and Contingencies

Construction program and fuel supply —
The Company has significant purchase commitments in connection with its continuing construction program. As of December 20, 1979 (the date of the Company's latest approved budget), funds required for construction expenditures are estimated at $767,831,000 for 1980, $753,808,000 for 1981 and $627,864,000 for 1982. Minimum long-term commitments of approximately $8.4 billion existed on December 31, 1979 under the Company's fuel supply and transportation arrangements.

Government licenses —
The terms and provisions of licenses granted by the United States covering the Company's major and certain minor hydroelectric plants, together with certain storage and regulating reservoirs and related transmission facilities, expire at various times between 1980 and 2009. They contain numerous restrictions and obligations on the part of the Company, including the right of the United States to acquire Company properties or the FERC to issue a license to a new licensee under certain conditions upon the payment of specified compensation.

Resale revenues —
Pursuant to FERC procedures, on August 4, 1974, February 1, 1976, and August 16, 1979, increases in the Company's resale rates became effective, subject to refund with interest to the extent that any of the increases are subsequently determined to be inappropriate. Effective May 2, 1974, a Fuel Clause Adjustment (FCA) was added to the Company's resale rates and was modified effective February 1, 1976. As of December 31, 1979, approximately $377,800,000 has been collected subject to refund. Of this amount, approximately $46,600,000 is no longer subject to refund by virtue of appeals relative to the May 2, 1974 FCA becoming final since December 31, 1979. The Company believes that any other amounts which the FERC may require the Company to refund as a result of the proceedings relative to these increases should not have a material financial effect on the Company.

The August 1, 1979 FERC decision which affirmed the August 4, 1974 rate increase with respect to cost of service, provided, however, that the rate increase remain subject to refund pending resolution of the "price squeeze" issue raised by the intervenors.

The August 22, 1979 FERC decision on the February 1, 1976 rate increase, required the Company to file a revised cost of service which reduced the annual revenues by approximately $3,600,000. Revenues billed in excess of this revised cost of service had previously been deferred and the related interest accrued. Both the Company and certain intervenors have petitioned for rehearing. The decision also provided that to determine the extent of a "price squeeze," if any, with respect to the filed revised rates, the case would be remanded to an Administrative Law Judge for hearings on that issue. If a "price squeeze" is determined, a further rate reduction may be imposed which could result in additional refunds, but the Company believes that they would not have a material financial effect.

Energy cost adjustment clause —
On October 23, 1979, the CPUC granted approximately $431,600,000 of the Company's requested $466,600,000 increase pursuant to ECAC. Such increase became effective on November 1, 1979. The requested amount was reduced by approximately $35,000,000 as a result of the CPUC's determination to defer consideration of the reasonableness of operating capacity factors at the Company's coal-fired power plants until results of a consultant's report on such plants can be evaluated. The Company believes that operating practices at its coal-fired power plants have been prudent and reasonable.

Legal matters — antitrust and employment practices

Antitrust — In March 1978, five resale customers filed a suit against the Company in Federal Court alleging violation of certain antitrust laws. The complaint seeks damages in excess of $23,000,000, consequential damages and a trebling of such damages and certain injunctive relief, and alleges that the Company (i) is engaging in anti-competitive behavior by charging more for wholesale electricity sold to the resale customers than the Company charges certain classes of its retail customers, and (ii) has taken actions alone and in concert with other utilities to prevent or limit such resale customers from obtaining bulk power supplies from other sources to reduce or replace the resale customers' wholesale purchases from the Company. In May 1979, the Federal Court continued a stay of the proceedings pending resolution of the Company's FERC resale rate filing which became effective on February 1, 1976, and of the FERC proceedings involving bulk power contracts and substantially the same antitrust issues. The resale customers have asked the FERC

to modify these contracts and to order the Company to provide additional transmission services to them. On February 15, 1980, the Court lifted the stay on discovery and set February 10, 1981 for the next status conference. The foregoing proceedings involve comp. .: issues of law and fact, and, although the Company is .. able to predict their final outcome, it has categorically denied the allegations of these resale customers. The August 22, 1979 FERC decision discussed above under "Resale revenues" could affect the pending antitrust litigation.

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

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

On December 31, 1979, the court filed a memorandum indicating it would approve the Agreement. It is not known at this time whether an appeal will be taken from a judgment. If the decision were to be reversed on appeal and the cases tried, it is the opinion of Company counsel that the Company has a number of defenses which should be sustained by a court and which, among other things, have the effect of limiting monetary damages. The Company believes, based on a current analysis of the applicable law and facts, that the amount of any recovery for monetary damages, including back pay, should not have a material financial effect on the Company.

