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SAN ONOFRE UNITS 2
AND 3 PARTICIPATION AGREEMENT

AMONG

SOUTHERN CALIFORNIA EDISON COMPANY
SAN DIEGO GAS & ELECTRIC COMPANY
CITY OF RIVERSIDE
CITY OF ANAHEIM

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AND 3 PARTICIPATION AGREEMENT

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1 have indicated their intent to participate in Units 2
2 and 3 at San Onofre in accordance with the terms and
3 conditions of the Settlement Agreement.

4 2.4 The Parties desire to provide in this
5 Participation Agreement the terms and conditions under
6 which Riverside and Anaheim participate in the
7 ownership and output of Units 2 and 3 at San Onofre.

8 3. AGREEMENT: The Parties agree as follows:

9 4. DEFINITIONS: When used herein, the following terms
10 shall have the following meanings:

11 4.1 Additional Generating Unit: Any facility
12 for the generation of electrical energy (including all
13 auxiliary and associated equipment) constructed or
14 installed at San Onofre other than Unit 1, Unit 2, or
15 Unit 3 or generating facilities necessary for the
16 operation of Unit 1, Unit 2, or Unit 3.

17 4.2 Common Facilities: Those facilities which
18 will serve in connection with the operation and
19 maintenance of all of Units 1, 2, and 3 and which consist
20 of the administrative, warehouse and shop building,
21 including any associated facilities installed therein
22 for the use of all of Units 1, 2, and 3; the security
23 system; the sewage treatment plant; the microwave
24 facility; the common fencing and landscaping; the
25 environmental monitoring equipment; a portion of the
26 railroad spur track; the plant access roads; the

1 probable maximum flood protection facilities; and such
2 other facilities as the Parties may agree upon from time
3 to time.

4 4.3 Common Facilities Area: The entire land
5 area covered by the Project Easements except for the
6 Unit 1 Area, the Units 2 and 3 Area, and the Switch-
7 yard Area, as more fully described in Exhibit B and
8 shown in Exhibit A, both attached hereto.

9 4.4 Construction Agreement: The San Onofre
10 Units 2 and 3 Construction Agreement between Edison
11 and San Diego, dated May 24, 1973, as amended by
12 Amendment No. 1 dated March 8, 1977, attached hereto
13 as Exhibit F.

14 4.5 Construction Costs: Those costs described
15 by Sections 4.2 and 6.1 of the Construction Agreement.

16 4.6 Coordinating Representative: The repre-
17 sentatives established pursuant to Section 7.1.1 of
18 the Construction Agreement.

19 4.7 Current Operating Capacity: The maximum
20 Units 2 and 3 output in kilowatts available to the
21 Edison Switchyard and San Diego Switchyard less the
22 simultaneous power required for operation of all
23 process and auxiliary equipment and systems used or
24 useful in connection with the operation and
25 maintenance of Units 2 and 3.

26 4.8 Edison Switchyard: The 220-kV switchrack

1 and related facilities at San Onofre connected to and
2 located north of the Interconnection Facilities
3 except for the power circuit breakers, transformer
4 side disconnect switches, conductors, structures, founda-
5 tions, and dead-end assemblies associated with the main
6 transformer leads and reserve auxiliary transformer leads,
7 or any environmental radiation monitoring equipment
8 installed therein. In addition, the controls associated
9 with the Edison Switchyard located in the Units 2 and 3
10 control-administration building are considered to be
11 part of the Edison Switchyard.

12 4.9 Generation Entitlement Share: The per-
13 centage entitlement of each Party to the Net Energy
14 Generation and to the Current Operating Capacity. Each
15 Party's such percentage entitlement to Units 2 and 3
16 shall be as follows:

- 17 4.9.1 Edison - 76.55 percent
18 4.9.2 San Diego - 20.00 percent
19 4.9.3 Riverside - 1.79 percent
20 4.9.4 Anaheim - 1.66 percent

21 4.10 Interconnection Facilities: The power
22 circuit breakers, conductors, bus support structures,
23 disconnect switches, current transformers, potential
24 transformers, relaying, metering, relaying and meter-
25 ing interface cabinets and taps to the 220-kV buses
26 located in or associated with the bus sectionalizing

1 position through which the Edison Switchyard and the
2 San Diego Switchyard are connected and the common air
3 conditioning unit and associated controls for the
4 relay houses.

5 4.11 Net Energy Generation: The energy
6 (kilowatthours) generated by Units 2 and 3 over any
7 period of time less the energy required for operation
8 of all process and auxiliary equipment and systems used
9 in connection with the operation and maintenance of
10 Units 2 and 3.

11 4.12 Nuclear Fuel: Any special nuclear or
12 byproduct material as defined in the Atomic Energy Act
13 of 1954, as amended and as may be amended from time to
14 time, including irradiated fuel and radioactive waste
15 and other products resulting directly or as a result
16 of reprocessing, possessed or utilized in connection
17 with Unit 2 or Unit 3, or produced or remaining as a
18 result of the operation of Unit 2 or Unit 3. Where
19 the term "supply of Nuclear Fuel" is used, it shall
20 mean and include arrangements with respect to all
21 aspects of the nuclear fuel cycle, including the mining,
22 milling, design and licensing, conversion, enrichment,
23 fabrication, transportation, reprocessing, storage and
24 disposal of Nuclear Fuel.

25 4.13 Nuclear Fuel Agreement: Any agreement
26 entered into by the Project Director (or Operating

1 Agent) for the supply of Nuclear Fuel, including,
2 without limitation, agreements for the purchase, sale,
3 lease, transfer, disposition, management, storage,
4 transportation, mining, milling, conversion, enrichment,
5 processing, design and licensing, fabrication, repro-
6 cessing, and disposal of Nuclear Fuel.

7 4.14 Operating Agent: Edison, who, pursuant to
8 the San Onofre Units' 2 and 3 Letter Agreement, is
9 designated the Company having responsibility for the
10 operation and maintenance of Unit 2 and Unit 3.

11 4.15 Ownership Agreement: The San Onofre
12 Ownership Agreement between Edison and San Diego,
13 dated October 5, 1967, and attached hereto as
14 Exhibit G.

15 4.16 Plant Site: An area of land used for the
16 major portion of San Onofre described in an easement
17 granted for such purpose by the United States to
18 Edison and San Diego on May 12, 1964 and recorded in
19 the Official Records, Office of the County Recorder of
20 San Diego County, in Series 5, Book 1964, Page No. 85887
21 as amended by the Amendment to Grant of Easement recorded
22 on July 6, 1977 in the Official Records, Office of the
23 County Recorder of San Diego County, in Book 1977,
24 Page No. 77-268984.

25 4.17 Project Director: Edison, who, as agent for
26 San Diego, Riverside, and Anaheim, and as principal on its

1 own behalf, is designated the Party having the
2 responsibility for the performance and completion of
3 the "Project Work" under the Construction Agreement.

4 4.18 Project Easements: The interests acquired
5 under (1) three easements in favor of Edison and San
6 Diego granted by the United States of America, covering
7 respectively, the Plant Site, including the associated
8 exclusion area, the Access Road Area, and the Spur
9 Track Area, all recorded in the Official Records of
10 San Diego County and hereinafter sometimes referred to
11 respectively as the Plant Site Easement, the Access
12 Road Easement and the Spur Track Easement; (2) the
13 easement-lease covering the Off-Shore Land; (3) a
14 license granted to Edison and San Diego by the
15 Atchison, Topeka and Santa Fe Railway perfecting the
16 rights of Edison and San Diego for those portions of
17 the Access Road Area lying within the railroad right
18 of way; and (4) any Subsequent Acquisition; all initial
19 capitalized terms in this section shall have the
20 meanings defined in this Participation Agreement or,
21 if not defined herein, in the Ownership Agreement.

22 4.19 San Diego Switchyard: The 220-kV switchrack
23 and related facilities at San Onofre connected to and
24 located south of the Interconnection Facilities
25 except for the power circuit breakers, transformer
26 side disconnect switches, conductors, structures,

1 foundations, and dead-end assemblies associated
2 with the main transformer leads and reserve auxiliary
3 transformer leads, or any environmental radiation
4 monitoring equipment installed therein.

5 4.20 San Onofre Nuclear Generating Station

6 ("San Onofre"): The entire nuclear generating facility
7 located on a site of approximately 90 acres in the
8 northwest corner of the Marine Corps Base, Camp
9 Pendleton, California, consisting of the Plant Site,
10 the Access Road Area, the Spur Track Area, and Off-
11 Shore Land, any Subsequent Acquisitions, Unit 1, Unit 2,
12 Unit 3, the Common Facilities, the Edison
13 Switchyard, the San Diego Switchyard, the Interconnection
14 Facilities, and any Additional Generating Units subse-
15 quently constructed or installed, as such terms are
16 defined in this Participation Agreement or, if not
17 defined herein, in the Ownership Agreement.

18 4.21 San Onofre Units 2 and 3 Letter Agreement:

19 The letter agreement between Edison and San Diego,
20 dated January 22, 1970 and agreed to by San Diego on
21 January 23, 1970, relating to the ownership, construc-
22 tion, operation, maintenance, and use of Units 2 and 3,
23 and which is attached hereto as Exhibit H.

24 4.22 Switchyard Area: The land area covered by
25 the Project Easements and generally used for the Edison
26 Switchyard, the San Diego Switchyard, and the Inter-

1 connection Facilities as more fully described in
2 Exhibit C and shown in Exhibit A, both attached hereto.

3 4.23 Unit 1: The first nuclear generating unit
4 at San Onofre currently rated at approximately 436
5 megawatts (net) of electric power and consisting of a
6 nuclear steam supply system, a turbine-generator, and
7 all related equipment and facilities which are necessary
8 for the safe and efficient generation of electrical
9 energy including the power circuit breakers, transformer
10 side disconnect switches, conductors, structures,
11 foundations, and dead-end assemblies installed in the
12 Switchyard Area and associated with the Unit 1 main
13 transformer leads and reserve auxiliary transformer
14 leads, but excluding the Common Facilities.

15 4.24 Unit 1 Area: The land area covered by
16 the Project Easements and generally used for Unit 1,
17 as more fully described in Exhibit D and shown in
18 Exhibit A, both attached hereto.

19 4.25 Unit 1 Off-Shore Land: That portion of the
20 Unit 1 Area designated as Parcel 2 in Exhibit A and
21 Exhibit D, both attached hereto.

22 4.26 Unit 1 Operating Agreement: The Amended
23 San Onofre Operating Agreement between Edison and
24 San Diego, dated July 30, 1970, as amended by Amendment
25 No. 1 to Amended San Onofre Operating Agreement dated
26 August 30, 1971, and attached hereto as Exhibit I.

1 4.27 Unit 2: The second nuclear generating
2 unit at San Onofre designed to generate approximately
3 1,100 megawatts (net) of electric power and consisting
4 of a nuclear steam supply system, a turbine-generator
5 and all related equipment and facilities which are
6 necessary for the safe and efficient generation of
7 electrical energy, including the power circuit breakers,
8 transformer side disconnect switches, conductors,
9 structures, foundations, and dead-end assemblies installed
10 in the Switchyard Area and associated with the Unit 2
11 main transformer leads and reserve auxiliary transformer
12 leads, and that equipment necessary to connect Unit 2
13 with those facilities existing as part of Unit 1 and
14 those facilities that will be part of Unit 3, installed
15 on the Plant Site, but excluding the Common Facilities.

16 4.28 Unit 3: The third nuclear generating unit
17 at San Onofre designed to generate approximately 1,100
18 megawatts (net) of electric power and consisting of a
19 nuclear steam supply system, a turbine-generator and all
20 related equipment and facilities which are necessary
21 for the safe and efficient generation of electrical
22 energy, including the power circuit breakers, transformer
23 side disconnect switches, conductors, structures,
24 foundations, and dead-end assemblies installed in the
25 Switchyard Area and associated with the Unit 3 main
26 transformer leads and reserve auxiliary transformer

1 leads, and that equipment necessary to connect Unit 3
2 with those facilities that will be part of Unit 2.
3 installed on the Plant Site, but excluding the Common
4 Facilities.

5 4.29 Units 2 and 3 Area: The land area
6 covered by the Project Easements and generally
7 used for Units 2 and 3, as more fully described in
8 Exhibit E and shown in Exhibit A, both attached hereto.

9 4.30 Units 2 and 3 Off-Shore Land: That portion of
10 the Units 2 and 3 Area designated as Parcel 2 in Exhibit A
11 and Exhibit E, both attached hereto.

12 4.31 Uranium Requirements: The most current
13 projection by calendar year of the quantity of natural
14 uranium U308 concentrates necessary for the refueling
15 of Unit 2 and Unit 3 for the remaining operating life
16 of the unit as developed by the Project Director (or
17 Operating Agent) and updated on an annual basis.

18 5. OWNERSHIP: Upon execution of this Participation Agreement:

19 5.1 Edison, San Diego, Riverside, and Anaheim
20 shall own Units 2 and 3 as tenants-in-common in pro-
21 portion to their respective Generation Entitlement
22 Shares.

23 5.2 Edison, San Diego, Riverside, and Anaheim
24 shall own the Common Facilities as tenants-in-common
25 as follows:

26 5.2.1 Edison shall own an undivided 77.12

1 percent interest therein;

2 5.2.2 San Diego shall own an undivided 20.00
3 percent interest therein;

4 5.2.3 Riverside shall own an undivided 1.49
5 percent interest therein; and

6 5.2.4 Anaheim shall own an undivided 1.39
7 percent interest therein.

8 5.3 Edison, San Diego, Riverside, and Anaheim
9 shall have the following interests in the Project
10 Easements:

11 5.3.1 Edison shall have the following
12 undivided co-tenancy interests therein:

13 5.3.1.1 Unit 1 Area - 80.00%

14 5.3.1.2 Units 2 and 3 Area - 76.55%

15 5.3.1.3 Common Facilities Area - 77.17%

16 5.3.1.4 Switchyard Area - 80.00%

17 5.3.2 San Diego shall have the following
18 undivided co-tenancy interests therein:

19 5.3.2.1 Unit 1 Area - 20.00%

20 5.3.2.2 Units 2 and 3 Area - 20.00%

21 5.3.2.3 Common Facilities Area - 20.00%

22 5.3.2.4 Switchyard Area - 20.00%

23 5.3.3 Riverside shall have the following
24 undivided co-tenancy interests therein:

25 5.3.3.1 Unit 1 Area - 0.00%

26 5.3.3.2 Units 2 and 3 Area - 1.79%

1 5.3.3.3 Common Facilities Area - 1.49%

2 5.3.3.4 Switchyard Area - 0.00%

3 5.3.4 Anaheim shall have the following
4 undivided co-tenancy interests therein:

5 5.3.4.1 Unit 1 Area - 0.00%

6 5.3.4.2 Units 2 and 3 Area - 1.66%

7 5.3.4.3 Common Facilities Area - 1.39%

8 5.3.4.4 Switchyard Area - 0.00%

9 Where necessary, facilities associated with and
10 incidental to a specific portion of San Onofre may be
11 installed on or over any portion of the Plant Site.

12 6. TRANSFER OF RIGHTS AND OBLIGATIONS:

13 6.1 Edison hereby sells and Riverside and Anaheim
14 each hereby purchase the respective ownership interest
15 of Riverside and Anaheim in that portion of Units 2
16 and 3 for which Edison has paid as of the date of
17 execution of this Participation Agreement.

18 6.2 Edison hereby sells and Riverside and Anaheim
19 each hereby purchase the respective ownership interest
20 of Riverside and Anaheim in that portion of the Common
21 Facilities for which Edison has paid as of the date of
22 execution of this Participation Agreement.

23 6.3 Upon receipt of payment pursuant to
24 Section 8.5, Edison shall assign to Riverside and
25 Anaheim their respective interests in the Project
26 Easements. Edison shall make initial contacts

1 with the necessary persons and agencies concerning
2 assignment of the Project Easements, after
3 which Edison and San Diego shall assist and
4 cooperate with Riverside and Anaheim in effecting
5 such assignments; however, Riverside and Anaheim
6 shall have primary responsibility for drafting
7 and for taking other appropriate actions to
8 effect said assignments. Assignment of the
9 Project Easements shall in no way affect
10 Edison's and San Diego's rights to install
11 Additional Generating Units or other
12 facilities in the Switchyard Areas, the Unit 1
13 Area, the Common Facilities Area, and any areas
14 available for future use, in which Riverside and
15 Anaheim shall be neither granted nor denied
16 an ownership interest by reason of any provision
17 of this Participation Agreement.

18 . 6.4 Edison hereby assigns to Riverside an
19 undivided 1.79 percent interest and to Anaheim an
20 undivided 1.66 percent interest in the Construction
21 Agreement as it pertains to Units 2 and 3. Edison
22 hereby assigns to Riverside an undivided 1.49 percent
23 interest and to Anaheim an undivided 1.39 percent
24 interest in the Construction Agreement as it
25 pertains to Common Facilities. Riverside and
26 Anaheim hereby acquire all rights and assume all

1 duties and obligations of a "Company" under the
2 Construction Agreement applicable to their undivided
3 interests therein. The Construction Agreement shall
4 be amended to provide for Riverside's and Anaheim's
5 acquisition of a portion of Edison's rights and
6 obligations under the Construction Agreement. Except
7 as mutually agreed or except as provided by this
8 Participation Agreement, no significant departures
9 shall be made from the arrangements previously agreed
10 to by Edison and San Diego and set forth in the
11 Construction Agreement. Edison shall remain the
12 Project Director. Edison and San Diego shall cooperate
13 with Riverside and Anaheim in amending the Construction
14 Agreement; however, Riverside and Anaheim shall have
15 primary responsibility for drafting contract language
16 and for performing other work necessary to amend the
17 Construction Agreement.

18 6.5 Edison, San Diego, Riverside, and
19 Anaheim shall own Units 2 and 3 and the Common
20 Facilities under obligations, terms and conditions
21 no less favorable than those set forth in the
22 Ownership Agreement, as supplemented by the San Onofre
23 Units 2 and 3 Letter Agreement, and those set forth
24 herein. The Ownership Agreement shall be amended, and
25 executed by the Parties, to provide for Riverside's
26 and Anaheim's ownership interests as set forth in this

1 Participation Agreement. Except as mutually agreed
2 or except as provided by this Participation
3 Agreement, no significant departures shall be
4 made from the arrangements previously agreed
5 to by Edison and San Diego and set forth in
6 the Ownership Agreement as supplemented by the San
7 Onofre Units 2 and 3 Letter Agreement. Edison
8 and San Diego shall cooperate with Riverside
9 and Anaheim in amending the Ownership Agreement;
10 however, Riverside and Anaheim shall have primary
11 responsibility for drafting contract language and
12 for performing other work necessary to amend the
13 Ownership Agreement. The following facts shall
14 be recognized by and incorporated in the amendment
15 to the Ownership Agreement:

16 6.5.1 Significant changes have occurred
17 in the description and location of certain facilities;

18 6.5.2 Unless agreed otherwise, Riverside
19 and Anaheim shall have no ownership interest, cost
20 responsibility, rights or obligations in Unit 1, the
21 San Diego Switchyard, the Edison Switchyard, nor the
22 Interconnection Facilities under this Participation
23 Agreement;

24 6.5.3 The definitions of the San Diego
25 Switchyard, Edison Switchyard, Interconnection
26 Facilities, Unit 1, Unit 2, Unit 3, Additional

1 Generating Unit, Plant Site, and San Onofre Nuclear
2 Generating Station shall be amended to coincide with
3 the definitions contained in this Participation
4 Agreement; and

5 6.5.4 The Parties each reserve any rights which
6 they may have either by contract or by law, to participate
7 in any Additional Generating Unit; provided, however, that
8 Riverside and Anaheim shall be neither granted nor denied
9 participation rights by reason of any provision of this
10 Participation Agreement.

11 6.6 Edison, San Diego, Riverside, and Anaheim
12 shall negotiate in good faith and execute an operating
13 agreement covering the operation and maintenance of
14 Units 2 and 3. Except as mutually agreed or except as
15 provided by this Participation Agreement, said operat-
16 ing agreement shall provide for the operation and
17 maintenance of Units 2 and 3 in substantially the same
18 manner and under substantially the same terms and
19 conditions as the Unit 1 Operating Agreement provides
20 for Unit 1 as supplemented by the San Onofre Units 2
21 and 3 Letter Agreement. Edison shall be the Operating
22 Agent for Units 2 and 3. The Parties hereby appoint the
23 Operating Agent as their agent, and the Operating Agent
24 shall undertake as their agent and as principal on
25 its own behalf, to carry out the duties and responsi-
26 bilities provided hereunder to be performed by it.

1 6.7 Edison has or will install communication
2 facilities at locations other than San Onofre which
3 are required in the performance of its duties as
4 Operating Agent. Edison, San Diego, Riverside, and
5 Anaheim shall negotiate in good faith and execute an
6 off-site communication facilities agreement providing
7 for the allocation of costs associated with the
8 off-site communication facilities owned by the
9 Operating Agent and required in the performance of
10 San Onofre operation and maintenance functions.

11 6.8 Edison, San Diego, Riverside, and Anaheim
12 shall cooperate in identifying and in amending or
13 assigning where necessary the permits, licenses and
14 material, equipment and service suppliers' agreements
15 held in connection with Units 2 and 3; however, Riverside
16 and Anaheim shall have primary responsibility for
17 drafting and for taking other appropriate actions to
18 effect such amendments and assignments of permits and
19 licenses. Edison shall have primary responsibility for
20 drafting and for taking other appropriate actions to
21 effect such amendments and assignments of material,
22 equipment and service suppliers' agreements. A listing
23 of said permits, licenses, and material, equipment and
24 service suppliers' agreements identified to date is
25 attached hereto as Exhibit J.

26 6.9 Except as provided otherwise herein, Edison

1 and San Diego agree, upon request of Riverside or Anaheim,
2 to make, execute or deliver, as may be reasonably
3 required, any and all documents needed to implement or
4 effectuate the transfer of rights and obligations
5 provided for in this Participation Agreement.

6 6.10 Anaheim and Riverside each shall be entitled
7 to their proportionate share of the benefits of, and
8 shall each be bound by and pay their proportionate share
9 of all costs and liabilities incurred by Edison in the
10 performance of its duties under, all material, equipment
11 and service suppliers' agreements entered into by
12 Edison or Edison and San Diego for the construction,
13 operation and maintenance of Units 2 and 3 and the
14 Common Facilities. Said benefits, costs and liabilities
15 shall enure to or become the responsibility of
16 Anaheim and Riverside in their respective proportionate
17 shares regardless of whether Anaheim and Riverside or
18 either of them have become parties to such agreements.

19 7. COST RESPONSIBILITIES:

20 7.1 Riverside and Anaheim shall reimburse Edison
21 for all recorded costs and expenses (including ad valorem
22 taxes incurred by Edison and prorated as of November 1,
23 1977, Construction Costs including costs of the Units 2
24 and 3 Off-Shore Land, Edison's allowance for funds used
25 during construction, and administrative and general
26 expenses) expended on or prior to the date hereof by

1 Edison on its own behalf in connection with Units 2
2 and 3 as follows:

3 7.1.1 Riverside shall reimburse Edison for
4 2.2375 percent of such costs and expenses; and

5 7.1.2 Anaheim shall reimburse Edison for
6 2.0750 percent of such costs and expenses.

7 7.2 Riverside and Anaheim shall reimburse Edison
8 for the reproduction costs new (including applicable
9 overheads, allowance for funds used during construction,
10 and administrative and general expenses) less depre-
11 ciation of Common Facilities paid for by Edison and San
12 Diego on or prior to the date hereof as follows:

13 7.2.1 The total amount of the reproduction
14 cost new less depreciation of such Common Facilities
15 as of the date hereof shall be deemed to be
16 \$8,600,000.00;

17 7.2.2 Riverside shall reimburse Edison for
18 1.49 percent of such total amount; and

19 7.2.3 Anaheim shall reimburse Edison for
20 1.39 percent of such total amount.

21 7.3 Construction Costs associated with Units 2
22 and 3 incurred subsequent to the date hereof shall be
23 borne by the Parties as follows:

24 7.3.1 Edison shall bear 76.55 percent of
25 such costs;

26 7.3.2 San Diego shall bear 20.00 percent

1 of such costs;

2 7.3.3 Riverside shall bear 1.79 percent of
3 such costs; and

4 7.3.4 Anaheim shall bear 1.66 percent of
5 such costs.

6 7.4 Construction Costs associated with Common
7 Facilities incurred subsequent to the date hereof
8 shall be borne by the Parties as follows:

9 7.4.1 Edison shall bear 77.12 percent of
10 such costs;

11 7.4.2 San Diego shall bear 20.00 percent
12 of such costs;

13 7.4.3 Riverside shall bear 1.49 percent
14 of such costs; and

15 7.4.4 Anaheim shall bear 1.39 percent of
16 such costs.

17 7.5 Costs of all Project Easements, except for the
18 Plant Site easement, the Unit 1 Off-Shore Land easement-
19 lease, and the Units 2 and 3 Off-Shore Land easement-
20 lease, incurred subsequent to the date hereof shall be
21 borne by the Parties as follows:

22 7.5.1 Edison shall bear 77.12 percent of
23 such costs;

24 7.5.2 San Diego shall bear 20.00 percent of
25 such costs;

26 7.5.3 Riverside shall bear 1.49 percent of

1 such costs; and

2 7.5.4 Anaheim shall bear 1.39 percent of
3 such costs.

4 7.6 Costs of the Plant Site easement incurred
5 subsequent to the date hereof shall be borne by the
6 Parties as follows:

7 7.6.1 Edison shall bear 77.8915 percent of
8 such costs;

9 7.6.2 San Diego shall bear 20.0000 percent of
10 such costs;

11 7.6.3 Riverside shall bear 1.0921 percent
12 of such costs; and

13 7.6.4 Anaheim shall bear 1.0164 percent of
14 such costs.

15 7.7 Costs of the Units 2 and 3 Off-Shore Land
16 easement-lease incurred subsequent to the date hereof
17 shall be borne by the Parties as follows:

18 7.7.1 Edison shall bear 76.55 percent of
19 such costs;

20 7.7.2 San Diego shall bear 20.00 percent of
21 such costs;

22 7.7.3 Riverside shall bear 1.79 percent of
23 such costs; and

24 7.7.4 Anaheim shall bear 1.66 percent of
25 such costs.

26 7.8 Costs of the Unit 1 Off-Shore Land easement-lease

1 incurred subsequent to the date hereof shall be borne
2 by the Parties as follows:

3 7.8.1 Edison shall bear 80.00 percent of
4 such costs;

5 7.8.2 San Diego shall bear 20.00 percent of
6 such costs;

7 7.8.3 Riverside shall bear 0.00 percent of
8 such costs; and

9 7.8.4 Anaheim shall bear 0.00 percent of
10 such costs.

11 7.9 If, pursuant to Section 5.3, facilities
12 associated with and incidental to a specific portion
13 of San Onofre are installed on or over any portion of
14 the Plant Site not designated for such use and if
15 the Coordinating Committee established under the
16 Construction Agreement or the Board of Review to be
17 established under the operating agreement for Units 2 & 3
18 determines that such installation significantly alters the
19 benefits derived from the Project Easements by each of the
20 Parties, the Parties shall amend Sections 7.5, 7.6, 7.7
21 and 7.8, hereof, or the definitive agreement which
22 supersedes such Sections.

23 7.10 Riverside and Anaheim shall reimburse
24 Edison for the acquisition, rental, and developmental
25 expenses incurred by Edison on its own and San Diego's
26 behalf in connection with San Onofre land rights

1 (other than the Units 2 and 3 Off-Shore Land rights,
2 the cost of which shall be considered a Construction
3 Cost under Section 7.1, hereof) as follows:

4 7.10.1 The amount of such expenses is
5 deemed to be \$1,366,300.00;

6 7.10.2 Riverside shall reimburse Edison
7 for 1.1651 percent of such amount; and

8 7.10.3 Anaheim shall reimburse Edison for
9 1.0836 percent of such amount.

10 7.11 Except for costs incurred in negotiating
11 and preparing this Participation Agreement and the
12 definitive Project Agreements among Edison, San Diego,
13 Riverside, and Anaheim, Riverside and Anaheim shall
14 reimburse Edison and San Diego for all costs incurred
15 by each of them to effect Riverside's and Anaheim's
16 participation in Units 2 and 3 as follows:

17 7.11.1 Riverside shall reimburse Edison and
18 San Diego for 50 percent of such costs; and

19 7.11.2 Anaheim shall reimburse Edison and
20 San Diego for 50 percent of such costs.

21 7.12 Except as mutually agreed or except as
22 provided by Section 11 hereof, operation and maintenance
23 costs and expenses shall be borne by the Parties in
24 proportion to their respective ownership interests in
25 the facility for which such costs and expenses are
26 incurred.

1 8. BILLING AND PAYMENT:

2 8.1 Edison shall submit to each of Riverside
3 and Anaheim, upon or subsequent to execution of this
4 Participation Agreement, an invoice for the amount of
5 those costs and expenses covered by Section 7.1.

6 Riverside and Anaheim shall pay the invoice amount to
7 Edison within fifteen (15) days after receipt of
8 such invoice.

9 8.2 Edison shall bill, and Riverside and Anaheim
10 shall pay, those costs covered by Sections 7.3 and 7.4
11 in the manner presently used between Edison and San
12 Diego and set forth in Sections 6.7 and 6.9 of the
13 Construction Agreement.

14 8.3 Until such time as the Project Easements are
15 assigned pursuant to Section 6.3 and arrangements are
16 made to provide for direct payment by Riverside and
17 Anaheim to the agencies issuing easements and until
18 such time as all assessments and taxes for which
19 Riverside and Anaheim are responsible pursuant to
20 Section 12.1 are assessed and levied directly against
21 Riverside and Anaheim, Edison shall bill Riverside and
22 Anaheim for their proportionate share of costs covered
23 by Sections 7.5, 7.6, 7.7, and 12.1. Such billing shall
24 be made on or before 20 days prior to the date said cost,
25 assessment or tax becomes due to the issuing agency
26 or taxing authority. Riverside and Anaheim shall

1 pay to Edison the amount specified by such billing
2 prior to the date said cost becomes due to the
3 issuing agency or taxing authority.

4 8.4 Riverside and Anaheim shall pay to Edison
5 the amounts set forth in Section 7.2 and Section 7.10
6 within ten days after execution of this Participation
7 Agreement.

8 8.5 Edison and San Diego shall submit to River-
9 side and Anaheim, no more frequently than monthly,
10 invoices for the amount of costs covered by Section 7.11.
11 Riverside and Anaheim shall pay the invoiced amount to
12 Edison and San Diego within fifteen (15) days after
13 receipt of such invoice.

14 8.6 Edison shall bill, and Riverside and Anaheim
15 shall pay, all operation and maintenance costs in the
16 manner to be set forth in the operating agreement
17 executed pursuant to Section 6.6, hereof.

18 8.7 Payments not made to Edison and/or San Diego
19 by Riverside and Anaheim on or before the due date
20 shall be payable with interest accrued at the rate of
21 ten percent (10%) per annum or the maximum legal rate
22 of interest, whichever is less, computed from the due
23 date to the date payment is received by Edison and/or
24 San Diego.

25 9. ADMINISTRATION:

26 9.1 As a means of securing effective cooperation

1 and interchange of information, Riverside and Anaheim
2 shall, within ten days after the execution of this
3 Participation Agreement, designate representatives in
4 accordance with Section 7 of the Construction
5 Agreement.

6 9.2 The representatives of Riverside and Anaheim
7 appointed pursuant to Section 9.1 shall have the rights
8 and obligations set forth in Section 7 of the
9 Construction Agreement; provided, however, that the
10 representation of Riverside and Anaheim shall not be
11 effective until such time as Riverside and Anaheim
12 begin paying funds pursuant to Section 8.

13 10. LIABILITY AND INSURANCE:

14 10.1 This Participation Agreement shall be
15 deemed to be a "Project Agreement" under the
16 Construction Agreement and the provisions of Section 8,
17 Project Insurance, and Section 9, Liability, of the
18 Construction Agreement shall apply except as follows:

19 10.1.1 The term "Company" or "Companies,"
20 when used in Sections 4.33, 8 and 9 of the Construction
21 Agreement, shall include Edison, San Diego, Riverside,
22 and Anaheim.

23 10.1.2 The percentages to be paid or shared
24 as set forth in Sections 9.5 and 9.7 of the Construction
25 Agreement shall be changed to the following:

26 10.1.2.1 Edison - 76.55%;

1 10.1.2.2 San Diego - 20.00%;

2 10.1.2.3 Riverside - 1.79%; and

3 10.1.2.4 Anaheim 1.66%.

4 10.2 Riverside and Anaheim shall be added as
5 named insureds on those policies of insurance presently
6 in effect pursuant to Sections 8.1.1 and 8.3.1 of the
7 Construction Agreement.

8 10.3 Riverside and Anaheim shall each make
9 application to Nuclear Mutual, Ltd., to become member
10 insureds under the policies of insurance presently in
11 effect for San Onofre Units 2 and 3 for (i) all risk-
12 builders' risk insurance covering loss or damage to
13 project work under course of construction and (ii)
14 nuclear property damage insurance.

15 10.3.1 If such application is accepted,
16 Riverside and Anaheim shall, through the Project
17 Director (or Operating Agent), obtain and maintain said
18 insurance coverage in effect during their participation
19 in the ownership of San Onofre Units 2 and 3.

20 10.3.2 If such application is not accepted,
21 Riverside and Anaheim shall each for itself secure and
22 maintain in effect said insurance coverage from the
23 Nuclear Energy Liability-Property Insurance Association
24 and the Mutual Atomic Energy Reinsurance Pool or their
25 equivalent.

26 10.4 Riverside and Anaheim hereby release

1 Edison and San Diego from any and all liability to Riverside
2 and Anaheim or either of them resulting from damage to or
3 loss or use of Units 2 and 3 which is caused by or is a
4 result of the construction, operation or maintenance of
5 Unit 1, the Edison Switchyard, the San Diego Switchyard, the
6 Interconnection Facilities, or any Additional Generating
7 Units. Edison and San Diego hereby release Riverside and
8 Anaheim from any and all liability to Edison and San Diego
9 or either of them resulting from damage to or loss of use of
10 Unit 1, which is caused by or is the result of the construc-
11 tion, operation or maintenance of Units 2 or 3, or any
12 Additional Generating Units. Except as otherwise provided
13 in Section 9.3 of the Construction Agreement, the terms of
14 this Section 10.4 are not applicable where a Party has com-
15 mitted Willful Action as defined in Section 4.33 of the
16 Construction Agreement.

17 11. NUCLEAR FUEL:

18 11.1 Supply of Nuclear Fuel: Except as provided in
19 Section 11.3, the Project Director (or Operating Agent)
20 shall make all arrangements for the supply of Nuclear Fuel
21 consistent with the Nuclear Fuel Budget most recently
22 adopted by the Coordinating Representatives. In doing so,
23 the Project Director (or Operating Agent), acting as princi-
24 pal on its own behalf and as agent for the other Parties
25 shall negotiate, execute, administer, perform and enforce
26 Nuclear Fuel Agreements as it deems necessary or appropriate.

1 All proposed Nuclear Fuel Agreements shall be submitted to
2 the Coordinating Representatives (or other representatives
3 established by the operating agreement for Unit 2 and Unit
4 3) for approval, or for the purpose of informing the Coordi-
5 nating Representatives if their approval is not required,
6 prior to execution; provided, that any Nuclear Fuel Agree-
7 ment may be executed by the Project Director (or Operating
8 Agent) without its being submitted to the Coordinating
9 Representatives so long as obligations of the Parties pur-
10 suant to such Nuclear Fuel Agreement are within and consis-
11 tent with the nuclear fuel budget most recently adopted by
12 the Coordinating Representatives (or other representatives
13 established by the operating agreement for Unit 2 and Unit
14 3). The Project Director (or Operating Agent) shall prompt-
15 ly furnish each Party with copies of all Nuclear Fuel Agree-
16 ments executed as agent for such Party. If the Coordinating
17 Representatives (or other representatives established by the
18 operating agreement for Unit 2 and Unit 3) are unable or
19 fail to reach unanimous approval of a Nuclear Fuel Agreement,
20 any Party may call for submission of the matter to arbitra-
21 tion in accordance with Section 12.1 of the Construction
22 Agreement (or such other section as may be provided in the
23 operating agreement for Unit 2 and Unit 3). Pending the
24 final decision of the arbitrator, the Project Director (or
25 Operating Agent) is authorized and obligated to take such
26 action with respect to the supply of Nuclear Fuel as in its

1 discretion is necessary.

2 11.2 Costs and Financing of Nuclear Fuel: Except as
3 provided in Section 11.3 and 11.4, all costs incurred by the
4 Project Director (or Operating Agent) in connection with the
5 Nuclear Fuel shall be shared by each Party in propor-
6 tion to its Generation Entitlement Share. The costs of
7 Nuclear Fuel shall include: (i) all costs incurred and pay-
8 ments made by the Project Director (or Operating Agent) pur-
9 suant to any Nuclear Fuel Agreement; and (ii) all other costs
10 and expenses not a part of a Nuclear Fuel Agreement incurred
11 by the Project Director (or Operating Agent) in connection
12 with: (a) the receiving, storing, and handling of fuel as-
13 semblies at the Plant Site; (b) the shipment of fuel assem-
14 blies from the Plant Site; and (c) the acquisition, engineer-
15 ing, and fuel management of Nuclear Fuel. Each Party shall
16 own an undivided interest in all Nuclear Fuel equal to its
17 Generation Entitlement Share, and may determine its own
18 method of financing its share of costs and expenses associ-
19 ated with such interest, provided that no Party shall enter
20 into any arrangement which imposes any obligation upon any
21 other Party or restricts or limits the rights of the other
22 Parties to finance the costs associated with their respec-
23 tive undivided interests. A Party may sell or assign all or
24 part of its interest in Nuclear Fuel to any person or entity
25 ("Fuel Lessor") for leaseback to such Party subject to the
26 conditions that: (i) the Fuel Lessor shall waive irrevocably

1 all right to partition of such Nuclear Fuel; (ii) such Party
2 shall indemnify all other Parties against any costs or ex-
3 penses incurred by them because of such Party's sale and
4 leaseback of its interest in Nuclear Fuel.

5 11.3 Special Provisions Regarding the Supply and
6 Cost of Uranium Concentrates:

7 11.3.1 Any Party may elect to provide
8 directly all or a portion of its share of natural
9 uranium U308 concentrates not covered by an existing
10 Nuclear Fuel Agreement entered into in accordance with
11 Section 11.1; provided, however, that the maximum quantity
12 so supplied by a Party shall be no greater than the
13 product of its Generation Entitlement Share and the
14 Uranium Requirements and that the minimum quantity so
15 supplied by a Party in any single delivery shall be not
16 less than the minimum quantity specified in Nuclear Fuel
17 Agreement(s) for conversion services (currently 20,000 lbs.
18 U308 Net).

19 11.3.2 An election by any Party to provide
20 natural uranium U308 concentrates shall, in each
21 instance, be communicated to the Project Director (or
22 Operating Agent) sufficiently in advance so as not to
23 interfere in any way with the Project Director's (or
24 Operating Agent's) performance of its responsibilities
25 under Section 11.1, and such an election shall not be
26 allowed when submitted after the Project Director (or

1 Operating Agent) has begun, pursuant to an authorized
2 nuclear fuel budget, to arrange for the supply of such
3 natural uranium U308 concentrates.

4 11.3.3 Once the Project Director (or
5 Operating Agent) has acknowledged a Party's election to
6 provide natural uranium U308 concentrates, such Party
7 shall be responsible for providing and delivering such
8 natural uranium U308 concentrates, and shall extend its
9 best efforts to fulfill such responsibility.

10 11.3.4 If, subsequent to any Party's
11 election to supply natural uranium U308 concentrates
12 pursuant to Sections 11.3.1 and 11.3.2, the Uranium
13 Requirements for Unit 2 or Unit 3 change due to fuel
14 management decisions by the Project Director (or
15 Operating Agent), operating circumstances, decisions,
16 or consequences, government enrichment policies, or the
17 availability of recycle uranium and/or plutonium, then
18 such Party shall be responsible for supplying a pro-
19 portionate amount of any increased Uranium Requirements,
20 or inventorying a proportionate amount of any decreased
21 Uranium Requirements.

22 11.3.5 Where a Party chooses to provide its
23 own natural uranium U308 concentrates, it shall bear
24 the costs of such, and such costs shall not be included
25 in the costs to be shared pursuant to Section 11.2. With
26 respect to the Parties not choosing to provide their own

1 natural uranium U308 concentrates, the Project Director
2 (or Operating Agent) shall provide such uranium concentrates
3 as part of the supply of Nuclear Fuel, and the cost of
4 providing such shall be shared by such Parties in
5 proportion to their Generation Entitlement Shares.