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

Note 4 — Compensating Balances and Short-Term Debt
In order to continue lines of credit with various banks, which amounted to approximately $198,000,000 on December 31, 1979 and $170,000,000 on December 31, 1978, the Company presently maintains deposits aggregating approximately $12,000,000 which are not legally restricted as to withdrawal. None of such lines of credit was used during 1979 and 1978.

The Company has an additional $150,000,000 line of credit which may be utilized only for the purchase of fuel oil through the use of bankers' acceptances. Notes issued under this agreement are secured by a pledge of the Company's fuel oil inventory. There were no bankers' acceptances outstanding during 1979. The maximum amount of bankers' acceptances outstanding during 1978 was $68,545,000 with average daily borrowings of $24,259,000 and a weighted average annual interest rate (total interest divided by average daily borrowings) of 7.87%.

The maximum amount of commercial paper outstanding for 1979 and 1978, was $184,340,000 and $165,273,000, respectively. The average daily borrowings for these same periods were $65,057,000 and $113,414,000, respectively, with weighted average annual interest rates of 11.08% and 7.23%, respectively. Of the amount outstanding at December 31, 1979, $50,000,000 is expected to be refinanced and has been classified in the balance sheet as long-term debt.

The maximum amount of notes payable outstanding during 1979 and 1978 was $20,078,000 and $87,970,000, respectively. The average daily borrowings for these same periods were $20,052,000 and $41,402,000, respectively, with weighted average annual interest rates of 11.01% and 8.23%, respectively. These notes are unrelated to the lines of credit referred to above.

Note 5 — Taxes on Income
As required by the CPUC, no provisions are made for income tax reductions (net) which result from reporting certain transactions for income tax purposes in a period different from that in which they are reported in the financial statements, except for certain investment tax credits (ITC) discussed below, the tax effects of the ECAC balancing account provisions and certain resale revenues.

Effective January 1, 1976, pursuant to FERC procedure, the Company began providing deferred income taxes for certain timing differences allocable to resale rates. The revenues related to such deferred income taxes are being collected subject to refund, as discussed in Note 3, pending action by the FERC.

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

The Company has reduced its deferred income tax provision and the balance of accumulated deferred income taxes — net, in the amount of $68,128,000, representing ITC in

excess of those utilized to date or to be utilized on the 1979 federal income tax return, pending their utilization in future income tax returns. Such ITC were generated in 1979 and, if not utilized, would expire in 1986.

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

	Thousands of Dollars	
	Year Ended December 31, 1979	1978
Current:		
Federal	$ 6,717	$ (49,219)
State	4,019	3,567
	10,736	(45,652)
Deferred — Federal and State:		
Investment tax credits — net	45,533	32,568
Deferred energy costs	34,148	(15,904)
Customer refunds	—	78,801
Other	(13,644)	2,208
	66,037	97,673
Total taxes on income	$ 76,773	$ 52,021
Taxes on income included in operating expenses	$100,292	$ 72,803
Taxes on income included in other income	(23,519)	(20,782)
Total taxes on income	$ 76,773	$ 52,021
Difference between the federal statutory tax rate and the company's effective tax rate are reconciled as follows:		
Federal statutory rate	46.0%	48.0%
Excess of tax over book depreciation	—	(3.4)
Allowance for debt and equity funds used during construction	(12.9)	(12.4)
Percentage repair allowance	(3.3)	(4.7)
Administrative and general expenses capitalized	(2.2)	(2.7)
Investment tax credits — net	(8.1)	(8.4)
Federal deduction for state taxes on income	(2.2)	(2.7)
Ad valorem lien date deduction	(.2)	4.2
All other differences	(3.7)	(5.5)
State tax provision	4.7	4.7
Effective tax rate	18.1%	17.1%

Note 6 — Research and Development

Research and Development (R&D) expenditures are expensed currently if they are of a general nature. Plant related R&D expenditures are accumulated in construction work in progress (CWIP) until a determination is made whether or not such projects will result in construction of electric plant. If no construction of electric plant ultimately results, the expenditures are charged to operating expense. The balance of R&D expenditures included in CWIP at December 31, 1979 and 1978 was $29,438,000 and $17,178,000, respectively.