6 11.4 Evidence of Supply of Uranium Concentrates:

7 It is recognized that failure of any Party to fulfill
8 the responsibilities provided in Sections 11.1 or 11.3 could
9 delay the availability of fuel and thus impair operation
10 of Unit 2 or Unit 3. Accordingly, the following pro-
11 visions are adopted to assure the timely and dependable
12 availability of all natural uranium U308 concentrates
13 required for Unit 2 and Unit 3:

14 11.4.1 One year prior to each date on which
15 natural uranium U308 concentrates are scheduled by the
16 Project Director (or Operating Agent) to be delivered
17 for conversion, the Project Director (or Operating
18 Agent) shall notify all Parties of the quantity and speci-
19 fications of natural uranium U308 concentrates required,
20 the date on which delivery is required, and the place at
21 which delivery is required to be made and the quantity
22 which each Party has a responsibility to deliver. Within
23 one month of such notification, each Party shall provide
24 the Project Director (or Operating Agent) and the Coordinat-
25 ing Representatives with evidence that the Party has firm
26 commitments for providing the required quantity and quality

1 of natural uranium U308 concentrates on or before the
2 specified delivery dates.

3 11.4.2 If the Project Director (or Operating
4 Agent) reasonably concludes that any such Party
5 ("deficient Party") has not provided satisfactory
6 evidence as required by Section 11.4.1, the Project
7 Director (or Operating Agent) shall proceed to acquire
8 and arrange for the delivery of the quantity of such
9 uranium concentrates required to be provided by the
10 deficient Party; the actual costs of acquiring such
11 natural uranium U308 concentrates shall be billed to
12 the deficient Party as incurred (or invoiced) and paid
13 within five days after receipt of each such bill (or,
14 where an invoice instead of a bill is provided to the
15 deficient Party, within the time provided by the invoice).
16 The Project Director (or Operating Agent) shall make a
17 reasonable effort to acquire such natural uranium U308
18 concentrates on terms which are reasonable in the
19 commercial context which exists at the time of the
20 acquisition; however, neither the Project Director (or
21 Operating Agent) nor any Party shall have any obligation
22 to supply such material from its own inventories of or
23 rights to natural uranium U308 concentrates or to afford
24 the deficient Party access to the benefits of any
25 favorable business opportunities available to the
26 Project Director (or Operating Agent) or any other Party;

1 and, provided further that no Party shall incur any
2 liability to any other Party as a result of carrying out
3 the provisions of this Section 11.4 except as provided
4 herein.

5 11.4.3 If at any time after the provisions
6 of Section 11.4.1 have been complied with, the Project
7 Director (or Operating Agent) reasonably concludes that
8 a Party's ability to provide natural uranium U308
9 concentrates specified in a notice pursuant to Section
10 11.4.1 is in doubt, the Project Director (or Operating
11 Agent) shall so notify the deficient Party. If within
12 15 days after receipt of such notice the deficient Party
13 has not provided reasonable assurance of its ability to
14 provide such natural uranium U308 concentrates, the
15 Project Director (or Operating Agent) may implement the
16 provisions of Section 11.4.2. If a Party actually fails
17 to make a delivery required by a notice pursuant to
18 Section 11.4.1, the Project Director (or Operating
19 Agent) may, upon 24 hours notice to such Party, and at
20 the deficient Party's sole cost, acquire and arrange for
21 delivery of such natural uranium U308 concentrates on
22 any terms which may be immediately available.

23 11.4.4 If the Project Director (or Operating
24 Agent) is unable to acquire and arrange for delivery of
25 natural uranium U308 concentrates to cover a deficient
26 Party's commitment, and as a result the available cycle

1 energy in the succeeding cycle is less than it would have been had
2 there been a full supply of natural uranium U308 concentrates, then the
3 deficient Party shall be subjected to an appropriate reduction in its
4 entitlement to the Net Energy Generation during such cycle.

5 11.4.5 With respect to Sections 11.4.2, 11.4.3, and 11.4.4;
6 if the Coordinating Representatives reasonably conclude that the
7 ability of the Project Director (or Operating Agent) acting as princi-
8 pal on its own behalf to provide natural uranium concentrates which it
9 is obligated to provide is in doubt, then the determinations and
10 actions assigned to the Project Director (or Operating Agent) by
11 those sections shall be assumed by the Coordinating Representatives.
12 In this case the representative of the Project Director
13 (or Operating Agent) shall not be entitled to vote on
14 the determinations, approvals or actions under
15 consideration.

16 11.5 Advancement of Funds for Nuclear Fuel:

17 Except as provided in Section 11.3 and 11.4, each Party
18 shall pay to the Project Director (or Operating Agent)
19 its proportionate share of the total amount due for the
20 purchase of Nuclear Fuel for Unit 2 and Unit 3 in advance
21 of the dates on which payments therefor by the Project
22 Director (or Operating Agent) become due under any Nuclear
23 Fuel Agreement. The operating agreement for Unit 2 and
24 Unit 3 shall include detailed procedures for the payment
25 of Nuclear Fuel related costs, including procedures for the
26 allocation of costs of Nuclear Fuel where electric energy

1 delivered to the account of one or more Parties differs from the
2 respective Generation Entitlement Shares.

3 11.6 Procedures for Control of the Supply of Nuclear Fuel: By
4 January 1, 1978 and on each October 31 thereafter until work related to
5 the supply of Nuclear Fuel has been completed (or until termination
6 of the Ownership Agreement, whichever occurs sooner), the Project
7 Director (or Operating Agent) shall submit to the Coordinating Repre-
8 sentatives (or other representatives established by the operating agree-
9 ment for Unit 2 and Unit 3) for review and approval, modification, or
10 other action a revised nuclear fuel budget effective as of the succeeding
11 January 1 in form and content approved by the Coordinating Representa-
12 tives, divided by calendar quarter for the succeeding two years and by
13 calendar year for at least the third, fourth, and fifth succeeding
14 years (and for such additional succeeding years as the Project Director
15 (or Operating Agent) may, in its discretion, provide).

16 11.7 Information: The Project Director (or Operating Agent) shall
17 keep the parties full and promptly informed as to significant matters
18 involving the supply of Nuclear Fuel.

19 11.8 Additional Matters: The parties recognize
20 that additional matters with respect to the supply of
21 Nuclear Fuel, not provided for in the preceding sections
22 of this Section 11, may require additional agreement
23 between the Parties and agree to negotiate with respect
24 to such additional matters as part of the San Onofre
25 Units 2 and 3 Operating Agreement or as a separate
26 agreement.

1 12. TAXES:

2 12.1 All taxes or assessments levied against each
3 Party's ownership or beneficial interest in San Onofre,
4 excepting those taxes or assessments levied against an
5 individual Party in behalf of any or all of the other
6 Parties, shall be the sole responsibility of the Party upon
7 whose such ownership said taxes or assessments are
8 levied.

9 12.2 The Parties shall use their best efforts to
10 have any taxing authority imposing any assessments,
11 property taxes or other taxes, excluding any
12 sales or use taxes, assess and levy such taxes and
13 assessments directly against the Party responsible
14 for such tax or assessment.

15 12.3 Except as provided in Section 12.4, Riverside
16 shall reimburse Edison or San Diego for any and all taxes
17 which are levied on Edison or San Diego as a result of the
18 transfer to Riverside of a portion of Edison's ownership
19 interests in Unit 2, Unit 3, or the Common Facilities.
20 Except as provided in Section 12.4, Anaheim shall reimburse
21 Edison or San Diego for any and all taxes which are levied
22 on Edison or San Diego as a result of the transfer to
23 Anaheim of a portion of Edison's ownership interests in
24 Unit 2, Unit 3, or the Common Facilities.

25 12.4 Taxes described in Section 12.3 shall not
26 include any tax on capital gains which may result from

1 the transfer to Anaheim and Riverside.

2 13. RELATIONSHIP OF PARTIES:

3 13.1 The covenants, obligations and liabilities
4 of the Parties under this Participation Agreement are
5 intended to be several and not joint or collective,
6 and nothing herein contained shall ever be construed
7 to create an association, joint venture, trust or
8 partnership, or to impose a trust or partnership
9 covenant, obligation or liability on or with regard to
10 any of the Parties. Each Party shall be individually
11 responsible for its own covenants, obligations and
12 liabilities as herein provided. No Party shall be under
13 the control of or shall be deemed to control another
14 Party. No Party shall have a right or power to bind
15 another Party without its express written consent,
16 except as expressly provided in this Participation
17 Agreement.

18 13.2 The Parties hereby elect to be excluded from
19 the application of Subchapter "K" of Chapter 1 of
20 Subtitle "A" of the Internal Revenue Code of 1954 or
21 such portion or portions thereof as may be permitted or
22 authorized by the Secretary of the Treasury or his
23 delegate insofar as such subchapter, or any portion
24 or portions thereof, may be applicable to the Parties
25 under this Participation Agreement.

26 /

1 14. TERMINATION:

2 14.1 Riverside or Anaheim may withdraw from
3 participation in San Onofre and terminate this Partici-
4 pation Agreement if, after using its best efforts, it
5 is unable to obtain any required approval from regula-
6 tory and other authorities. In the event of termination
7 by a Party pursuant to this Section 14.1 and if
8 construction of Units 2 and 3 is not continued by the
9 other Parties, the accumulated Construction Costs and
10 all other costs incurred by the terminating Party in
11 connection with San Onofre prior to the date of
12 termination shall be borne by such terminating Party.
13 If construction of Units 2 and 3 is continued by
14 the other Parties, Edison shall acquire the terminating
15 Party's interest in San Onofre and shall reimburse such
16 terminating Party for its incurred Construction Costs
17 (including its allowance for funds used during
18 construction but excluding those costs covered by
19 Section 7.11 and the terminating Party's own administra-
20 tive and general expenses).

21 14.2 Prior to such time as the Construction
22 Agreement is amended pursuant to Section 6.4,
23 and prior to the initial operation of Unit 2, this
24 Participation Agreement may be terminated in the manner
25 and for the reasons set forth in Section 17 of the Con-
26 struction Agreement.

1 14.3 When Edison believes the obligations of
2 this Participation Agreement have been met, Edison shall
3 serve notice of that fact upon the other Parties. If
4 none of the Parties objects and notifies the other Parties
5 of such objection within 60 days after receipt of such
6 notice, this Participation Agreement shall then
7 terminate.

8 15. ADDITIONAL GENERATING UNITS:

9 15.1 The Parties each reserve any rights which
10 they may have, either by contract or by law, to
11 participate in any Additional Generating Unit; provided,
12 however, that Riverside and Anaheim shall be neither
13 granted nor denied participation rights by reason of
14 any provision of this Participation Agreement.

15 15.2 If Additional Generating Units are construc-
16 ted, interests in the Project Easements shall be
17 reallocated among the participants such that each
18 participant's interest in the land area used for a
19 specific unit or facility is the same as that partici-
20 pant's interest in the unit or facility occupying such
21 land area; cost responsibilities for each Project Ease-
22 ment, including cost responsibilities for past
23 acquisition, rental, and developmental expenses of such
24 easement, shall be reallocated on the basis of each
25 participant's interest in each of the units or
26 facilities occupying such easement and the proportionate

1 land areas occupied by each unit or facility on such
2 easement. Interests in and cost responsibilities for
3 the Common Facilities shall be reallocated among the
4 participants of all the units at San Onofre on the basis
5 of the rated operating capacity of each unit and the
6 reproduction cost new, less depreciation for said
7 Common Facilities.

8 16. UNCONTROLLABLE FORCES: No Party shall be considered
9 to be in breach of any of the obligations hereunder,
10 other than the obligation to pay money, to
11 the extent failure of performance shall be due to an
12 uncontrollable force. The term "uncontrollable force"
13 shall mean any cause beyond the control of a Party
14 unable to perform such obligation, including, but not
15 limited to, failure of facilities, flood, earthquake,
16 storm, fire, lightning, and other natural catastrophies,
17 epidemics, war, riot, civil disturbance, labor dispute,
18 sabotage, government priorities, restraint by court
19 order or public authority, and action or non-action by
20 or inability to obtain the necessary authorizations or
21 approvals from any government agency or authority,
22 which by exercise of reasonable diligence and foresight
23 such Party could not reasonably have been expected to
24 avoid and which by exercise of reasonable diligence it
25 has been unable to overcome. Any Party rendered unable
26 to fulfill any obligation by reason of an uncontrollable

1 force shall exercise due diligence to remove such
2 inability with all reasonable dispatch. Nothing
3 contained herein shall be construed so as to require a
4 Party to settle any strike or labor dispute in which it
5 may be involved.

6 17. NOTICES: All notices under this Participation
7 Agreement shall be in writing and shall be delivered
8 in person or sent by registered or certified mail to
9 the applicable of the following addressees:

10 Southern California Edison Company
11 c/o Secretary
12 P. O. Box 800
13 Rosemead, California 91770

14 San Diego Gas & Electric Company
15 c/o Vice President, Project Management
16 P. O. Box 1831
17 San Diego, California 92112

18 City of Riverside
19 c/o Public Utilities Director
20 3900 Main Street
21 Riverside, California 92522

22 City of Anaheim
23 c/o Utilities Director
24 P. O. Box 3222
25 Anaheim, California 92803

26 By notice sent to the other Parties, any Party may
designate different persons or different addresses for
the giving of notices hereunder.

18. ARBITRATION: If the Parties, acting through their
respective Coordinating Representatives, are unable
to reach agreement with respect to a matter herein
specified to be approved, established, determined, or

1 resolved by agreement of the Parties, any Party may
2 call for submission of such matter or dispute to
3 arbitration in the manner set forth in Section 12 of
4 the Construction Agreement, which call shall be
5 binding upon the other Party or Parties to the dispute.
6 The Project Director shall continue to do all things
7 and make all expenditures necessary pending the final
8 decision of the arbitrator.

9 19. MISCELLANEOUS PROVISIONS:

10 19.1 Edison shall, within twelve (12) months
11 after receipt of payment pursuant to Section 8.1,
12 procure a release of the interests transferred pur-
13 suant to Section 6.1 from the lien of Edison's trust
14 indenture and deliver to Riverside and to Anaheim a
15 bill of sale covering Riverside's and Anaheim's
16 respective ownership interests in such portion of Units
17 2 and 3.

18 19.2 Edison shall, within twelve (12) months
19 after receipt of payment pursuant to Section 8.5,
20 procure a release of the interests transferred pursuant
21 to Section 6.2 from the lien of Edison's trust indenture
22 and deliver to Riverside and to Anaheim a bill of sale
23 covering Riverside's and Anaheim's respective ownership
24 interests in such portion of the Common Facilities.

25 19.3 The Parties agree to negotiate in good faith
26 and to proceed with diligence to complete all necessary

1 definitive agreements pertaining to Units 2 and 3.

2 19.4 Unless mutually agreed or unless provided
3 otherwise herein, no significant departures shall be
4 made from the arrangements between Edison and San Diego
5 for ownership, construction, operation and maintenance
6 of Units 2 and 3 or, where no such arrangements exist
7 for Units 2 and 3, the arrangements under which Edison
8 and San Diego have participated in Unit 1.

9 19.5 Each Party shall be responsible for making
10 arrangements necessary to transmit its entitlement of
11 San Onofre power from San Onofre to its electric system.

12 19.6 Except as provided in Section 6.8,
13 Riverside and Anaheim each shall be responsible for
14 obtaining, at its own expense, its required
15 authorizations and approvals, if any, relating to its
16 participation in the construction or reconstruction
17 and operation of San Onofre and to its performance
18 of the provisions of this Participation Agreement,
19 from federal, state, or local regulatory authorities
20 having jurisdiction to issue such authorizations and
21 approvals, and shall keep the Project Director and
22 Operating Agent informed of its applications therefor.

23 19.7 The Parties do not intend to dedicate and
24 nothing in this Participation Agreement shall be con-
25 strued as constituting a dedication by any Party of
26 its properties or facilities, or any part thereof, to

1 any other Party or to the customers of any Party.

2 19.8 For itself and its successors and assigns,
3 Edison, San Diego, Riverside and Anaheim, each, until
4 expiration or termination of the Ownership Agreement
5 as it may be amended from time to time, waives the
6 right to seek partition of San Onofre and the Project
7 Easements (whether by partitionment in kind or by sale
8 and division of the proceeds thereof). Edison, San Diego,
9 Riverside and Anaheim, each further agrees that it will
10 not resort to any action at law or in equity to partition
11 the same (in either such manner) and to that extent
12 waives the benefits of all laws that may now or hereafter
13 authorize such partition.

14 19.9 If a Party desires to assign to another
15 Party any or all of its interest in Unit 2 or Unit 3,
16 the provisions of Section 8 of the
17 Ownership Agreement shall not apply. If a Party desires
18 to assign to an entity other than another Party any or
19 all of its interest in Unit 2 or Unit 3, the other
20 Parties each shall have the right of first refusal, as
21 provided by the Ownership Agreement, to purchase such
22 interest in proportion to the respective Generation
23 Entitlement Shares of the Parties seeking to exercise
24 the right of first refusal.

25 19.10 Riverside and Anaheim each represent and
26

1 warrant that it has obtained all necessary approvals,
2 including voter approval if required, for its project
3 contractual undertakings including this Participation
4 Agreement and for its means of financing its
5 participation in the construction, operation and
6 maintenance of Units 2 and 3 and that it has legal
7 authority to enter into and be bound by all of its
8 project contractual undertakings including this
9 Participation Agreement.

10 19.11 Riverside and Anaheim shall have the right
11 to audit the books and records of Edison directly
12 pertaining to Units 2 and 3, the Common Facilities, and
13 the Plant Site. Should any audit reveal errors,
14 omissions or items not properly chargeable to Units 2
15 and 3, the Common Facilities and the Plant Site or to
16 Riverside and Anaheim in the amounts billed, appropriate
17 adjustment shall be made.

18 19.12 Effectiveness of this Participation Agree-
19 ment shall be subject to its being accepted for filing
20 by the regulatory agency having jurisdiction.

21 IN WITNESS WHEREOF, the Parties have caused this
22 Participation Agreement to be executed on their behalf
23 and the signatories hereto represent that they have
24 been duly authorized to enter into this Participation
25 Agreement on behalf of the Party for whom they sign.
26

Executed as of the 1st day of November, 1977.

ATTEST:

SOUTHERN CALIFORNIA EDISON COMPANY

[Signature]
ASSISTANT SECRETARY

By [Signature] 8/15/80
VICE PRESIDENT

ATTEST:

SAN DIEGO GAS & ELECTRIC COMPANY

[Signature]
SECRETARY

By [Signature] 5/31/80
VICE PRESIDENT

ATTEST:

CITY OF RIVERSIDE

Alice A. Hare
City Clerk
BY [Signature]
ASSISTANT CITY CLERK

By [Signature] OCT 30 1980
Mayor

ATTEST:

CITY OF ANAHEIM

LINDA D. ROBERTS, CITY CLERK
BY: [Signature]
Deputy

By [Signature] 10/23/80
PUBLIC UTILITIES GENERAL MANAGER

APPROVED AS TO FORM
[Signature]
CITY ATTORNEY

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APPROVED AS TO FORM
By: [Signature]
Special Counsel City of Anaheim
Date: 10/23/80

O. Wayne
Assistant General Counsel
8/15/80

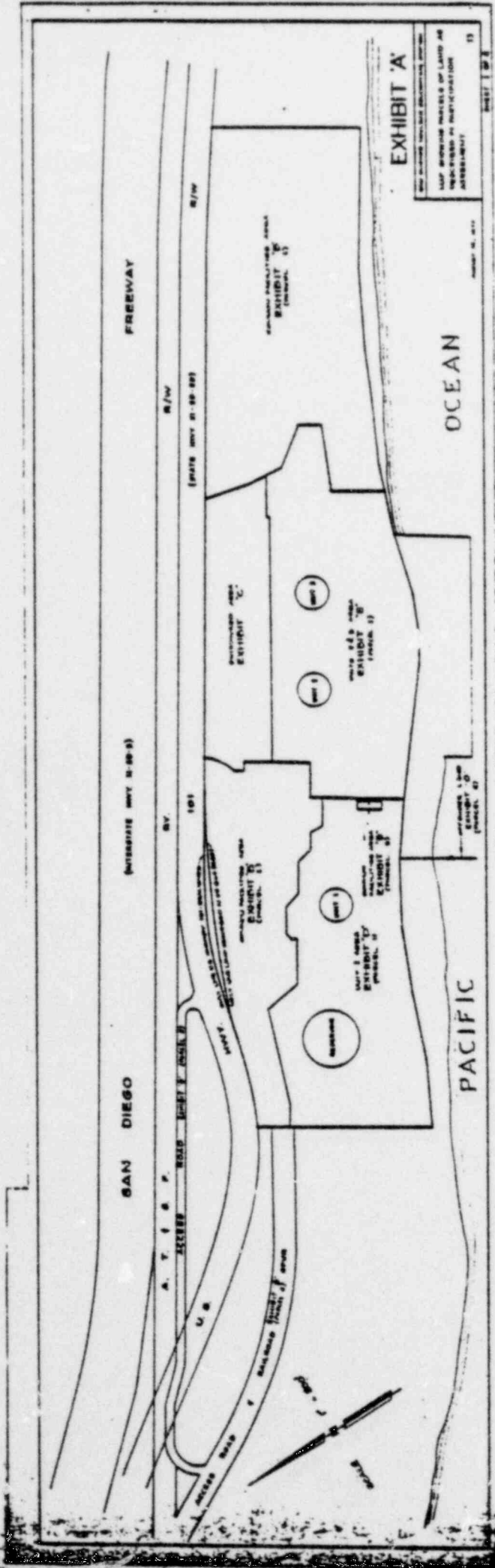


EXHIBIT 'A'

ALL OTHER UNLabeled PROPERTIES ARE
 SHOWN IN SHADING
 AND NUMBERED AS INDICATED
 THEREON

MAP NO. 101

OCEAN

PACIFIC

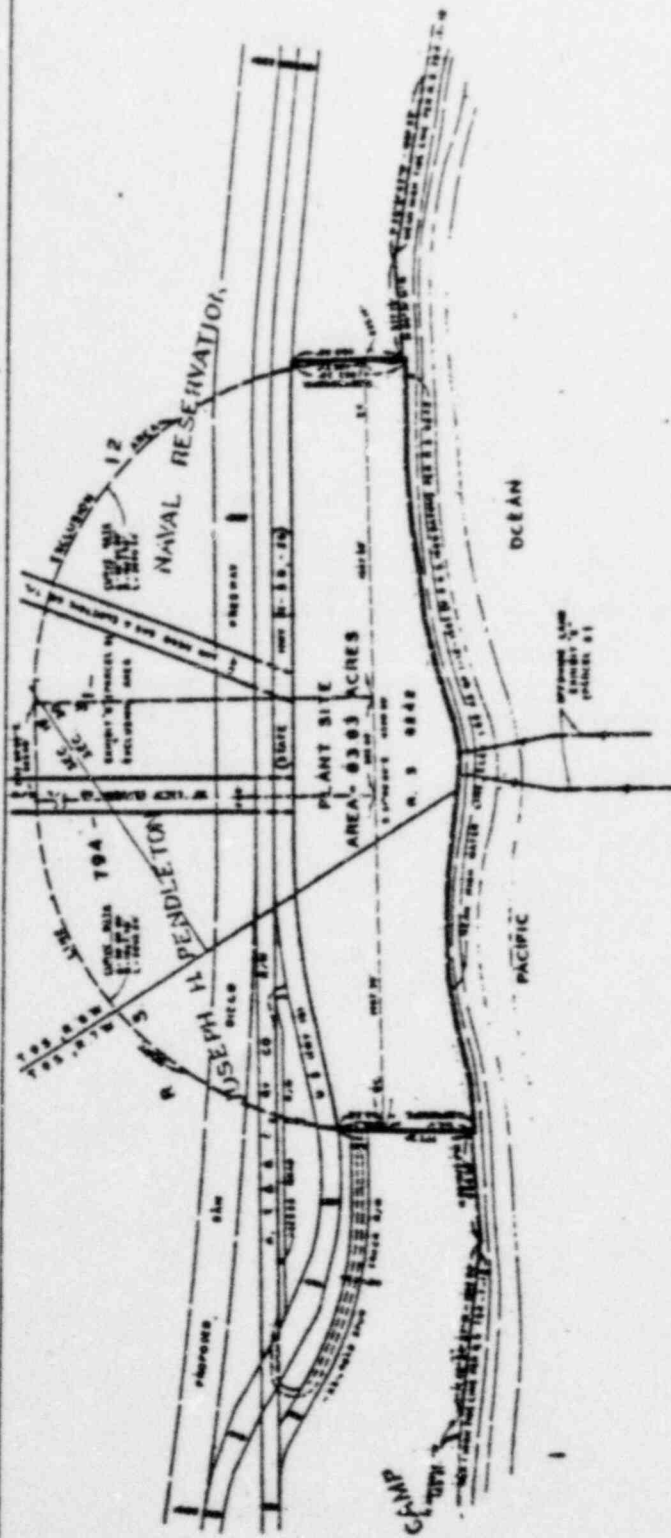
FREEWAY

SAN DIEGO

101
 (STATE HWY. 94-95)

BY





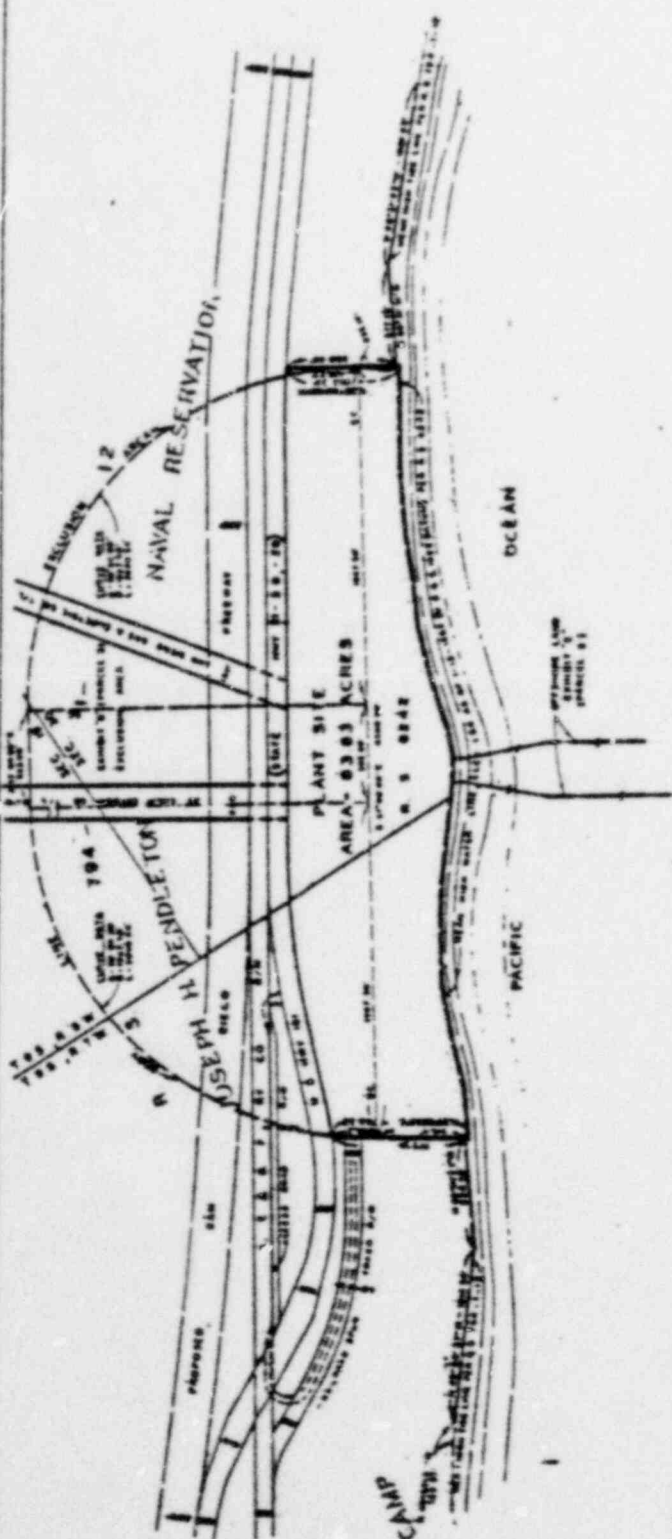
BASED ON MEASUREMENTS FOR FOLLOWING COORDINATES (LAURENCE) FROM VI

EXHIBIT 'A'

THIS DRAWING INCLUDES INFORMATION FROM THE MAP SHOWING PARCELS OF LAND AS REFERRED TO IN THE APPLICATION FOR PATENT

NOVEMBER 19, 1911

Page 1 of 1



BASED ON SURVEYS PER [unclear] STATE
COMMISSIONERS [unclear] 1908

EXHIBIT 'A'

THIS MAP IS NOT TO BE USED FOR ANY OTHER PURPOSE THAN THAT FOR WHICH IT WAS PREPARED AND SHOULD BE USED ONLY AS A GUIDE IN THE FIELD.

DATE: 10/10/1911

14

COMMON FACILITIES AREA

That certain real property in the County of San Diego, State of California, described as follows:

PARCEL 1:

That portion of the Rancho Santa Margarita y Las Flores, as described in the Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of said County, being also portions of Section 24 in Township 9 South, Range 7 West, and Section 30 in Township 9 South, Range 6 West, as shown on Record of Survey Map No. 6242 filed June 13, 1963 in the office of said County Recorder, described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument, set in the Southwesterly line of U. S. Highway 101, said monument being North $56^{\circ} 12' 04''$ West 2123.77 feet, measured along said Southwesterly line, from a 6 inch by 6 inch concrete highway monument, said first above mentioned concrete highway monument bears South $02^{\circ} 52' 15''$ East 4207.25 feet from a 1-1/2 inch iron pipe, with brass cap, set for the Northeast corner of Section 24 in Township 9 South, Range 7 West, as shown on said Record of Survey Map, said first above mentioned concrete highway monument being also at the beginning of a tangent curve, concave Southwesterly and having a radius of 4940 feet; thence Northwesterly along said curve, through an angle of $12^{\circ} 00' 00''$, a distance of 1034.63 feet; thence continuing along said Southwesterly line and tangent to said last mentioned curve, North $68^{\circ} 12' 04''$ West, 503.81 feet to the beginning of a tangent curve, concave to the Northeast and having a radius of 2060 feet; thence Northwesterly, along said last mentioned curve, through an angle of $04^{\circ} 54' 28''$ a distance of 176.47 feet to a point, a radial line of said last mentioned curve passing through said last mentioned point bears South $26^{\circ} 42' 24''$ West; thence South $33^{\circ} 00' 00''$ West, 785.32 feet to the Mean High Tide Line of the Pacific Ocean; thence Southeasterly, along said Mean High Tide Line of the Pacific Ocean to a line that is parallel with and 4500 feet Southeasterly, measured at right angles, from the course hereinabove described as having a bearing of South $33^{\circ} 00' 00''$ West and a length of 785.32 feet; thence North $33^{\circ} 00' 00''$ East, along said parallel line, 663.39 feet to a point in said Southwesterly line of U. S. Highway 101, said last mentioned point being in a curve in said Southwesterly line, said curve being concave Southwesterly and having a radius of 11,440 feet and being also tangent to the course hereinabove described as having a bearing of North $56^{\circ} 12' 04''$ West and a length of 2123.77 feet, a radial line to said curve passing through said last mentioned point bears North $37^{\circ} 12' 19''$ East; thence Northwesterly, along said curve,

EXHIBIT "B"

through an angle of $03^{\circ} 24' 23''$, a distance of 680.14 feet to the second above mentioned 6 inch by 6 inch concrete highway monument; thence North $56^{\circ} 12' 04''$ West, 2123.77 feet to the Point of Beginning.

EXCEPTING THEREFROM that portion thereof described as follows:

That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879, and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of the County of San Diego, and being also a portion of Section 24, Township 9 South, Range 7 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a point in the Northwesterly boundary line of the land described in that certain Grant of Easement from the United States of America, Secretary of the Navy, to Southern California Edison Company and San Diego Gas and Electric Company, on May 12, 1964, recorded in Series 5, Book 1964, Page No. 85887, of Official Records in said office of the County Recorder, said land being also shown on said Record of Survey Map No. 6242, said point being South $33^{\circ} 00' 00''$ West, 143.21 feet, measured along said Northwesterly boundary line, from the Northwesterly corner thereof; thence the following courses and distances: South $57^{\circ} 00' 00''$ East, 102.80 feet; South $68^{\circ} 59' 50''$ East, 434.90 feet; South $07^{\circ} 00' 56''$ East, 167.65 feet; South $57^{\circ} 00' 00''$ East, 208.00 feet; North $33^{\circ} 00' 00''$ East, 22.50 feet; North $73^{\circ} 57' 20''$ East, 35.09 feet; South $57^{\circ} 00' 00''$ East, 121.00 feet; South $12^{\circ} 00' 00''$ East, 80.61 feet; South $57^{\circ} 00' 00''$ East, 145.00 feet; South $12^{\circ} 00' 00''$ East, 79.20 feet; South $57^{\circ} 00' 00''$ East, 75.73 feet; South $04^{\circ} 55' 29''$ West, 60.07 feet; South $57^{\circ} 00' 00''$ East, 134.00 feet and South $33^{\circ} 00' 00''$ West, 375.00 feet to a point in the Southwesterly boundary line of said land, said point being North $52^{\circ} 00' 51''$ West, 03.62 feet, measured along said Southwesterly boundary line, from the Southeasterly terminus of that certain course shown as having a bearing of "South $52^{\circ} 00' 51''$ East" and a distance of "299.95 feet" as shown on Record of Survey Map No. 6242; thence along said Southwesterly boundary line the following courses and distances: North $52^{\circ} 00' 51''$ West, 296.33 feet; North $58^{\circ} 35' 26''$ West, 289.39 feet; North $65^{\circ} 56' 29''$ West, 300.23 feet; North $68^{\circ} 16' 51''$ West, 301.02 feet and North $61^{\circ} 30' 25''$ West, 308.74 feet to said Northwesterly boundary line of the land shown on Record of Survey Map No. 6242; thence along said Northwesterly boundary line North $33^{\circ} 00' 00''$ East, 642.11 feet to the Point of Beginning.

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ALSO EXCEPTING THEREFROM that portion thereof described as follows:

That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq. of Patents in the office of the County Recorder of the County of San Diego, and being also portions of Section 24, Township 9 South, Range 7 West and Section 30, Township 9 South, Range 6 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument set in the Northeasterly boundary line of the land described in that certain Grant of Easement from the United States of America, Secretary of the Navy, to Southern California Edison Company and San Diego Gas and Electric Company, on May 12, 1964, recorded in Series 5, Book 1964, Page No. 85887 of Official Records, in said office of the County Recorder, said land being also shown on said Record of Survey Map No. 6242, said concrete highway monument being also the Northwesterly terminus of that certain course shown as having a bearing of "North 56° 12' 04" West" and a distance of "2123.77 feet" on said Record of Survey Map No. 6242; thence Northwesterly, tangent to said last mentioned course along a curve concave Southwesterly, having a radius of 4940.00 feet, through a central angle of 00° 25' 46", a distance of 37.02 feet to the intersection of a non-tangent curve concave Southeasterly, having a radius of 135.00 feet, a radial line of said last mentioned curve passing through said point bears North 46° 45' 03" West; thence Southwesterly along said curve through a central angle of 09° 25' 25", a distance of 22.20 feet to a point in a reverse curve concave Northwesterly, having a radius of 135.00 feet; thence Southwesterly along said last mentioned curve through a central angle of 54° 17' 57", a distance of 127.94 feet to a point, a radial line of said curve passing through said point bears South 01° 52' 30" East; thence the following courses and distances: South 33° 00' 00" West, 45.00 feet; South 57° 00' 00" East, 45.00 feet; South 33° 00' 00" West, 123.00 feet; South 57° 00' 00" East, 1095.00 feet; North 33° 00' 00" East, 12.00 feet; South 57° 00' 00" East, 185.51 feet; North 06° 06' 31" East, 80.73 feet; and North 13° 18' 05" East, 211.24 feet to a point in the Northeasterly boundary line of the land shown on said Record of Survey Map No. 6242; thence along said Northeasterly boundary line, North 56° 12' 04" West, 1121.00 feet to the point of beginning.

ALSO EXCEPTING THEREFROM that portion thereof described as follows:

EXHIBIT "B"

That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq. of Patents in the office of the County Recorder of the County of San Diego, and being also portions of Section 24, Township 9 South, Range 7 West and Section 30, Township 9 South, Range 6 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument set in the Northeasterly boundary line of the land described in that certain Grant of Easement from the United States of America, Secretary of the Navy, to Southern California Edison Company and San Diego Gas and Electric Company, on May 12, 1964, recorded in Series 5, Book 1964, Page No. 85887 of Official Records, in said office of the County Recorder, said land being also shown on said Record of Survey Map No. 6242, said concrete highway monument being also the Northwesterly terminus of that certain course shown as having a bearing of "North 56° 12' 04" West" and a distance of "2123.77 feet" on said Record of Survey Map No. 6242; thence Northwesterly, tangent to said last mentioned course along a curve concave Southwesterly, having a radius of 4940.00 feet, through a central angle of 00° 25' 46", a distance of 37.02 feet to the intersection of a non-tangent curve concave Southeasterly, having a radius of 135.00 feet, a radial line of said last mentioned curve passing through said point bears North 46° 45' 03" West; thence Southwesterly along said curve through a central angle of 09° 25' 25", a distance of 22.20 feet to a point in a reverse curve concave Northwesterly, having a radius of 135.00 feet; thence Southwesterly along said last mentioned curve through a central angle of 54° 17' 57", a distance of 127.94 feet to a point, a radial line of said curve passing through said point bears South 01° 52' 30" East; thence South 33° 00' 00" West, 45.00 feet; thence South 57° 00' 00" East, 45.00 feet; thence South 33° 00' 00" West, 123.00 feet to the TRUE POINT OF BEGINNING of this description; thence the following courses and distances: South 57° 00' 00" East, 1095.00 feet; North 33° 00' 00" East, 12.00 feet; South 57° 00' 00" East, 185.51 feet; South 06° 06' 31" West, 76.25 feet; South 35° 36' 25" East, 208.36 feet; South 33° 00' 00" West, 102.00 feet; North 64° 48' 28" West, 301.80 feet and South 33° 00' 00" West, 245.30 feet to a point in the Southwesterly boundary line of the land shown on said Record of Survey Map No. 6242; thence along said Southwesterly boundary line the following courses and distances: North 68° 35' 07" West, 172.49 feet; North 73° 50' 00" West, 301.73 feet; North 65° 24' 53" West, 169.60 feet; North 57° 24' 41" West, 146.24 feet; North 49° 34' 15" West, 300.24 feet; North 50° 06' 17" West, 300.13 feet and North 52° 00'

EXHIBIT "B"

51° West, 03.62 feet to a point in said Southwesterly boundary line which is South 52° 00' 51" East, 296.33 feet, from the Northwesterly terminus of that certain course shown as having a bearing of "South 52° 00' 51" East" and a distance of "299.95 feet"; thence leaving said Southwesterly boundary line North 33° 00' 00" East, 426.00 feet; thence South 57° 00' 00" East, 161.00 feet; thence North 33° 00' 00" East, 167.00 feet to the true point of beginning.

PARCEL 2:

That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879, and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of the County of San Diego, and being also a portion of Section 24, Township 9 South, Range 7 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a point in that certain course having a bearing of "South 52° 00' 51" East" and a distance of "299.95 feet" in the Southwesterly boundary line of the land shown on Record of Survey Map No. 6242, filed June 13, 1963 in the office of the County Recorder of San Diego County, said point being North 52° 00' 51" West, 03.62 feet from the Southeasterly terminus of said certain course; thence North 33° 00' 00" East, 105.00 feet; thence North 57° 00' 00" West, 10.00 feet to the TRUE POINT OF BEGINNING of this description; thence continuing North 57° 00' 00" West, 40.00 feet; thence North 33° 00' 00" East, 110.00 feet; thence South 57° 00' 00" East, 40.00 feet and thence South 33° 00' 00" West, 110.00 feet to the true point of beginning.

PARCEL 3A (Access Road):

A strip of land, Forty (40) feet wide, the centerline of which is hereinafter described, lying within the Rancho Santa Margarita y Las Flores, as described in the Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq., of patents in the office of the County Recorder of said County, and being also a portion of Section 24, Township 9 South, Range 7 West, as per Record of Survey Map No. 6242 filed June 13, 1963 in the office of said County Recorder.