	Thousands of Dollars	
	Year Ended December 31, 1979	1978
R&D expensed	$15,778	$14,442
R&D charged to CWIP — net	12,260	3,847
Total R&D expenditures	$28,038	$18,289

Note 7 — Retirement Plans

The Company's current pension program is based on a trusteed non-contributory pension plan. Company contributions are determined on the basis of a level premium funding method and prior service costs are funded. Pension costs are funded or reserved for on an actuarial basis and amounted to $37,456,000 and $32,236,000 for 1979 and 1978, respectively. Accumulated pension funds and reserves exceed vested benefits under the program.

Under the Employee Stock Purchase Plan adopted to supplement employees' income after retirement, employees may elect to contribute specified percentages of their compensation to a trustee for the purchase of Company Common Stock and the Company contributes to the plan an amount equal to one-half of the aggregate contributions of employees, less forfeitures. The Company's contribution amounted to $3,263,000 and $2,785,000 for 1979 and 1978, respectively. In addition, employees may 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.

The Tax Reduction Act of 1975 introduced a provision for an additional 1% ITC if the funds generated therefrom are invested in the purchase of employer securities for the benefit of employees and transferred into an Employee Stock Ownership Plan (ESOP). Eligible securities include Common Stock or securities convertible into Common Stock. The Company has established an ESOP and has elected the additional 1% ITC for the years 1976, 1977 and 1978. As of December 31, 1979, 336,423 shares of Common Stock applicable to the plan have been issued in trust.

The Tax Reform Act of 1976 provided for an additional ½% ITC for the purchase of employer securities, similar to the provision for the additional 1% ITC discussed above, for eligible employees who provide matching contributions. An election to obtain such additional ½% ITC was made with respect to 1978. The availability of the additional ½% ITC is contingent upon a favorable determination by the Internal Revenue Service that the ESOP as amended to incorporate the ½% ITC continues to qualify under the Internal Revenue Code.

The Company has recorded as a liability to ESOP approximately $13,681,000 for the 1% ITC for the years 1978 and 1979 in excess of those utilized or to be utilized on the federal income tax returns for those years. An additional ½% ITC of approximately $3,088,000 was elected for 1978, and it is expected approximately $3,971,000 will be elected for 1979, both amounts are in excess of those utilized or to be utilized on the federal income tax returns for those years. Such 1% and ½% ITC were generated in 1978 and 1979 and, if not utilized, would expire in 1985 and 1986, respectively.

Note 8 — Long-Term Debt Payable in Foreign Currency
The Company has entered into a financing agreement, as amended, with certain English banks pursuant to which it issued promissory notes payable in pounds sterling. These notes are secured by a pledge of the Company's customer accounts receivable. On June 28, 1976, the Company entered into forward exchange contracts with a United States bank to purchase, at various times from February 1979 to August 1983, pounds sterling to repay substantially all of the promissory notes.

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

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

Statement of Earnings Available for Common and Original Preferred Stock Adjusted for Changing Prices for the Year Ended December 31, 1979	(Thousands of Dollars)		
	As Reported in the Primary Financial Statements	Average 1979 Dollars	
		Constant Dollar	Current Cost
Total Operating Revenues	$2,563,974	$2,563,974	$2,563,974
Operating Expenses:			
Energy costs	1,344,023	1,344,023	1,344,023
Provision for depreciation	178,637	350,000	415,000
Taxes on income	100,292	100,292	100,292
Other operating expenses	556,026	556,026	556,026
Other income and deductions	(139,758)	(139,758)	(139,758)
Net interest charges	178,535	178,535	178,535
Dividends on cumulative preferred and preference stock	53,738	53,738	53,738
	2,271,493	2,442,856	2,507,856
Earnings available for common and original preferred stock (excluding reduction of utility plant to net recoverable cost)	$ 292,481	$ 121,118	$ 56,118
Excess of increase in general price level of $1,468,000,000 over increase in specific prices of $1,417,000,000 of utility plant held during the year (a)			$ (51,000)
Reduction of utility plant to net recoverable cost		$ (561,000)	$ (445,000)
Gain from decline in purchasing power of net monetary liabilities		$ 452,000	$ 452,000

(a) At December 31, 1979, current cost of utility plant, net of accumulated depreciation, was $12,133,000,000 while related historical cost and net recoverable cost was $5,902,000,000. The difference of $6,231,000,000, which includes $1,417,000,000 for the current year, represents the changes in specific prices (current cost) of utility plant from the date the plant was originally acquired.