The centerline of said strip of land is described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument, set in the Southwesterly line of U. S. Highway 101, said monument being North 56° 12' 04" West, 2123.77 feet, measured along said Southwesterly line, from a 6 inch by 6 inch concrete highway monument, said first above mentioned concrete highway monument bears South 02° 52' 15" East, 4207.25 feet from a 1-1/2 inch iron pipe, with brass cap, set for the Northeast corner of Section 24 in Township 9 South, Range 7 West, as shown on said Record of Survey Map, said first above mentioned concrete highway monument being also at the beginning of a tangent curve concave Southwesterly and having a radius of 4940 feet; thence Northwesterly, along said curve, through an angle of 12° 00' 00", a distance of 1034.63 feet; thence continuing along said Southwesterly line and tangent to said last mentioned curve, North 68° 12' 04" West, 503.81 feet to the beginning of a tangent curve concave to the Northeast and having a radius of 2060 feet; thence Northwesterly, along said last mentioned curve, through an angle of 04° 54' 28" a distance of 176.47 feet to a point, a radial line of said last mentioned curve passing through said last mentioned point bears South 26° 42' 24" West; thence South 33° 00' 00" West, 118.21 feet to the TRUE POINT OF BEGINNING of this description; thence North 57° 00' 00" West, 473.57 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 1912.67 feet; thence Northwesterly, along said last mentioned curve, through an angle of 29° 47' 14" a distance of 994.37 feet; thence tangent to said last mentioned curve, North 27° 12' 46" West, 65.16 feet to the beginning of a tangent curve concave to the Southeast and having a radius of 129.64 feet; thence Northwesterly, Northerly and Easterly, along said last mentioned curve through an angle of 151° 00' 42" a distance of 341.68 feet; thence tangent to said last mentioned curve, South 56° 12' 04" East, 152.16 feet, to the beginning of a tangent curve concave to the Southwest and having a radius of 100.00 feet; thence Southeasterly along said last mentioned curve, through an angle of 14° 38' 12", a distance of 25.55 feet; thence tangent to said last mentioned curve, South 41° 33' 52" East, 161.32 feet to the beginning of a tangent curve concave to the Northeast and having a radius of 100.00 feet; thence Southeasterly, along said last mentioned curve through an angle of 14° 38' 12", a distance of 25.55 feet; thence tangent to said last mentioned curve, South 56° 12' 04" East, 1651.27 feet to the beginning of a tangent curve concave to the Northeast and having a radius of 100.00 feet; thence Southeasterly along said last mentioned curve through an angle of 09° 48' 07" a distance of 17.11 feet; thence tangent to said last mentioned curve, South 66° 00' 11" East, 153.29 feet to the beginning of a tangent curve concave Southwesterly and having a radius of 60.00 feet; thence Southeasterly and Southerly along said last mentioned curve, through an angle of 90° 00' 00", a distance of 94.25 feet to a point hereinafter referred to as Point "A";

EXHIBIT "B"

thence tangent to said last mentioned curve, South 23° 59' 49" West, 33 feet to a point in the Northeasterly line of U. S. Highway 101, said last mentioned point being in a curve in said Northeasterly line, said curve being concave Southwesterly and having a radius of 5060 feet, a radial line to said last mentioned curve passing through said last mentioned point bears North 23° 59' 49" East, said last mentioned point being Easterly 194.13 feet measured along said Northeasterly line from a 6 inch by 6 inch concrete highway monument, said highway monument bears South 10° 20' 14" West, 3668.46 feet from a 1-1/2 inch iron pipe with brass cap, set for the Northeast corner of said Section 24.

The side lines of said strip of land, hereinabove described and designated as Parcel 3A, shall be prolonged or shortened so as to terminate in the Northeasterly line of said U. S. Highway 101.

PARCEL 3B (Access Road):

That portion of the Rancho Santa Margarita y Las Flores, as described in the patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of said County and being also a portion of Section 24 in Township 9 South, Range 7 West, as shown on the Record of Survey Map No. 6242, filed June 13, 1963 in the office of said County Recorder, described as follows:

Beginning at Point "A" hereinabove referred to in the centerline description of the strip of land hereinabove described and designated as Parcel 3A; thence South 66° 00' 11" East, 20 feet to the beginning of a non-tangent curve concave to the East and having a radius of 40.00 feet; thence Southerly along said curve through an angle of 55° 32' 58" a distance of 38.78 feet to a point in the Northeasterly line of U. S. Highway 101, said last mentioned point being in a curve concave to the South and having a radius of 5060 feet, a radial line of said last mentioned curve passing through said last mentioned point bears North 24° 25' 12" East; thence Westerly along said last mentioned curve through an angle of 00° 50' 46" a distance of 74.72 feet to a point, a radial line of said last mentioned curve passing through said last mentioned point bears North 23° 34' 26" East, said last mentioned point being also at the beginning of a non-tangent curve concave to the West and having a radius of 40.00 feet; thence Northerly along said last mentioned curve through an angle of 55° 32' 58" a distance of 38.78 feet to a point, a radial line to said last mentioned curve passing through said last mentioned point bears South 66° 00' 11" East; thence South 66° 00' 11" East, 20 feet to the point of beginning.

EXHIBIT "B"

EXCEPTING from the land hereinabove described and designated as Parcel 3B that portion thereof lying within the strip of land hereinabove described and designated as Parcel 3A.

PARCEL 4 (Spur Track Area):

A strip of land, One Hundred (100) feet wide, lying Forty-seven and one-half (47.5) feet Northeasterly and Fifty-two and one-half (52.5) feet Southwesterly of the hereinafter described reference line, said strip of land lying within the Rancho Santa Margarita y Las Flores, as described in the Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of said County, and being also a portion of Section 24 in Township 9 South, Range 7 West, as shown on the Record of Survey Map No. 6242, filed June 13, 1963 in the office of said County Recorder.

The reference line referred to above is described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument, set in the Southwesterly line of U. S. Highway 101, said monument being North $56^{\circ} 12' 04''$ West, 2123.77 feet, measured along said Southwesterly line, from a 6 inch by 6 inch concrete highway monument, said first above mentioned concrete highway monument bears South $02^{\circ} 52' 15''$ East, 4207.25 feet from a 1-1/2 inch iron pipe, with brass cap, set for the Northeast corner of Section 24 in Township 9 South, Range 7 West, as shown on said Record of Survey Map, said first above mentioned concrete highway monument being also at the beginning of a tangent curve concave Southwesterly and having a radius of 4940 feet; thence Northwesterly, along said curve, through an angle of $12^{\circ} 00' 00''$, a distance of 1034.63 feet; thence continuing along said Southwesterly line and tangent to said last mentioned curve, North $68^{\circ} 12' 04''$ West, 503.81 feet to the beginning of a tangent curve concave to the Northeast and having a radius of 2060 feet; thence Northwesterly, along said last mentioned curve, through an angle of $04^{\circ} 54' 28''$ a distance of 176.47 feet to a point, a radial line of said last mentioned curve passing through said last mentioned point bears South $26^{\circ} 42' 24''$ West; thence South $33^{\circ} 00' 00''$ West, 115.71 feet to the TRUE POINT OF BEGINNING of this description; thence North $57^{\circ} 00' 00''$ West, 473.57 feet to the beginning of a tangent curve concave Northeasterly and having a radius of 1910.17 feet; thence Northwesterly along said last mentioned curve, through an angle of $29^{\circ} 47' 14''$ a distance of 993.07 feet; thence tangent to said last mentioned curve North $27^{\circ} 12' 46''$ West, 456.60 feet to the beginning of a tangent curve concave Southwesterly and having a radius of 573.69 feet; thence Northwesterly along said last mentioned curve through an angle of $20^{\circ} 00' 00''$ a distance of 200.26 feet to the

beginning of a compound curve concave Southwesterly and having a radius of 736.76 feet; thence Northwesterly along said last mentioned curve through an angle of $8^{\circ} 59' 18''$ 115.59 feet to a point in the centerline of the 100 foot right of way of The Atchison, Topeka and Santa Fe Railway Company, said point being North $56^{\circ} 12' 04''$ West, 700 feet, measured along said last mentioned centerline from its intersection with the centerline of U. S. Highway 101 (140 feet wide).

PARCEL 5 (Exclusion Area):

That portion of the Rancho Santa Margarita y Las Flores, as described in the Patent from the United States of America, dated March 28, 1879, and recorded in Book 7, page 18 et seq., of Patents, in the office of the County Recorder of said County and being also portions of Sections 19 and 30 in Township 9 South, Range 6 West, and of Section 24 in Township 9 South, Range 7 West, as shown on a Record of Survey Map No. 6242 filed June 13, 1963 in the office of said County Recorder described as follows:

Beginning at the Southwest corner of the 83.63 Acre parcel of land, shown on said Map filed on June 13, 1963 as Map No. 6242 of Records of Survey in the office of said County Recorder; thence North $33^{\circ} 00' 00''$ East, along the Northwesterly boundary line of said 83.63 Acre parcel, a distance of 516.11 feet to the beginning of a tangent curve concave Southerly and having a radius of 1967.50 feet; thence Northerly and Easterly along said curve, through an angle of 90° , a distance of 3090.54 feet; thence South $57^{\circ} 00' 00''$ East, 565.00 feet to the beginning of a tangent curve concave Westerly and having a radius of 1967.50 feet; thence Easterly and Southerly along said last mentioned curve, through an angle of 90° , a distance of 3090.54 feet to a point in the Southeasterly boundary line of said 83.63 Acre parcel; thence along said Southeasterly boundary line and tangent to said last mentioned curve South $33^{\circ} 00' 00''$ West, 235.17 feet to the Southeast corner of said 83.63 Acre parcel; thence Northwesterly along the various courses and distances in the Southwesterly boundary line of said 83.63 Acre parcel to the point of beginning.

EXCEPTING THEREFROM that portion thereof lying Southwesterly of the Southwesterly line of U. S. Highway 101.

SWITCHYARD AREA

That certain real property in the County of San Diego, State of California, described as follows:

That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq. of Patents in the office of the County Recorder of the County of San Diego, and being also portions of Section 24, Township 9 South, Range 7 West and Section 30, Township 9 South, Range 6 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument set in the Northeasterly boundary line of the land described in that certain Grant of Easement from the United States of America, Secretary of the Navy, to Southern California Edison Company and San Diego Gas and Electric Company, on May 12, 1964, recorded in Series 5, Book 1964, Page No. 85887 of Official Records, in said office of the County Recorder, said land being also shown on said Record of Survey Map No. 6242, said concrete highway monument being also the Northwesterly terminus of that certain course shown as having a bearing of "North 56° 12' 04" West" and a distance of "2123.77 feet" on said Record of Survey Map No. 6242; thence Northwesterly, tangent to said last mentioned course along a curve concave Southwesterly, having a radius of 4940.00 feet, through a central angle of 00° 25' 46", a distance of 37.02 feet to the intersection of a non-tangent curve concave Southeasterly, having a radius of 135.00 feet, a radial line of said last mentioned curve passing through said point bears North 46° 45' 03" West; thence Southwesterly along said curve through a central angle of 09° 25' 25", a distance of 22.20 feet to a point in a reverse curve concave Northwesterly, having a radius of 135.00 feet; thence Southwesterly along said last mentioned curve through a central angle of 54° 17' 57", a distance of 127.94 feet to a point, a radial line of said curve passing through said point bears South 01° 52' 30" East; thence the following courses and distances: South 33° 00' 00" West, 45.00 feet; South 57° 00' 00" East, 45.00 feet; South 33° 00' 00" West, 123.00 feet; South 57° 00' 00" East, 1095.00 feet; North 33° 00' 00" East, 12.00 feet; South 57° 00' 00" East, 185.51 feet; North 06° 06' 31" East, 80.73 feet; and North 13° 18' 05" East, 211.24 feet to a point in the Northeasterly boundary line of the land shown on said Record of Survey Map No. 6242; thence along said Northeasterly boundary line, North 56° 12' 04" West, 1121.00 feet to the point of beginning.

EXHIBIT "C"

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UNIT 1 AREA

PARCEL 1:

That certain real property in the County of San Diego, State of California, described as follows:

That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879, and recorded in Book 7, page 18 et seq., of Patents in the office of the County Recorder of the County of San Diego, and being also a portion of Section 24, Township 9 South, Range 7 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a point in the Northwesterly boundary line of the land described in that certain Grant of Easement from the United States of America, Secretary of the Navy, to Southern California Edison Company and San Diego Gas and Electric Company, on May 12, 1964, recorded in Series 5, Book 1964, Page No. 85887, of Official Records in said office of the County Recorder, said land being also shown on said Record of Survey Map No. 6242, said point being South 33° 00' 00" West, 143.21 feet, measured along said Northwesterly boundary line, from the Northwesterly corner thereof; thence the following courses and distances: South 57° 00' 00" East, 102.80 feet; South 68° 59' 50" East, 434.90 feet; South 07° 00' 56" East, 167.65 feet; South 57° 00' 00" East, 208.00 feet; North 33° 00' 00" East, 22.50 feet; North 73° 57' 20" East, 35.09 feet; South 57° 00' 00" East, 121.00 feet; South 12° 00' 00" East, 80.61 feet; South 57° 00' 00" East, 145.00 feet; South 12° 00' 00" East, 79.20 feet; South 57° 00' 00" East, 75.73 feet; South 04° 55' 29" West, 60.07 feet; South 57° 00' 00" East, 134.00 feet and South 33° 00' 00" West, 375.00 feet to a point in the Southwesterly boundary line of said land, said point being North 52° 00' 51" West, 03.62 feet, measured along said Southwesterly boundary line, from the Southeasterly terminus of that certain course shown as having a bearing of "South 52° 00' 51" East" and a distance of "299.95 feet" as shown on Record of Survey Map No. 6242; thence along said Southwesterly boundary line the following courses and distances: North 52° 00' 51" West, 296.33 feet; North 58° 35' 26" West, 289.39 feet; North 65° 56' 29" West, 300.23 feet; North 68° 16' 51" West, 301.02 feet and North 61° 30' 25" West, 308.74 feet to said Northwesterly boundary line of the land shown on Record of Survey Map No. 6242; thence along said Northwesterly boundary line North 33° 00' 00" East, 642.11 feet to the Point of Beginning.

EXHIBIT "D"

EXCEPTING THEREFROM that certain rectangular parcel of land, described as follows:

Beginning at a point in that certain course having a bearing of "South 52° 00' 51" East" and a distance of "299.95 feet" in the Southwesterly boundary line of the land shown on Record of Survey Map No. 6242, filed June 13, 1963 in the office of the County Recorder of San Diego County, said point being North 52° 00' 51" West, 03.62 feet from the Southeasterly terminus of said certain course; thence North 33° 00' 00" East, 105.00 feet; thence North 57° 00' 00" West, 10.00 feet to the TRUE POINT OF BEGINNING of this description; thence continuing North 57° 00' 00" West, 40.00 feet; thence North 33° 00' 00" East, 110.00 feet; thence South 57° 00' 00" East, 40.00 feet and thence South 33° 00' 00" West, 110.00 feet to the true point of beginning.

PARCEL 2 (Off-Shore Land):

A strip of tide and submerged land, one-hundred (100) feet wide, in the County of San Diego, State of California, the center line of which is described as follows:

Beginning at a point in that certain course in the Southwesterly boundary of the 83.63 Acre parcel of land shown on Record of Survey Map filed on June 13, 1963, as Map No. 6242 of Records of Survey in the office of County Recorder of said County, said certain course is shown on said map as having a bearing of "S 52° 00' 51" E" and a length of "299.95 feet", said point being South 52° 00' 51" East 18.71 feet from the Northwesterly terminus of said certain course; thence South 33° 00' 00" West, 3,310.11 feet, containing 7.599 acres more or less.

The side lines of said strip of land shall be shortened at the Northeasterly terminus thereof so as to terminate in the Southwesterly boundary line of said 83.63 Acre parcel of land, shown on said Record of Survey Map.

UNITS 2 & 3 AREA

PARCEL 1:

That certain real property in the County of San Diego, State of California, described as follows:

That portion of the Rancho Santa Margarita y Las Flores, described in Patent from the United States of America, dated March 28, 1879 and recorded in Book 7, page 18 et seq. of Patents in the office of the County Recorder of the County of San Diego, and being also portions of Section 24, Township 9 South, Range 7 West and Section 30, Township 9 South, Range 6 West, as shown on Record of Survey Map No. 6242, filed June 13, 1963, in said office of the County Recorder, described as follows:

Beginning at a 6 inch by 6 inch concrete highway monument set in the Northeasterly boundary line of the land described in that certain Grant of Easement from the United States of America, Secretary of the Navy, to Southern California Edison Company and San Diego Gas and Electric Company, on May 12, 1964, recorded in Series 5, Book 1964, Page No. 85887 of Official Records, in said office of the County Recorder, said land being also shown on said Record of Survey Map No. 6242, said concrete highway monument being also the Northwesterly terminus of that certain course shown as having a bearing of "North 56° 12' 04" West" and a distance of "2123.77 feet" on said Record of Survey Map No. 6242; thence Northwesterly, tangent to said last mentioned course along a curve concave Southwesterly, having a radius of 4940.00 feet, through a central angle of 00° 25' 46", a distance of 37.02 feet to the intersection of a non-tangent curve concave Southeasterly, having a radius of 135.00 feet, a radial line of said last mentioned curve passing through said point bears North 46° 45' 03" West; thence Southwesterly along said curve through a central angle of 09° 25' 25", a distance of 22.20 feet to a point in a reverse curve concave Northwesterly, having a radius of 135.00 feet; thence Southwesterly along said last mentioned curve through a central angle of 54° 17' 57", a distance of 127.94 feet to a point, a radial line of said curve passing through said point bears South 01° 52' 30" East; thence South 33° 00' 00" West, 45.00 feet; thence South 57° 00' 00" East, 45.00 feet; thence South 33° 00' 00" West, 123.00 feet to the TRUE POINT OF BEGINNING of this description; thence the following courses and distances: South 57° 00' 00" East, 1095.00 feet; North 33° 00' 00" East, 12.00 feet; South 57° 00' 00" East, 185.51 feet; South 06° 06' 31" West, 76.25 feet; South 35° 36' 25" East, 208.36 feet; South 33° 00' 00" West, 102.00 feet; North 64° 48' 28" West,

EXHIBIT "E"

301.80 feet and South 33° 00' 00" West, 245.30 feet to a point in the Southwesterly boundary line of the land shown on said Record of Survey Map No. 6242; thence along said Southwesterly boundary line the following courses and distances: North 68° 35' 07" West, 172.49 feet; North 73° 50' 00" West, 301.73 feet; North 65° 24' 53" West, 169.60 feet; North 57° 24' 41" West, 146.24 feet; North 49° 34' 15" West, 300.24 feet; North 50° 06' 17" West, 300.13 feet and North 52° 00' 51" West, 03.62 feet to a point in said Southwesterly boundary line which is South 52° 00' 51" East, 296.33 feet, from the Northwesterly terminus of that certain course shown as having a bearing of "South 52° 00' 51" East" and a distance of "299.95 feet"; thence leaving said Southwesterly boundary line North 33° 00' 00" East, 426.00 feet; thence South 57° 00' 00" East, 161.00 feet; thence North 33° 00' 00" East, 167.00 feet to the true point of beginning.

PARCEL 2 (Off-Shore Land):

Those certain tide and submerged lands in the County of San Diego, State of California, described as follows:

Beginning at the Easterly terminus of that certain course in the Southwesterly boundary line of the 83.63 Acre parcel of land shown on Record of Survey Map filed on June 13, 1963 as Map No. 6242 of Record of Surveys, in the office of the County Recorder of said County, said certain course is shown on said map as having a bearing of "South 49° 34' 15" East and a length of 300.24 feet"; thence South 57° 24' 41" East, 8.64 feet to the TRUE POINT OF BEGINNING of this description; thence the following courses and distances: South 33° 00' 00" West, 56.81 feet; South 39° 44' 55" West, 2347.44 feet; North 57° 00' 00" West, 58.14 feet; South 33° 00' 00" West, 140.00 feet; South 57° 00' 00" East, 50.00 feet; South 33° 00' 00" West, 681.39 feet; North 57° 00' 00" West, 20.00 feet; South 33° 00' 00" West, 140.00 feet; South 57° 00' 00" East, 20.00 feet; South 33° 00' 00" West, 5029.50 feet; South 57° 00' 00" East, 40.00 feet; North 33° 00' 00" East, 5029.50 feet; South 57° 00' 00" East, 80.00 feet; North 33° 00' 00" East, 140.00 feet; North 57° 00' 00" West, 50.00 feet; North 33° 00' 00" East, 681.39 feet; South 57° 00' 00" East, 20.00 feet; North 33° 00' 00" East, 140.00 feet; North 57° 00' 00" West, 11.37 feet; North 39° 44' 55" East, 543.88 feet; South 50° 15' 05" East, 70.00 feet; North 39° 44' 55" East, 140.00 feet; North 50° 15' 05" West, 45.00 feet; North 39° 44' 53" East, 1660.88 feet; South 61° 03' 16" East, 21.05 feet; South 26° 17' 55" West, 2343.08 feet; North 57° 00' 00" West, 11.43 feet; South 33° 00' 00" West, 140.00 feet; South 57° 00' 00" East, 20.00 feet; South 33° 00' 00" West, 681.38 feet; North 57° 00' 00" West, 50.00 feet; South 33° 00' 00" West, 140.00 feet; South 57° 00' 00" East, 80.00 feet; South 33° 00' 00" West, 2699.50

EXHIBIT "E"

West, 58.09 feet; North 26° 17' 55" East, 2347.21 feet and North 33° 00' 00" East, 64.97 feet to a point in the Southwesterly boundary line of the 83.63 Acre parcel of land shown on said Record of Survey Map No. 6242; thence along said Southwesterly line, the following two courses: North 65° 24' 53" West, 48.94 feet and North 57° 24' 41" West, 137.60 feet to the true point of beginning.

EXHIBIT F

SAN ONOPRE UNITS 2 AND 3
CONSTRUCTION AGREEMENT

AND

AMENDMENT NO. 1
SAN ONOPRE UNITS 2 AND 3
CONSTRUCTION AGREEMENT

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SAN ONOFRE UNITS 2 AND 3

CONSTRUCTION AGREEMENT

BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY

AND

SOUTHERN CALIFORNIA EDISON COMPANY

2
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6 SAN ONOFRE UNITS 2 AND 3

7
8 CONSTRUCTION AGREEMENT

9
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11 BETWEEN

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16 SAN DIEGO GAS & ELECTRIC COMPANY

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18 AND

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20 SOUTHERN CALIFORNIA EDISON COMPANY

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2 SAN ONOFRE UNITS 2 AND 3

3 CONSTRUCTION AGREEMENT

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1 SAN ONOFRE UNITS 2 AND 3

2 CONSTRUCTION AGREEMENT

3
4
5 1. PARTIES: This Agreement is entered into as of the
6 24 day of May, 1973, by and between
7 SAN DIEGO GAS & ELECTRIC COMPANY, a California corporation
8 ("San Diego") and SOUTHERN CALIFORNIA EDISON COMPANY,
9 a California corporation ("Edison"), individually called
10 "Company" and collectively called "Companies".

11 2. RECITALS: This Agreement is made with reference
12 to the following facts, among others:

13 2.1 The Companies entered into the San Onofre
14 Ownership Agreement, dated October 5, 1967, in connection
15 with the San Onofre Nuclear Generating Station (hereinafter
16 called "San Onofre"), and Unit 1 in particular.

17 2.2 The Companies entered into a letter agreement,
18 dated January 22, 1970, pertaining to the intent of the
19 Companies with regard to the ownership, construction, opera-
20 tion, maintenance and use of Units 2 and 3 at San Onofre. As
21 provided in said letter agreement, the Companies also entered
22 into supplemental agreements concerning liability and
23 insurance, dated August 21, 1970, and project costs prior to
24 execution of this Agreement, dated September 9, 1970, both in
25 connection with Units 2 and 3.

26 2.3 The Companies entered into a letter agreement,

1 dated December 22, 1970, that provides for the retirement
2 of the existing switchyard facilities and the construction
3 of new switchyard facilities at Site A.

4 2.4 The Companies entered into an agreement, dated
5 June 30, 1970, amended September 30, 1970 and October 2, 1972,
6 with the English Electric Company, Limited, for purchase of two
7 turbine-generators for Units 2 and 3.

8 2.5 The Companies intend to enter into an
9 agreement with Combustion Engineering, Inc., for purchase of
10 the nuclear steam supply systems, including fuel fabrication
11 for the first fuel loading, for Units 2 and 3.

12 2.6 The Companies intend to enter into agreements
13 with others for the fuel supply and the fuel reprocessing
14 for all units at the San Onofre Nuclear Generating Station.

15 2.7 The Companies intend to enter into an
16 agreement with others for engineer-constructor services for
17 Units 2 and 3.

18 2.8 Edison and San Diego desire to provide in this
19 Agreement for their respective rights and obligations with
20 respect to the construction of Units 2 and 3.

21 3. AGREEMENT: The Companies agree as follows:

22 4. DEFINITIONS: When used herein, the following
23 terms shall have the following meanings:

24 4.1 Composite Budget: The budget described in
25 Section 6.5 hereof that the Companies jointly prepare to
26 project the Construction Costs.

1 4.2 Construction Costs: Those costs described in
2 Section 6.1 hereof incurred by the Companies in the perfor-
3 mance of Project Work.

4 4.3 Coordinating Representatives: The representa-
5 tives established pursuant to Section 7.1.1 hereof.

6 4.4 Date of Firm Operation: The date, in each case
7 for Unit 2 and Unit 3, on which that unit is formally released
8 by the Project Director to the system dispatchers for opera-
9 tion as a reliable source of generation and can be reasonably
10 expected to operate continuously at its rated capacity.

11 4.5 Date of Initial Full Power Operation: The
12 date, in each case for Unit 2 and Unit 3, on which that unit
13 shall have first achieved two hundred (200) continuous hours
14 of operation at full power.

15 4.6 Date of Initial Operation: The date, in each
16 case for Unit 2 and Unit 3, on which that unit's generator is
17 first synchronized to each Company's electric system and
18 generates power.

19 4.7 Edison Switchyard: The 220-kV switchrack and
20 related facilities at San Onofre constructed for Edison's
21 exclusive use, including the 220-kV bus sections to which
22 Edison's transmission lines are connected, but not including
23 the power circuit breakers, transformer side disconnect
24 switches, conductors, and dead-end assemblies associated with
25 the main transformer leads and reserve auxiliary transformer
26 leads or any environmental radiation monitoring equipment

1 installed therein. In addition, the following items located
2 in the Unit 1 control-administration building are considered
3 to be part of the Edison Switchyard:

4 4.7.1 Controls, indicating lights and
5 instruments associated with Edison's
6 220-kV switchrack facilities.

7 4.7.2 Meters and devices for interconnection
8 metering and Edison's associated
9 telemetering equipment.

10 4.8 Engineer-Constructor: A corporation which
11 shall perform major engineering and construction portions
12 of the Project Work under a separate contract with the
13 Companies.

14 4.9 Engineering Representatives: The represen-
15 tatives established pursuant to Section 7.1.2 hereof.

16 4.10 Final Completion Report: A complete
17 summary of the Construction Costs incurred in the performance
18 of the Project Work and each Company's portion of said
19 Construction Costs.

20 4.11 Fiscal Representatives: The representatives
21 established pursuant to Section 7.1.3 hereof.

22 4.12 FPC Accounts: The Federal Power Commission's
23 Uniform System of Accounts prescribed for Public Utilities
24 and Licensees (Class A and Class B), in effect on
25 January 1, 1970, as amended. Reference in this Agreement to
26 any specific FPC account number shall mean the FPC account

1 number in effect as of the effective date of this Agreement,
2 or any successor FPC account number.

3 4.13 Insurance Representatives: The represen-
4 tatives established pursuant to Section 7.1.4 hereof.

5 4.14 Nuclear Information Center: The structures
6 and associated facilities that will be constructed or re-
7 located at the Plant Site, for the purpose of educating
8 visitors about nuclear power generation and its effect on
9 the environment.

10 4.15 Operating Agent: Edison, who, pursuant to
11 the January 22, 1970 letter agreement between the Companies
12 referred to in Section 2.2 hereof, is designated the Company
13 having responsibility for the operation and maintenance
14 of Unit 2 and Unit 3.

15 4.16 Participation Share: The respective undivided
16 percentage ownership interest of each Company in Units 2 and
17 3 which is eighty percent (80%) for Edison and twenty percent
18 (20%) for San Diego.

19 4.17 Plant Site: An area of land used for the
20 major portion of San Onofre described in an easement granted
21 for such purpose by the United States to the Companies on
22 May 12, 1964 and recorded in the Official Records, Office
23 of the County Recorder of San Diego County, in Series 5,
24 Book 1964, Page No. 85887.

25 4.18 Project Agreements: Those agreements which
26 have been executed, or will be executed during the term of

1 this Agreement, by San Diego and Edison, between themselves,
2 or jointly with third parties, which relate to the construction
3 of Units 2 and 3.

4 4.19 Project Director: Edison, who, as agent for
5 San Diego and principal on its own behalf, is designated the
6 Company having the responsibility for the performance and
7 completion of the Project Work.

8 4.20 Project Insurance: Policies of insurance
9 relating to the Project Work to be secured and maintained as
10 provided in Section 8 hereof.

11 4.21 Project Work: All engineering, design,
12 construction, contract preparation, purchasing, supervision,
13 expediting, inspection, accounting, testing, start-up, and
14 regulatory licensing of and for Units 2 and 3 and other
15 related facilities (but not the switchyard facilities at
16 Site A, the Edison Switchyard and the San Diego Switchyard)
17 as such work is more particularly described in Section 5
18 hereof.

19 4.22 Quality Control: All those planned and
20 systematic actions necessary or appropriate to provide,
21 in accordance with 10 C.F.R. Part 50, Appendix B, as it may
22 be amended from time to time, adequate assurance to the
23 Companies that the construction and operation of Units 2 and 3
24 will not pose an undue risk to the health and safety of the
25 public, and that Units 2 and 3 will provide continuous and
26 reliable generation of electric power.

1 4.23 Quality Control Representatives: The repre-
2 sentatives established pursuant to Section 7.1.5 hereof.

3 4.24 Request for Funds: The request of the Project
4 Director pursuant to Section 6.7 hereof for funds required
5 from San Diego for its portion of Construction Costs.

6 4.25 San Diego Switchyard: The 220-kV switchrack
7 and related facilities constructed at San Onofre for San
8 Diego's exclusive use, including the 220-kV bus sections to
9 which San Diego's transmission lines are connected, but not
10 including the power circuit breakers, transformer side dis-
11 connect switches, conductors, and dead-end assemblies
12 associated with the main transformer leads and reserve
13 auxiliary transformer leads or any environmental radiation
14 monitoring equipment installed therein.

15 4.26 San Onofre Nuclear Generating Station ("San
16 Onofre"): The entire nuclear generating facility located
17 on a site of approximately 90 acres in the northwest corner of
18 the Marine Corps Base, Camp Pendleton, California, consisting
19 of the Plant Site, the Access Road Area, the Spur Track
20 Area, the Off-Shore Land, any Subsequent Acquisitions, Unit
21 1, Unit 2, Unit 3, the Nuclear Information Center, the Edison
22 Switchyard, the San Diego Switchyard, and any Additional
23 Generating Units subsequently constructed or installed, as
24 such terms are defined in the San Onofre Ownership Agreement
25 or this Agreement.

26 / /

1 4.27 San Onofre Ownership Agreement: The
2 agreement the Companies entered into on October 5, 1967,
3 which provides for the ownership of the San Onofre Nuclear
4 Generating Station.

5 4.28 Site A: The area of land at San Onofre
6 on which Edison and San Diego have constructed new
7 switchyard facilities for use during a portion of the
8 construction period of Units 2 and 3.

9 4.29 Start-Up Period: The period, for each
10 unit, commencing on the date when the auxiliary bus of
11 each unit is first energized for testing, and terminating
12 on the Date of Firm Operation of such unit, during which
13 any necessary alterations and adjustments shall be
14 made to provide for said unit's safe and dependable operation.

15 4.30 Unit 1: The first nuclear generating
16 unit at San Onofre, consisting of a nuclear steam supply
17 system, a turbine-generator designed to generate approximately
18 430 megawatts (net) of electric power, and all related
19 equipment and facilities which are necessary for the safe
20 and efficient generation of electrical energy.

21 4.31 Unit 2: The second nuclear generating
22 unit at San Onofre, consisting of a nuclear steam
23 supply system, a turbine-generator designed to generate
24 approximately 1,140 megawatts (net) of electric power,
25 and all related equipment and facilities which are necessary
26 for the safe and efficient generation of electrical energy,

1 including that equipment necessary to connect Unit 2
2 with those facilities existing as part of Unit 1 and those
3 facilities that will be part of Unit 3, installed on
4 the Plant Site, but excluding those common facilities
5 installed along with Unit 1 or Unit 3.

6 4.32 Unit 3: The third nuclear generating
7 unit at San Onofre, consisting of a nuclear steam supply
8 system, a turbine-generator designed to generate approximately
9 1,140 megawatts (net) of electric power, and all related
10 equipment and facilities which are necessary for the safe
11 and efficient generation of electrical energy, including
12 that equipment necessary to connect Unit 3 with those facilities
13 existing as part of Unit 1 and those facilities that will
14 be part of Unit 2, installed on the Plant Site, but
15 excluding those common facilities installed along with
16 Unit 1 or Unit 2.

17 4.33 Willful Action: Action taken or not taken by
18 a Company at the direction of its directors, officers or
19 employees having management or administrative responsibility
20 affecting its performance under any of the Project Agreements,
21 which action:

22 4.33.1 is knowingly or intentionally taken or
23 failed to be taken with conscious
24 indifference to the consequences there-
25 of, or with intent that injury or
26 damage would result or would probably

1 result therefrom;

2 4.33.2 has been determined by final arbitra-
3 tion award or final judgment or judic-
4 ial decree to be a material default
5 under any of the Project Agreements and
6 which occurs or continues beyond the
7 time specified in such arbitration
8 award or judgment or judicial decree
9 for curing such default, or, if no time
10 to cure is specified therein, occurs or
11 continues thereafter beyond a reason-
12 able time to cure such default:

13 4.33.3 is knowingly or intentionally taken or
14 failed to be taken with the knowledge
15 that such action taken or failed to be
16 taken is a material default under any
17 of the Project Agreements.

18 Willful Action does not include any act or
19 failure to act which is merely involuntary, accidental
20 or negligent. As used in this Section 4.33, the phrase
21 "employees having management or administrative responsibility"
22 refers to employees of a Company who are responsible for
23 one or more of the executive or administrative functions of
24 planning, organizing, coordinating, directing, controlling
25 and supervising such Company's performance under any of
26 the Project Agreements.

1 5. PROJECT WORK: The Project Work shall be performed
2 and completed as follows:

3 5.1 Edison shall be the Project Director.

4 5.2 San Diego hereby appoints Edison as its agent,
5 and Edison hereby undertakes as San Diego's agent and as
6 principal on its own behalf, the responsibility to perform
7 and complete the Project Work in accordance with the terms
8 and conditions set forth herein.

9 5.3 As part of such responsibility and subject to
10 the terms and conditions set forth herein, the Project Director
11 shall, in regard to the Project Work:

12 5.3.1 Contract for, furnish and obtain
13 services and studies.

14 5.3.2 Purchase and procure equipment,
15 apparatus, machinery, materials, tools,
16 and supplies.

17 5.3.3 Secure and maintain Project Insurance.

18 5.3.4 Investigate, adjust and settle claims
19 against the Companies for which pay-
20 ment is not made by Project Insurance,
21 and claims of the Companies against
22 any insurer or third party for losses
23 and damages. The Project Director shall
24 obtain the prior consent of the
25 Coordinating Representatives before
26 agreeing to a settlement of any claim

1 or combination of claims exceeding
2 \$100,000 arising out of the same trans-
3 action or event and not covered by
4 Project Insurance.

5 5.3.5 Assist any insurer in the investiga-
6 tion, adjustment and settlement of any
7 loss or claim covered by Project
8 Insurance.

9 5.3.6 Determine what contractors, if any,
10 shall be required to furnish insurance
11 as provided in Section 8.1 hereof, and
12 faithful performance and payment bonds.

13 5.3.7 Execute, administer and enforce con-
14 tracts in the name of Edison, acting as
15 principal on its own behalf and as
16 agent for San Diego, for the Project
17 Work; provided, that agreements with
18 third parties concerning the nuclear
19 steam supply systems, fuel supply,
20 fuel reprocessing, turbine-generators
21 and the Engineer-Constructor will be
22 executed and enforced by both Edison
23 and San Diego.

24 5.3.8 Comply with laws and regulations
25 applicable to the Project Work, includ-
26 ing the provisions of any workmen's

1 compensation acts.

2 5.3.9 Keep and maintain records of monies re-
3 ceived and expended, obligations in-
4 curred, credits accrued, estimates of
5 Construction Costs (excluding ad valorem
6 taxes and the allowance for funds used
7 during construction), and contracts
8 entered into in the performance of
9 Project Work.

10 5.3.10 Expend funds advanced by San Diego to
11 the Project Director only for Construc-
12 tion Costs and in accordance with the
13 terms and conditions of this Agreement.

14 5.3.11 Keep Units 2 and 3 free from liens ex-
15 cept for liens for taxes or assessments
16 not yet due or liens incidental to
17 construction; provided, that the Project
18 Director may in good faith contest the
19 lawfulness or validity of any lien if
20 such lien cannot be fore-closed during
21 the pendency of the contest.

22 5.3.12 Keep San Diego, through its Engineering
23 Representative, fully and promptly
24 informed as to significant matters
25 involving the Project Work.

26 5.3.13 Obtain or cause to be obtained, in

1 accordance with Section 10 hereof,
2 construction permits, temporary
3 access rights and other licenses
4 and approvals required to perform
5 and complete Project Work.

6 5.3.14 Construct or cause to be constructed
7 Units 2 and 3 with the objective:

8 5.3.14.1 for Unit 2, of having a
9 Date of Firm Operation
10 by October 1, 1979;
11 and

12 5.3.14.2 for Unit 3, of having a
13 Date of Firm Operation by
14 October 1, 1980.

15 The Project Director shall use its
16 best efforts in the performance of
17 its responsibilities hereunder to
18 complete the Project Work as
19 scheduled above and shall promptly
20 inform the Coordinating Representatives
21 of any factors affecting such
22 schedules.

23 5.3.15 Subsequent to the Date of Initial
24 Full Power Operation of each Unit,
25 make final equipment modifications
26 necessary to meet the specified

1 requirements thereof, and conduct
2 tests to verify that specified
3 efficiencies of major equipment
4 items have been achieved.

5 5.3.16 Construct or cause to be constructed
6 a Nuclear Information Center on
7 the Plant Site with convenient access
8 by the public, parking facilities
9 and landscaping.

10 5.4 Each Company shall provide the other with
11 any available information pertaining to the Project Work
12 that will assist the other Company in responding to a
13 request for such information by any regulatory agency.
14 The Companies shall keep each other informed on such
15 responses to regulatory agencies.

16 5.5 The Project Director shall prepare and
17 provide San Diego with a summary of Construction Costs,
18 in a form which will allow San Diego to classify its
19 portion of such Construction Costs to appropriate FPC
20 Accounts, as soon as practicable after the Date of Firm
21 Operation of Unit 2 and Unit 3.

22 5.6 The Project Director shall prepare and provide
23 San Diego with a Final Completion Report within one year after
24 the completion of Project Work.

25 5.7 The Project Director shall use the FPC Accounts
26 in preparing the summary of Construction Costs and the Final

1 Completion Report and any supplements thereto.

2 6. CONSTRUCTION COSTS:

3 6.1 Construction Costs shall consist of payments
4 made and obligations incurred (other than obligations for the
5 allowance for funds used during construction and ad valorem
6 taxes) for the account of Project Work. Construction Costs
7 shall include, but shall not be limited to, all payments made
8 and obligations incurred in connection with the following:

9 6.1.1 All cost of labor, services and studies
10 authorized by the Project Director.

11 6.1.2 Payroll of the Companies' employees who
12 perform Project Work, including
13 customary labor loading charges applic-
14 able thereto such as Social Security
15 Tax, unemployment taxes and time-off
16 allowances.

17 6.1.3 All components of the costs of con-
18 struction including overhead costs
19 associated with construction, temporary
20 facilities, land and land rights,
21 structures and improvements, and
22 equipment for Units 2 and 3, as set
23 forth in the FPC Accounts.

24 6.1.4 All costs, including those of consul-
25 tants and attorneys retained for the
26 purpose of the Project Work and San

1 San Diego's general counsel (but
2 excluding those direct costs of
3 Edison's attorneys whose costs and
4 expenses are included in administrative
5 and general expenses provided for in
6 Section 6.1.8 hereof, and those costs
7 of San Diego's general counsel involved
8 in pre-licensing anti-trust review
9 activities), incurred by the Companies
10 in regard to:

11 6.1.4.1 Land rights (excluding
12 transmission land rights).

13 6.1.4.2 Procurement of the nuclear
14 steam supply systems (in-
15 cluding the initial fuel
16 loadings), turbine-genera-
17 tors and services of the
18 Engineer-Constructor,

19 6.1.4.3 Preparation of applications
20 or reports required to
21 obtain necessary regulatory
22 approvals for Units 2 and 3.

23 6.1.4.4 Preparation of the agree-
24 ments relating to Project
25 Work (excluding this Agree-
26 ment, the letter and supple-

1 mental agreements referred
2 to in Sections 2.2 and 2.3
3 hereof, agreements relating
4 to the ownership, operation
5 and maintenance and any
6 other agreement or amendment
7 to an agreement relating
8 to Units 2 and 3 that the
9 Companies have or may enter
10 into between themselves
11 exclusively).

12 6.1.5 All costs, including any rental
13 charges, of materials, supplies, tools,
14 machinery, equipment, apparatus and
15 construction power.