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

(In Thousands of Dollars, Except Per Share Data)	1975	1976	1977	1978	1979
Average 1979 Dollars					
Total Operating Revenues	$2,223,000	$2,357,000	$2,476,000	$2,593,000	$2,563,974
Historical Cost Information Adjusted for General Inflation (Constant Dollar):					
Earnings available for common and original preferred stock*					$121,118
Earnings per share on common and original preferred stock*					$1.89
Net assets at year-end at net recoverable cost					$2,101,000
Current Cost Information:					
Earnings available for common and original preferred stock*					$56,118
Earnings per share on common and original preferred stock					$.87
Excess of increase in general price level over increase in specific prices of utility plant after reduction to net recoverable cost					$ 496,000
Net assets at year-end at net recoverable cost					$2,101,000
General Information:					
Gain from decline in purchasing power of net monetary liabilities					$ 452,000
Cash dividends declared per common share	$ 2.26	$ 2.14	$ 2.45	$ 2.53	$ 2.57
Market price per common share at year-end	$25.68	$28.56	$30.84	$27.62	$23.05
Average consumer price index	161.2	170.5	181.5	195.4	217.6**

*Excludes reduction of utility plant to net recoverable cost.
**Estimated.

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

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

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

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

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

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

Commentary on Summary of Operations

This commentary discusses variations between the years 1979 and 1978 and should be read in conjunction with the Summary of Operations on Page 30.

Operating revenues increased by 10.1% over 1978 which was primarily due to the combined effect of a 7% increase in the average revenue per KWH from 4.02¢ to 4.31¢ and an increase in KWH consumption of 4.4%. The higher average revenue largely reflected a rate increase which became effective January 1, 1979. Approximately 32% of the increase in revenues, however, was attributable to the Company's Energy Cost Adjustment Clause (ECAC) revenues which do not affect earnings but do represent cash flow.

The increase in KWH consumption resulted primarily from an increase of nearly 96,000 in the total number of customers. This was the largest yearly customer increase since 1963 and the second largest in the Company's history. The residential sales growth rate equalled that of 1972, only the second time it has been equalled or exceeded in the past seven years.

Operating expenses, which include energy costs as well as other operation, maintenance, depreciation, and tax expenses, increased by 8.7% in 1979. This increase is the net result of the following:

— Energy costs consisting primarily of fuel and purchased power expenses, increased by 8.4% in 1979. However, it is intended that through the operation of the Company's ECAC, including the balancing account feature, changes in ECAC-related fuel and purchased power expenses will not affect earnings. While the ECAC has not adequately provided the cash recovery needed during times of rapid increases in energy costs such as the recent price increases in foreign oil, recent actions of the CPUC to revise the ECAC procedures should accelerate the cash recovery of increases in energy costs.

— Operation expenses other than energy cost, increased 13.6% in 1979 as compared with 17.2% in 1978. The increase was primarily due to the impact of inflation on the costs of labor, material and services and additional operation costs associated with system growth. The lower rate of increase, as compared with the prior year, reflects the increased emphasis by the Company on productivity improvement.

— The increase in maintenance expenses of 8.1% resulted primarily from the impact of inflation. This increase, however, is considerably less than the 23.2% increase experienced in 1978, which was largely due to storm damage experienced during the first quarter of 1978.

— Depreciation expense increased by $21,434,000, or 13.6%, reflecting, in part, additional plant but primarily the implementation, effective September 1, 1978, of higher depreciation rates authorized by the CPUC.

— The increase in taxes on income of $27,489,000 reflected the net effect of higher pre-tax net income, which was due primarily to the rate increase which became effective January 1, 1979, partially offset by the reduction from 48% to 46% in the federal statutory tax rate and an increase in the net investment tax credits.

The Company's Allowance for Debt and Equity Funds Used During Construction (ADC) increased 51.2% in 1979, due to more construction work in progress, approximately two-thirds of which was related to the San Onofre Nuclear Generating Station. In addition, there was an increase in the ADC rate from 6.96% to 7.76% effective January 1, 1979.

The 12.3% increase in interest charges reflected the combined effects of higher short-term interest rates and additional long-term debt outstanding during 1979. Preferred dividend requirements increased 8.7%, reflecting additional preferred stock outstanding during 1979.

Primary earnings per share were $4.56 for 1979 as compared with $3.52 for 1978. The increase of $1.04 or 29.5%, reflected the $90,255,000, or 44.6%, net increase in earnings, which was partially offset by the dilutive effect of the issuance of new shares of Common Stock.