16 6.1.6 All costs of injuries and damages
17 referred to in Section 9.5 hereof,
18 workmen's compensation incurred
19 referred to in Section 5.3.8 hereof
20 and Project Insurance, except that
21 insurance described in Section 8.2
22 hereof.

23 6.1.7 All federal, state or local taxes of
24 any character imposed upon Project
25 Work.

26 6.1.8 An allowance for administrative and

1 general expenses to cover the costs of
2 services rendered by each Company in
3 the performance of Project Work. Said
4 allowance for each Company shall be the
5 sum of (1) twenty-eight and one-half
6 percent (28.5%) of the labor portion of
7 each respective Company's direct pay-
8 roll, including overheads, of employees
9 who perform Project Work, (2) three-
10 fourths of one percent (3/4%) of one-
11 half of the Construction Costs, such
12 Construction Costs first being reduced
13 by the aforementioned labor portion,
14 and (3) one-half of one percent (1/2%)
15 of the remaining one-half of the
16 Construction Costs, such Construction
17 Costs first being reduced by the afore-
18 mentioned labor portion.

19 As used in this Section 6.1.8, the
20 Construction Costs base for the appli-
21 cation of the percentages referred to
22 above shall not include:

- 23 6.1.8.1 Any allowance for adminis-
24 trative and general expenses.
25 6.1.8.2 Costs and expenses referred
26 to in Section 9.5 hereof.

1 6.1.8.3 Legal fees incurred by
2 San Diego.

3 6.1.9 Expenses of the Operating Agent
4 incurred during the engineering
5 design period, the construction
6 period and the Start-Up Period of each
7 unit.

8 6.1.10 Any training expenses charged to
9 Construction Costs in accordance with
10 an agreement providing for the opera-
11 tion of Units 2 and 3.

12 6.2 Except as otherwise agreed by the Companies,
13 any costs incurred in connection with the retirement of the
14 switchyard facilities at Site A, the construction of the
15 Edison Switchyard and the construction of the San Diego Switch-
16 yard shall be borne solely by the Company owning such facility.

17 6.3 Neither Company shall be entitled to a fee,
18 price, percentage or any other compensation over and above
19 the costs of services rendered by it in the performance of
20 Project Work.

21 6.4 Edison shall pay eighty percent (80%) and
22 San Diego shall pay twenty percent (20%) of all Construction
23 Costs.

24 6.5 Budgets for the expected expenditures of
25 Construction Costs will be established by the Companies in
26 the following manner:

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6.5.1 Within thirty working days after execution of this Agreement, each Company shall prepare and submit to the Fiscal Representatives expenditure curves of its expected expenditures for Construction Costs for the term of this Agreement, and a detailed budget of its expected monthly expenditures for Construction Costs for the 1973 and 1974 calendar years.

6.5.2 Within fifteen working days after receipt of each Companies' curves and budget, the Companies, through their Fiscal Representatives, shall jointly:

6.5.2.1 Develop a Composite Budget, which will consist of a composite expenditure curve for the term of this Agreement and a composite detailed budget by months for the 1973 and 1974 calendar years.

6.5.2.2 Submit such Composite Budget to the Coordinating Representatives for their review and approval.

1 6.5.3 The Coordinating Representatives shall
2 review such Composite Budget and imple-
3 ment any necessary actions so that such
4 Composite Budget will receive their
5 approval within twenty working days
6 after receipt of the Composite Budget.

7 6.5.4 Such Composite Budget shall form the
8 basis for projecting the Construction
9 Costs; provided, that the Companies'
10 failure to develop such Composite
11 Budget shall not in any way prevent
12 the Project Director from performing
13 in a timely fashion the Project Work.

14 6.5.5 By September 1 of each succeeding year
15 thereafter and until the termination of
16 this Agreement, each Company shall
17 prepare and submit to the Fiscal
18 Representatives a detailed budget of
19 its expected monthly expenditures for
20 Construction Costs for the two next
21 following years.

22 6.5.6 Within fifteen working days after re-
23 ceipt of each Company's detailed
24 budget for the two next following
25 years, the Companies, through their
26 Fiscal Representatives, shall jointly

1 revise the Composite Budget according-
2 ly and submit such revised Composite
3 Budget to the Coordinating Represent-
4 atives for their review and approval.

5 6.5.7 The Coordinating Representatives shall
6 review such revised Composite Budget
7 and implement any necessary actions so
8 that such revised Composite Budget will
9 receive their approval by October 1 of
10 each succeeding year.

11 6.5.8 The Companies shall promptly advise
12 each other if and when it becomes
13 apparent that actual costs will differ
14 materially from projected costs sub-
15 mitted by such Company. If from time
16 to time it becomes evident that the
17 Composite Budget is in need of material
18 revision, the Companies, acting through
19 their Fiscal Representatives, shall
20 promptly revise such Composite Budget
21 and submit it to the Coordinating
22 Representatives for their approval.

23 6.6 San Diego shall submit to the Project Director,
24 no more frequently than weekly, an invoice for actual
25 Construction Costs incurred by San Diego for the period
26 covered by such invoice.

1 6.7 San Diego shall advance funds weekly to the
2 Project Director, so that the Project Director may reimburse
3 itself and pay others for Construction Costs to be incurred,
4 as follows:

5 6.7.1 On Thursday of each week, the Project
6 Director shall submit to San Diego a
7 Request for Funds (in the form des-
8 cribed in Exhibit A attached hereto),
9 to cover San Diego's portion of
10 expected expenditures for Construction
11 Costs for the calendar week following
12 such request. San Diego shall make
13 such advance payment to the Project
14 Director within three working days
15 after receipt by San Diego of such
16 request.

17 6.7.2 In making any Request for Funds, the
18 Project Director shall take into
19 account any unexpended balance in or
20 deficiency of funds previously ad-
21 vanced by San Diego and statements
22 of Construction Costs previously
23 submitted by San Diego.

24 6.7.3 Funds not advanced to the Project
25 Director by San Diego in response to
26 a Request for Funds on or before the

1 due date shall be payable with
2 interest accrued at the rate of ten
3 percent (10%) per annum or the
4 maximum legal rate of interest, which-
5 ever is lesser, computed from the due
6 date to the date of payment.

7 6.8 The Project Director shall make its records
8 relating to Construction Costs available to the Fiscal
9 Representatives at reasonable times and places.

10 6.9 A cash adjustment shall be made between
11 Edison and San Diego so that each item of the Construction
12 Costs shall be shared between the Companies in proportion
13 to their Participation Shares as follows:

14 6.9.1 When the total and final Construction
15 Costs shall have been incurred and
16 calculated, San Diego shall pay to
17 Edison for any deficit between total
18 advances made by it and its Participa-
19 tion Share of the total and final
20 Construction Costs, or shall be
21 reimbursed by Edison for any credit
22 between said total advances made by
23 it and its Participation Share of the
24 total and final Construction Costs.

25 6.9.2 Such deficit or credit shall be payable
26 with interest at an annual interest

1 rate charged to prime unsecured
2 borrowers by the Bank of America,
3 N.T. and S.A., San Francisco, then
4 in effect, accrued from the date of
5 the last cash transaction between the
6 Companies resulting from a Request for
7 Funds and until the date of payment of
8 such deficit or credit.

9 7. ADMINISTRATION:

10 7.1 As a means of securing effective cooperation
11 and interchange of information and of providing consultation
12 on a prompt and orderly basis between the Companies in
13 connection with various administrative and technical problems
14 which may arise from time to time in connection with the
15 performance of the Project Agreements, each Company shall
16 designate qualified representatives, as listed below, who
17 shall contact each other directly regarding Project Work
18 matters and shall be responsible for developing procedures
19 as required to provide for effective liaison between the
20 Companies.

21 7 1.1 A Coordinating Representative to be
22 appointed by each Company:

23 7.1.1.1 To provide liaison
24 between the Companies at the
25 Management level.

26 7.1.1.2 To review and discuss

1 issues and problems relating
2 to Units 2 and 3 and to seek
3 to resolve issues referred to
4 it by the Engineering, Fiscal,
5 Insurance, or Quality Control
6 Representatives.

7 7.1.2 An Engineering Representative to be
8 appointed by each Company:

9 7.1.2.1 To provide liaison between
10 the Companies at the
11 project engineering level
12 and to provide a point of
13 contact for all Project
14 Work except matters specif-
15 ically assigned to other
16 representatives provided for
17 in this Section 7.

18 7.1.2.2 To review and discuss issues
19 and problems and to take
20 such actions as are necessary
21 to implement the provisions
22 of this Agreement.

23 7.1.2.3 To perform such other
24 functions and duties as may
25 be assigned to them by the
26 Coordinating Representatives.

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7.1.3 A Fiscal Representative to be appointed by each Company:

7.1.3.1 To provide liaison between the Companies and to provide a point of contact for all matters concerning plant accounting, audits, billings, construction expense accounting and other related fiscal matters.

7.1.3.2 To review and discuss issues and problems and to take such actions as are necessary to implement the provisions of this Agreement.

7.1.3.3 To develop procedures for providing proper accounting between the Companies incidental to the Construction Costs.

7.1.3.4 To perform such other functions and duties as may be assigned to them by the Coordinating Representatives.

7.1.4 An Insurance Representative to be appointed by each Company:

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7.1.4.1 To provide liaison between the Companies and to provide a point of contact for all matters concerning Project Insurance.

7.1.4.2 To review and discuss issues and problems and take such actions as are necessary to implement the provisions of this Agreement.

7.1.4.3 To perform such other functions and duties as may be assigned to them by the Coordinating Representatives.

7.1.5 A Quality Control Representative to be appointed by each Company:

7.1.5.1 To provide liaison between the Companies and to provide a point of contact for all matters concerning Quality Control.

7.1.5.2 To review and discuss issues and problems, and take such actions and institute such procedures as are necessary to implement the provisions

1 of this Agreement.

2 7.1.5.3 To perform such other
3 functions and duties as may
4 be assigned to them by the
5 Coordinating Representatives.

6 7.2 Within ten days after execution of this Agree-
7 ment, each Company by notice to the other Company shall
8 designate its Coordinating, Engineering, Fiscal, Insurance and
9 Quality Control Representatives.

10 7.3 Each Company shall notify the other Company
11 promptly of any change in its representatives.

12 7.4 The Companies, acting through their Coordin-
13 ating Representatives, shall have the right to establish
14 ad hoc committees when, in the opinion of the Coordinating
15 Representatives, such committees are required. The authority
16 of any such committee shall be set forth in the written
17 agreement between the Coordinating Representatives establishing
18 such committee and shall be subject to the provisions of
19 the Project Agreements.

20 7.5 Representatives established pursuant to this
21 Agreement shall have no authority to modify any of the
22 provisions of the Project Agreements; provided, that this
23 Agreement may be modified in writing and when duly executed
24 by an officer of each Company.

25 7.6 Any action, agreement or determination made
26 by the Coordinating Representatives shall be reduced to

1 writing and shall become effective when signed by the
2 Coordinating Representative of each Company.

3 8. PROJECT INSURANCE:

4 8.1 During the performance of Project Work
5 hereunder, the Project Director shall secure and maintain in
6 effect the following non-nuclear insurance coverages, to
7 the extent available, covering the Project Work. Such
8 coverages may be provided by either the Companies or
9 contractors.

10 8.1.1 Comprehensive bodily injury and
11 property damage liability insurance,
12 excluding automobile liability.

13 8.1.2 All risk-builder's risk insurance
14 covering loss or damage to Project
15 Work under course of construction,
16 including materials and supplies
17 while in transit and while stored at
18 the Plant Site.

19 8.2 During the performance of Project Work here-
20 under each Company shall secure and maintain in effect the
21 following insurance coverages for itself:

22 8.2.1 Automobile liability protection
23 covering liabilities arising out of
24 the use by such Company of owned,
25 non-owned, or hired automobiles
26 used in the performance of Project

1 Work.

2 8.2.2 Workmen's compensation benefits
3 covering such Company's own
4 employees in compliance with
5 statutory requirements of the
6 relevant jurisdiction.

7 8.3 The Companies shall, prior to the delivery of
8 nuclear fuel for Unit 2 and Unit 3 to the Plant site,
9 secure and maintain in effect the following nuclear
10 insurance and other coverages with respect to said
11 units:

12 8.3.1 Nuclear liability insurance against
13 liability arising out of or resulting
14 from a "nuclear incident" as defined
15 in Section 11q of the Atomic Energy
16 Act of 1954, as amended. Such
17 insurance shall include (a)
18 liability insurance from the Nuclear
19 Energy Liability Insurance Association
20 and the Mutual Atomic Energy
21 Liability Underwriters, or
22 equivalent insurance in such amount
23 and in such form as shall meet the
24 financial protection requirements of
25 the Atomic Energy Commission pursuant
26 to Subsection 170b of the Atomic

1 Energy Act of 1954, as amended,
2 and (b) a Government Indemnity
3 Agreement with the Atomic Energy
4 Commission pursuant to Subsection
5 170c of the Atomic Energy Act of 1954,
6 as amended.

7 8.3.2 Nuclear property damage insurance
8 from the Nuclear Energy Property
9 Insurance Association and the
10 Mutual Atomic Energy Reinsurance
11 Pool, or Nuclear Mutual, Ltd., or
12 equivalent insurance, and any
13 additional nuclear property damage
14 insurance coverage in such amount
15 and such form as are agreed upon
16 by the Companies.

17 8.4 The insurable values, limits, deductibles,
18 retentions, and other special terms, covenants and
19 conditions of the Project Insurance shall be agreed upon
20 by the Companies prior to the placement of such insurance.

21 8.5 Both Companies shall be named insureds,
22 individually and jointly, on the insurance described in
23 Sections 8.1 and 8.3 hereof, and the comprehensive bodily
24 injury and property damage liability insurance referred
25 to in Section 8.1.1 hereof shall carry cross liability
26 endorsements.

1 8.6 Project Insurance policies shall be primary
2 insurance for all purposes and shall be so endorsed; provided,
3 that the liability insurance referred to in Section 8.1.1 may
4 be excess of insurance being provided by a contractor. Any
5 other insurance carried by a Company individually shall not
6 participate with the Project Insurance as respects any loss
7 or claim for which valid and collectible Project Insurance
8 shall apply. Such other insurance shall apply solely as
9 respects the individual interests of the Company carrying
10 such other insurance.

11 8.7 Each of the policies of Project Insurance shall
12 be endorsed so as to provide that all additional named insureds
13 shall be given the same advance notice of cancellation or
14 material change as that required to be given to the Project
15 Director.

16 8.8 The Project Director shall furnish each
17 Company with either a certified copy of each of the policies
18 of Project Insurance or a certified copy of each of the policy
19 forms of Project Insurance, together with a line sheet therefor
20 (and any subsequent amendments) naming the insurers and
21 underwriters and the extent of their participation. When
22 the policies or policy forms of Project Insurance have been
23 approved in writing by both Companies, said policy forms
24 shall not be modified or changed by any Company without the
25 prior written consent of the other Company, except for
26 minor and insubstantial changes or modifications, as to

1 which notification shall be given by the Project Director to
2 the Companies.

3 8.9 The Project Director may at its option be in
4 whole or in part a self-insurer for workmen's compensation to
5 the extent the benefits thereunder may be extended to employees
6 of the Project Director at Units 2 and 3.

7 8.10 If either Company's insurance program affords
8 equal or better coverage on a more favorable cost basis than
9 that available to the Project Director, the Companies may
10 agree that such insurance program may be utilized to afford all
11 or part of the insurance required by Sections 8.1 and 8.3
12 hereof.

13 8.11 Nothing herein shall prohibit the Project
14 Director or any Company from furnishing a policy of Project
15 Insurance which combines the coverage required by this
16 Agreement with coverage outside the scope of that required
17 by this Agreement. If the Project Director or either Company
18 furnishes such a policy of Project Insurance, the Companies
19 shall agree on the portion of the total premium cost which
20 is allocable to Project Insurance. If the Companies are
21 unable to agree on such allocation, the Project Director may
22 make an estimated allocation and bill the Companies on the
23 basis thereof, with adjustment to be made when the dispute
24 is resolved.

25 8.12 Except as provided in Section 8.13 hereof,
26 if either Company desires changes in any Project Insurance

1 policy, such Company shall notify the Project Director
2 and the other Company in writing of the desired changes not
3 less than ninety days prior to the renewal or anniversary
4 date of such Project Insurance policy.

5 8.13 Each Company shall have the right by written
6 notice to the Project Director to name any mortgagee, trustee
7 or secured party on all or any of the Project Insurance
8 policies as loss payees or additional insureds as their
9 interest may appear.

10 8.14 If the Companies are unable to agree upon
11 any matters relating to the Project Insurance, the Project
12 Director, pending resolution of such disagreement, shall
13 procure such policies of insurance as in its best judgment
14 are necessary and required to protect the Companies against
15 the insurable risks for which Project Insurance is required.
16 During any period of negotiations with an insurer, or other
17 negotiations which are pending at the expiration of the
18 period of coverage of a Project Insurance policy, or if a
19 Project Insurance policy is cancelled, the Project Director
20 shall renew or bind policies as an emergency measure or may
21 procure policies of insurance which are identical to those
22 which were cancelled, or may to the extent possible secure
23 replaceable policies which will provide substantially the
24 same coverage as the policy expiring or cancelled.

25 9. LIABILITY:

26 9.1 As used in this Section 9, the following terms

1 have the following meanings exclusively:

2 9.1.1 "Damage" means any loss, damage,
3 cost, charge or expense resulting
4 from the performance or nonperformance
5 by a Company or the Companies of
6 Project Work, or the performance
7 or nonperformance by a Company or the
8 Companies of any of the Project
9 Agreements.

10 9.1.2 "Nuclear Incident" means a nuclear
11 incident as defined in Section 11q or
12 the Atomic Energy Act of 1954, as
13 amended.

14 9.1.3 "Uninsured Damage" means Damage not
15 paid for by Project Insurance.

16 9.2 Except as provided in Section 9.3 hereof,
17 neither Company will be liable to the other Company for
18 Uninsured Damage resulting from a Nuclear Incident.

19 9.3 Neither Company, its directors, officers or
20 employees shall be obligated to discharge any liability to
21 the other Company in excess of \$2,000,000 for any single
22 occurrence for any direct, indirect or consequential
23 Uninsured Damage of any kind or nature suffered by the other
24 Company, resulting from Willful Action and resulting from or
25 arising out of a Nuclear Incident. Each Company expressly
26 releases the other Company, its directors, officers and

1 employees from any such liability in excess of \$2,000,000 per
2 occurrence and from any judgment in excess of \$2,000,000 per
3 occurrence obtained against a Company, its directors,
4 officers or employees, for any such liability. Neither
5 Company shall execute, levy or otherwise enforce such a
6 judgment, or record or effect a judgment lien, against the
7 other Company, its directors, officers or employees for any
8 part of such judgment in excess of \$2,000,000 per occurrence.

9 9.4 Subject to Sections 9.2 and 9.3 hereof and
10 except for Uninsured Damage resulting from Willful Action
11 (and not resulting from or arising out of a Nuclear Incident),
12 neither Company, its directors, officers or employees shall
13 be obligated to discharge any liability to the other Company,
14 for any direct, indirect or consequential Uninsured Damage
15 of any kind or nature suffered by the other Company, whether
16 or not resulting from the negligence of a Company, its
17 directors, officers, employees or any other person or entity
18 whose negligence would be imputed to a Company. Subject to
19 the exceptions contained in this Section 9.4, each Company
20 expressly releases the other Company, its directors, officers
21 and employees for any such liability. Neither Company shall
22 execute, levy or otherwise enforce a judgment for such
23 liability, including recording or effecting a judgment lien,
24 against the other Company, its directors, officers, or
25 employees.

26 9.5 Subject to Sections 9.2 and 9.3 hereof and

1 except for liability for Uninsured Damage resulting from
2 Willful Action (and not resulting from or arising out of
3 a Nuclear Incident), and except as provided in Sections 9.6
4 and 9.7 hereof, Edison shall pay eighty percent (80%) and
5 San Diego shall pay twenty percent (20%) of:

6 9.5.1 The costs and expenses of discharging
7 liability of one or both of the
8 Companies for any direct, indirect
9 or consequential Uninsured Damage
10 of any kind or nature suffered by
11 any party other than a Company, whether
12 or not resulting from the negligence
13 of a Company, its directors, officers
14 and employees or any other person
15 or entity whose negligence would be
16 imputed to a Company; and

17 9.5.2 The costs and expenses incurred in
18 settlement of injuries and damage
19 claims, including attorneys' fees and
20 the cost of labor and related supplies
21 and expenses incurred in injuries and
22 damages activities (all as referred
23 to in FPC Account 925) resulting
24 from or arising out of such liability.