Summary of Operations and Comparative Statistics of Progress 1969-1979

		1979	1978
Summary of Operations *in thousands*	Operating Revenues	$2,563,974	$2,328,798
	Operating Expenses	2,178,978	2,004,197
	Energy Costs (a)	1,344,023	1,240,029
	Taxes on Income — Current and Deferred (a)	100,292	72,803
	Allowance for Debt and Equity Funds Used During Construction	118,566	78,421
	Interest Charges	205,082	182,658
	Net Income	346,219	251,683
	Earnings Available for Common and Original Preferred Stock	$ 292,481	$ 202,226
	Weighted Average Shares of Common and Original Preferred Stock Outstanding and Common Stock Equivalents	64,202	57,477
	Per Share Data:		
	Primary Earnings	$4.56	$3.52
	Fully Diluted Earnings	$4.39	$3.38
	Dividends Declared on Common Stock	$2.60	$2.30
	Dividend payout ratio (paid)	55.7%	63.6%
Balance Sheet Data *in thousands*	Gross Utility Plant	$7,577,670	$6,810,891
	Accumulated Provision for Depreciation	1,676,148	1,519,174
	Percent of Gross Utility Plant	22.1	22.3
	Long-Term Debt (includes current maturities) (b):		
	Bonds	2,691,577	2,418,212
	Debentures	74,957	75,046
	Other	64,217	17,953
	Preferred & Preference Stock	814,322	700,650
	Common Stock, including Additional Stated Capital	577,259	547,166
	Additional Paid-in Capital	601,578	569,673
	Earnings Reinvested in the Business	$1,054,296	$ 931,217
	Capital Structure (percent):		
	Long-Term Debt:		
	Bonds	45.8	46.0
	Debentures	1.3	1.4
	Other	1.1	0.4
	Preferred & Preference Stock	13.8	13.3
	Common Equity	38.[illegible]	38.9
	Book Value Per Common Share	$34.22	$32.57
Operating and Consumption Data	Operating Capacity (kw) (c)	14,932,223	14,[illegible]05,223
	Total Energy Requirement (kwh) (000)	66,216,910	63,[illegible]77,116
	Percent Output:		
	Thermal	82.1	73.9
	Hydro-Company Plants	7.6	9.2
	Purchased Power & Other Sources	10.3	16.9
	Kilowatt-Hour Consumption (000)	59,517,861	57,027,035
	Number of Customers	3,082,382	2,986,545
	Average Annual kwh Consumption Per Residential Customer	6,010	5,883
	Number of Employees	12,917	12,845
	Main System Peak (kw) (000)	12,464	11,[illegible]97

(a) Included in Operating Expenses.

1977	1976	1975	1974	1973	1972	1971	1970	1969
$2,064,914	$1,846,540	$1,647,134	$1,360,959	$1,075,949	$ 927,674	$ 802,434	$ 720,661	$ 642,124
1,734,192	1,539,400	1,380,528	1,103,249	843,530	709,724	612,732	535,846	482,663
1,040,091	916,131	824,826	541,890	344,990	240,135	192,982	143,475	126 216
68,792	59,506	46,623	70,618	46,496	44,542	38,542	38,635	36,480
60,238	47,610	26,773	16,163	10,190	7,152	15,859	17,007	17,471
161,078	144,368	126,185	112,959	97,728	91,752	82,308	77,633	68,246
251,979	226,798	176,781	160,344	146,110	135,648	127,297	127,495	107,869
$ 206,330	$ 185,047	$ 137,177	$ 124,656	$ 117,268	$ 110,469	$ 105,752	$ 110,497	$ 95,152
54,347	48,678	47,965	44,580	43,965	43,965	43,041	40,963	40,501
$3.80	$3.80	$2.86	$2.80	$2.67	$2.51	$2.46	$2.70	$2.35
$3.63	$3.61	$2.75	$2.68	$2.57	$2.43	$2.37	$2.59	$2.27
$2.06	$1.68	$1.68	$1.68	$1.56	$1.56	$1.51½	$1.50	$1.40
50.5%	44.2%	58.7%	58.9%	58.4%	62.2%	61.0%	54.6%	59.6%
$6,191,733	$5,658,433	$5,147,333	$4,766,175	$4,458,631	$4,233,067	$3,998,045	$3,737,837	$3,461,836
1,383,009	1,258,327	1,149,311	1,051,024	958,210	851,910	779,409	707,928	649,702
22.3	22.2	22.3	22.1	21.5	20.1	19.5	18.9	18.8
2,255,216	2,055,966	2,012,597	1,863,951	1,640,349	1,705,139	1,584,840	1,484,840	1,384,840
75,135	75,224	75,313	75,401	75,490	75,579	74,902	74,987	74,987
20,023	20,671	25,968	14,327	6,871	7,991	7,991	438	—
715,172	612,753	612,753	562,753	512,753	437,753	362,753	362,753	262,753
470,374	442,741	395,709	395,709	362,376	362,376	362,376	337,360	337,360
443,109	427,422	350,503	350,503	316,636	316,636	316,636	243,437	243,437
$ 862,956	$ 769,425	$ 671,548	$ 616,562	$ 569,938	$ 512,164	$ 470,754	$ 430,477	$ 381,040
46.6	46.7	48.6	48.1	47.1	49.9	49.9	50.6	51.6
1.6	1.7	1.8	1.9	2.2	2.2	2.3	2.6	2.8
0.4	0.5	0.6	0.4	0.2	0.3	0.3	—	—
14.7	13.9	14.8	14.5	14.7	12.8	11.4	12.4	9.8
36.7	37.2	34.2	35.1	35.8	34.8	36.1	34.4	35.8
$32.30	$30.67	$29.64	$28.50	$28.46	$27.14	$26.20	$24.72	$23.53
14,440,123	14,169,323	13,760,713	13,494,849	13,447,095	12,615,665	12,458,165	10,904,845	10,238,627
63,344,706	59,427,973	56,279,231	55,105,988	57,730,221	55,686,776	52,672,084	49,674,757	46,344,845
87.5	75.2	76.2	75.2	84.9	86.6	80.0	82.5	79.1
2.4	4.3	8.4	10.0	9.0	6.4	8.4	9.2	12.7
10.1	20.5	15.4	14.8	6.1	7.0	11.6	8.3	8.2
57,726,273	53,685,378	51,327,508	51,089,981	54,092,934	52,309,906	48,856,493	45,881,076	42,601,606
2,900,856	2,814,403	2,749,680	2,691,691	2,626,492	2,566,341	2,497,342	2,438,584	2,383,251
5,630	5,650	5,596	5,541	5,885	5,777	5,642	5,240	5,031
12,671	12,510	12,377	12,970	13,391	12,907	12,534	12,048	11,693
11,247	11,081	10,193	9,997	10,253	9,815	9,350	8,274	7,804

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

(c) Includes 1,669,503 and 1,650,503 kw available from others in 1979 and 1978.

Board of Directors

Jack K. Horton	*Chairman of the Board and Chief Executive Officer*
Roy A. Anderson	*Chairman of the Board and Chief Executive Officer, Lockheed Corporation, Burbank, California*
Norman Barker, Jr.	*Chairman of the Board and Chief Executive Officer, United California Bank, Los Angeles, California*
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William B. Coberly, Jr.	*President, California Cotton Oil Corporation, (Investments and Real Estate Holdings), Los Angeles, California*
Terrell C. Drinkwater	*Retired Airline Executive, Los Angeles, California*
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H. Russell Smith	*Chairman of the Board, Avery International (Manufacturer of Self-Adhesive Products), San Marino, California*
Richard R. Von Hagen	*President, Lloyd Corporation, Ltd. (Real Estate Development and Production of Oil and Gas), Beverly Hills, California*

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Howard P. Allen	*Executive Vice President*
H. Fred Christie	*Senior Vice President and Chief Financial Officer*
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Robert E. Umbaugh	*Vice President (Administration)*
John R. Bury	*General Counsel*
Michael L. Noel	*Treasurer*
Honor Muller	*Secretary*

1980 Annual Shareholders' Meeting
The annual meeting of shareholders of Southern California Edison Company will be held at 10 a.m., Thursday, April 17, 1980, at the Company's Corporate Headquarters, 2244 Walnut Grove Avenue, Rosemead, California 91770. Telephone (213) 572-1212.

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

Stock Transfer Agent
Southern California Edison Company
Rosemead, California

Registrar of Stock
Security Pacific National Bank
Los Angeles, California

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

Preferred and Preference Stocks:
American Stock Exchange
Pacific Stock Exchange

Ticker Symbol
SCE (Common Stock)

Media Listing:
SCalEd

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For Investor Relations Information, contact
the Treasurer, Southern California Edison Company.
Telephone (213) 572-1086

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