25 9.6 Except for liability for Uninsured Damage
26 resulting from Willful Action, either Company whose ultimate

1 consumer shall make a claim or demand or bring an action
2 for any damage (including death or injury) arising out of
3 electric service to such ultimate consumer shall indemnify and
4 hold harmless the other Company, its directors, officers, and
5 employees from and against any claim, demand or liability
6 for such damage. The term "ultimate consumer" means any
7 electric customer, except an electric utility system to which
8 electric power is delivered for resale.

9 9.7 Except for liability for Uninsured Damage
10 (including death or injury) resulting from Willful Action,
11 each Company shall bear the total costs of discharging all
12 legal liability imposed upon it or the other Company,
13 including attorneys' fees and other associated costs, arising
14 out of workmen's compensation claims, or employers' liability
15 claims, brought by its employees; provided, that the
16 cost of discharging such liability, including attorneys' fees
17 and other associated costs, arising out of such workmen's
18 compensation claims brought by a Company's personnel whose
19 labor expenses are charged or allocated to the Project Work
20 shall be shared eighty percent (80%) by Edison and twenty
21 percent (20%) by San Diego.

22 10. AUTHORIZATIONS AND APPROVALS: The Project Director,
23 assisted as necessary by San Diego, will be responsible for
24 obtaining the required authorizations and approvals for the
25 Project Work. Such authorizations and approvals may include,
26 but are not necessarily limited to, the following (those items

1 marked with an asterisk (*) indicate the areas in which the
2 Companies will make joint application):

3 10.1 Atomic Energy Commission

4 10.1.1 Construction permit*

5 10.1.2 Operating license*

6 10.1.3 Special nuclear material license*

7 10.2 Public Utilities Commission

8 10.2.1 Certificates of convenience and
9 necessity*

10 10.2.2 Authorization for financial agreement
11 relative to the financing of the
12 English Electric turbine-generators*

13 10.3 State Resources Agency

14 10.3.1 Siting agreement*

15 10.4 State Lands Commission

16 10.4.1 Sand disposal and temporary working
17 area permit*

18 10.4.2 Offshore conduit easement and
19 construction permit*

20 10.5 San Diego Regional Water Quality Control Board

21 10.5.1 Sand disposal permit*

22 10.5.2 Industrial waste discharge resolution*

23 10.6 State Water Resources Control Board

24 10.6.1 Certification of compliance with water
25 quality standards*

26 10.7 Army Corps of Engineers

- 1 10.7.1 Offshore conduit construction permit*
- 2 10.7.2 Sand disposal permit*
- 3 10.7.3 Discharge permit*
- 4 10.8 U.S. Coast Guard
- 5 10.8.1 Aid to navigation agreement
- 6 10.9 State Department of Public Health
- 7 10.9.1 Radiological monitoring program
- 8 approval*
- 9 10.9.2 Radioactive materials license
- 10 10.10 U.S. Marine Corps
- 11 10.10.1 Soil disposal agreement
- 12 10.10.2 Temporary easement for 220-kV trans-
- 13 mission lines
- 14 10.10.3 Sand disposal permit
- 15 10.10.4 Telephone line relocation approval
- 16 10.11 Santa Fe Railway
- 17 10.11.1 Temporary right-of-way encroachment
- 18 permit
- 19 10.11.2 Spur track approval
- 20 10.12 State Department of Highways
- 21 10.12.1 U.S. Highway 101 relocation
- 22 10.13 State Department of Highways/U.S. Marine Corps
- 23 10.13.1 Encroachment permit for permanent
- 24 access road
- 25 10.13.2 Temporary encroachment permits for:
- 26 10.13.2.1 Access road to Site A

1 10.13.2.2 220-kV and 138-kV temporary
2 lines on shoulders of old
3 U.S. 101

4 10.13.2.3 Duct bank and fireline
5 installation

6 10.14 Pacific Telephone and Telegraph Company

7 10.14.1 Approval to relocate U.S. Marine Corps
8 communication cable within PT&T
9 Company's easement

10 10.14.2 Duct bank and fireline crossing

11 10.15 California Coastal Zone Commission

12 10.15.1 Any permits required under the
13 California Coastal Zone Conservation
14 Act of 1972. *

15 10.16 Switchyard and Transmission Line Approvals

16 10.16.1 Each Company shall be responsible for
17 obtaining at its own expense, its
18 required authorizations and approvals,
19 if any, relating to its switchyard at
20 Site A, the Edison Switchyard, the
21 San Diego Switchyard, and transmission
22 lines into and out of said switchyards.

23 11. RELATIONSHIP OF PARTIES:

24 11.1 The covenants, obligations and liabilities
25 of the Companies under the Project Agreements are intended
26 to be several and not joint or collective, and nothing

1 herein contained shall ever be construed to create an
2 association, joint venture, trust or partnership, or to
3 impose a trust or partnership covenant, obligation or
4 liability on or with regard to either of the Companies.
5 Each Company shall be individually responsible for its own
6 covenants, obligations and liabilities as herein provided.
7 Neither Company shall be under the control of or shall be
8 deemed to control the other Company. No Company shall have
9 a right or power to bind the other Company without its
10 express written consent, except as expressly provided in
11 the Project Agreements.

12 11.12 The Companies hereby elect to be excluded
13 from the application of Subchapter "K" of Chapter 1 of
14 Subtitle "A" of the Internal Revenue Code of 1969, or such
15 portion or portions thereof as may be permitted or authorized
16 by the Secretary of the Treasury or his delegate insofar as
17 such subchapter, or any portion or portions thereof, may
18 be applicable to the Companies under the Project Agreements.

19 12. ARBITRATION:

20 12.1 If the Companies, acting through their
21 respective Coordinating Representatives, are unable to reach
22 agreement with respect to a matter herein specified to be
23 approved, established, determined, or resolved by agreement
24 of the Companies, or by their representatives appointed
25 pursuant to this Agreement, either Company may call for
26 submission of such matter or dispute to arbitration in the

1 manner herein set forth, which call shall be binding upon
2 the other Company to the dispute. The Project Director shall
3 continue to do all things and make all expenditures necessary
4 for the Project Work pending the final decision of the
5 arbitrators.

6 12.2 The Company calling for arbitration shall
7 give notice to the other Company, setting forth in such
8 notice in adequate detail the issues to be arbitrated, and
9 within ten days from receipt of such notice the other
10 Company may by notice to the first Company set forth in
11 adequate detail additional related issues to be arbitrated.

12 12.3 Within twenty days from its notice calling
13 for the arbitration, the first Company shall appoint a
14 person to serve as one arbitrator, and shall give notice
15 to the other Company of such appointment, and within
16 fifteen days after receipt of notice of appointment of the
17 first arbitrator, the other Company shall appoint a person
18 to serve as a second arbitrator, and shall give notice to
19 the first Company of such appointment. The two persons so
20 appointed shall then agree upon and secure a third arbitrator.
21 If the second arbitrator should not be appointed within
22 fifteen days from the appointment of the first or if the
23 third arbitrator should not be secured within fifteen days
24 from the appointment of the second, either Company may with
25 notice to the other Company call upon the American Arbitration
26 Association (or upon a similar organization if the American

1 Arbitration Association should not at that time exist) for
2 appointment of an arbitrator or arbitrators skilled with
3 respect to the matter to be arbitrated, and whose appointment
4 shall be binding on both Companies. No person shall be
5 eligible for appointment by the American Arbitration
6 Association who is an officer, employee, shareholder of, or
7 otherwise interested in either of the Companies or in the
8 matter to be arbitrated.

9 12.4 The arbitrators so appointed shall hear
10 evidence submitted by both Companies and may call for
11 additional information, which additional information the
12 Companies or Company called upon shall furnish to the
13 extent feasible. A decision or determination signed by a
14 majority of the arbitrators shall be conclusive with respect
15 to the issues submitted and shall be binding upon both
16 Companies.

17 12.5 Except as otherwise provided in Sections 12.1,
18 12.2, 12.3, and 12.4 hereof, the arbitration shall be governed
19 by the rules of practice and procedure of the American
20 Arbitration Association from time to time in force, except
21 that, if such rules and practice as herein modified shall
22 conflict with the California Code of Civil Procedure or any
23 other provision of California law then in force, such
24 California rules and provisions shall govern. This submission
25 and agreement to arbitrate shall be specifically enforceable.
26 The award of the arbitrators or a majority of them upon any

1 question submitted to them hereunder shall be final and
2 binding upon the Companies to the extent and in the manner
3 provided by the California Code of Civil Procedure.

4 12.6 Each Company shall bear the fee and personal
5 expenses of the arbitrator appointed by it, together with
6 the fees and expenses of its own counsel and of its own
7 witnesses, and all other costs and expenses of the arbitration
8 shall be borne equally by the Companies, unless a decision of
9 the arbitrators shall specify a different apportionment of
10 any or all of such costs and expenses.

11 13. PAYMENT OF TAXES

12 13.1 The Companies shall use their best efforts
13 to have any taxing authority imposing any property taxes
14 or other taxes, excluding any sales or use taxes, and
15 assessments on Units 2 and 3 assess and levy such taxes and
16 assessments directly against each Company in proportion to its
17 Participation Share.

18 13.2 All taxes or assessments levied against each
19 Company shall be the sole responsibility of the Company upon
20 whom such taxes and assessments were levied directly against
21 one Company in behalf of both Companies.

22 13.3 If any property taxes and other taxes and
23 assessments on Units 2 and 3 are levied and assessed in a
24 manner other than specified in Section 13.1 hereof, such
25 taxes or assessments will be paid by the Company against
26 whom such tax or assessment is levied. The amount of such

1 taxes or assessments will be charged to the proper account
2 for cost sharing in proportion to the Participation Shares.

3 14. START-UP:

4 14.1 Edison, as Operating Agent, shall establish
5 a separate account for accumulation of all costs relating to
6 the Start-Up Period of Units 2 and 3. Charges in such account
7 shall include (a) the cost (normally capitalized in accordance
8 with FPC Accounts) of all expenses (excluding the cost of the
9 Engineer-Constructor start-up crews) and (b) an allowance
10 for the payroll loading and administrative and general expense
11 determined in accordance with Section 6 hereof.

12 14.2 Edison, as Project Director, shall charge all
13 such costs accumulated in such account to Construction Costs.

14 14.3 During the Start-Up Period for Unit 2 and
15 Unit 3, the Companies shall be obligated to take delivery
16 of power and energy generated by and available from each
17 such unit in proportion to their Participation Shares.

18 15. NOTICES: All notices under this Agreement shall
19 be in writing and shall be delivered in person or sent by
20 registered or certified mail to the applicable of the
21 following addressees:

22 Southern California Edison Company
23 c/o Secretary
24 Post Office Box 800
Rosemead, California 91770

25 San Diego Gas & Electric Company
26 c/o Vice President - Electric
Post Office Box 1831
San Diego, California 92112

1 By notice sent to the other Company,
2 either Company may designate different persons or different
3 addresses for the giving of notices hereunder.

4 16. UNCONTROLLABLE FORCES: Neither Company shall be
5 considered to be in breach of any of the obligations hereunder
6 to the extent failure of performance shall be due to
7 uncontrollable forces. The term "uncontrollable forces" shall
8 mean any cause beyond the control of a Company unable to
9 perform such obligation, including, but not limited to,
10 failure of facilities, flood, earthquake, storm, fire,
11 lightning, and other natural catastrophies, epidemics, war,
12 riot, civil disturbance, labor dispute, sabotage, Government
13 priorities, restraint by Court order or public authority,
14 and action or non-action by or failure to obtain the necessary
15 authorizations or approvals from any Government agency or
16 authority, which by exercise of reasonable diligence and
17 foresight such Company could not reasonably have been expected
18 to avoid and which by exercise of reasonable diligence it
19 has been unable to overcome. Any Company rendered unable to
20 fulfill any obligation by reason of uncontrollable forces
21 shall exercise due diligence to remove such inability with
22 all reasonable dispatch. Nothing contained herein shall be
23 construed so as to require a Company to settle any strike or
24 labor dispute in which it may be involved.

25 17. TERMINATION:

26 17.1 Either Company may terminate its obligations

1 under this Agreement by notice to the other Company if, after
2 using its best efforts, it is unable to obtain any required
3 authorization or approval referred to in Section 10 hereof
4 or any other authorization or approval as required by law or
5 if any such authorization or approval, when issued, made or
6 effected shall include an unforeseen condition that would
7 have a substantial adverse economic effect on such Company.

8 17.2 In the event of a termination by either
9 Company pursuant to Section 17.1 hereof, all costs and
10 expenses (including interest during construction) incurred by
11 the terminating Company in connection with Units 2 and 3 and
12 the terminating Company's Participation Share of accumulated
13 Construction Costs incurred up to the date of such termination
14 shall be borne by the terminating Company.

15 17.3 The interests of such terminating Company in
16 Units 2 and 3 may be acquired by the other Company for an
17 amount equal to the terminating Company's then contribution
18 to Construction Costs and all other costs and expenses (includ-
19 ing the allowance for funds used during construction) incurred
20 by such terminating Company in connection with Units 2 and 3.

21 17.4 If the Company not terminating does not wish
22 to acquire the interests of the terminating Company, all
23 costs and expenses incurred to implement such total termination
24 of Units 2 and 3 shall be shared in proportion to the
25 Participation Share of each Company.

26 18. ADDITIONAL AGREEMENTS AND CONSENTS: Each Company

1 agrees to negotiate in good faith and to proceed with
2 diligence to obtain all agreements and consents required
3 by it to be obtained, necessary to implement this Agreement,
4 between such Company and the other Company or other parties.

5 19. OTHER AGREEMENTS: This Agreement supersedes the
6 letter agreement between the Companies concerning liability
7 and insurance dated August 21, 1970, and shall operate to
8 terminate the letter agreement between the Companies concerning
9 project costs prior to a definitive Construction Agreement
10 dated September 9, 1970, both in connection with Units 2 and 3.

11 20. COMPLETION OF PROJECT WORK: The Project Work shall
12 be deemed to have been completed as follows:

13 20.1 When the Project Director deems the Project
14 Work to be completed in accordance with this Agreement, the
15 Project Director shall serve notice of that fact upon San
16 Diego. If San Diego does not object within one hundred and
17 twenty days after its receipt thereof, by notice to Edison,
18 acting as Project Director, which notice shall specify the
19 items of Project Work claimed not to be completed, the
20 Project Work shall be deemed to have been completed one
21 hundred and twenty days after receipt of such notice by
22 San Diego from the Project Director.

23 20.2 If objection is made by San Diego under
24 Section 20.1 hereof, the Project Work shall be deemed to
25 have been completed when both Companies agree, or when a
26 binding determination through arbitration or otherwise has

1 been made to that effect.

2 21. TERM: Except as provided in Section 19 hereof,
3 this Agreement shall become effective as of January 22, 1970,
4 when it has been duly executed by Edison and San Diego, and
5 shall continue in force until the obligations of the
6 Companies have been performed or otherwise discharged.

7 IN WITNESS WHEREOF, the Companies have caused this
8 Agreement to be executed in duplicate on their behalf as of
9 the date first written above.

10
11 ATTEST: SAN DIEGO GAS & ELECTRIC COMPANY

12
13
14 J. Abraham
15 SECRETARY

By W. R. ...
16 SENIOR VICE PRESIDENT

17 ATTEST: SOUTHERN CALIFORNIA EDISON COMPANY

18
19
20 Elin Botenstam
21 ASSISTANT SECRETARY

By David J. Fogarty
22 VICE-PRESIDENT

APPROVED AS TO FORM:
ROLLIN E. WOODBURY
Vice President & General Counsel
By E. Woodbury
Senior Counsel
4-2-V 1973

REQUEST FOR FUNDS - SAN ONOFRE UNITS 2 & 3

	SAN DIEGO GAS AND ELECTRIC 20%	SOUTHERN CALIFORNIA EDISON 80%	TOTAL
Request for Week Ending			
Engineer - Constructor Requirements - Construction			
Engineer - Constructor Requirements - Engineering			
Turbine Generator			
Nuclear Steam Supply System			
Project Director's Labor			
Consultants			
Other Project Director's Costs			
TOTAL			

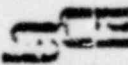
Project Requests to Date			
Engineer - Constructor Requirements - Construction			
Engineer - Constructor Requirements - Engineering			
Turbine Generator			
Nuclear Steam Supply System			
Project Director's Labor			
Consultants			
Other Project Director's Costs			
TOTAL			

MEMORANDUM: Project Manager To Transfer Funds To

PREPARED BY

PLANT ACCOUNTING DIVISION,
SOUTHERN CALIFORNIA EDISON COMPANY

Southern California Edison Company



REQUEST NO.

DATE

127

EXHIBIT

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AMENDMENT NO. 1

SAN ONOFRE UNITS 2 AND 3
CONSTRUCTION AGREEMENT

BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY
AND
SOUTHERN CALIFORNIA EDISON COMPANY

1 AMENDMENT NO. 1
2 SAN ONOFRE UNITS 2 AND 3
3 CONSTRUCTION AGREEMENT

4 1. PARTIES: The Parties to this Amendment No. 1 to the San
5 Onofre Units 2 and 3 Construction Agreement ("Construction
6 Agreement") are: SAN DIEGO GAS & ELECTRIC COMPANY
7 ("SAN DIEGO"), a California corporation, and SOUTHERN
8 CALIFORNIA EDISON COMPANY ("EDISON"), a California
9 corporation.

10 2. RECITALS: This Amendment No. 1 to the Construction
11 Agreement is made with reference to the following facts,
12 among others:

13 2.1 The Parties entered into the San Onofre Units
14 2 and 3 Construction Agreement, dated May 24, 1973, to
15 provide for their respective rights and obligations with
16 respect to the construction of Units 2 and 3 at San Onofre.

17 2.2 The Parties desire to amend certain provisions
18 of the Construction Agreement to more clearly provide
19 for their respective rights and obligations with respect
20 to the construction of switchyard facilities at San
21 Onofre, to provide for a single arbitrator to resolve
22 disputes and to revise the responsibility for preparation
23 of the Composite Budget.

24 3. AGREEMENT: The Parties agree as follows:

25 3.1 Add Section 4.34 to the Construction Agreement
26 as follows:

"4.34 Interconnection Facilities: The power circuit

1 breakers, conductors, bus support structures, disconnect
2 switches, current transformers, potential transformers,
3 relaying, metering, relaying and metering interface
4 cabinets and taps to the 220 kV buses located in or
5 associated with the bus sectionalizing position through
6 which the Edison Switchyard and the San Diego Switchyard
7 are connected and the common air conditioning unit
8 and associated controls for the relay houses."

9 3.2 Amend Section 4.7 of the Construction Agreement
10 to read as follows:

11 "4.7 Edison Switchyard: The 220 kV switchrack
12 and related facilities at San Onofre connected to and
13 located to the north of the Interconnection Facilities
14 except for the power circuit breakers, transformer
15 side disconnect switches, conductors, and dead-end
16 assemblies associated with the main transformer leads
17 and reserve auxiliary transformer leads, or any environ-
18 mental radiation monitoring equipment installed therein.
19 In addition, the controls associated with the Edison
20 Switchyard located in the Units 2 and 3 control-administra-
21 tion building are considered to be part of the Edison
22 Switchyard."

23 3.3 Amend Section 4.21 of the Construction Agreement
24 to read as follows:

25 "4.21 Project Work: All engineering, design
26 construction, contract preparation, purchasing, super-

1 vision, expediting, inspection, accounting, testing,
2 start-up, and regulatory licensing of and for Units 2 and
3 3, the Interconnection Facilities, and other related
4 facilities (but not the switchyard facilities at Site A,
5 the Edison Switchyard and the San Diego Switchyard) as such
6 work is more particularly described in Section 5 hereof."

7 3.4 Amend Section 4.25 of the Construction Agreement
8 to read as follows:

9 "4.25 San Diego Switchyard: The 220 kV switchrack
10 and related facilities at San Onofre connected to and
11 located to the south of the Interconnection Facilities
12 except for the power circuit breakers, transformer side
13 disconnect switches, conductors, and dead-end
14 assemblies associated with the main transformer leads
15 and reserve auxiliary transformer leads, or any environ-
16 mental radiation monitoring equipment installed therein."

17 3.5 Amend Section 6.1.3 of the Construction Agree-
18 ment to read as follows:

19 "6.1.3 All components of the costs of construction
20 including overhead costs associated with construction,
21 temporary facilities, land and land rights, structures
22 and improvements, and equipment for Units 2 and 3, and
23 the Interconnection Facilities, as set forth in the
24 FPC Accounts."

25 3.6 Amend Section 6.4 of the Construction Agreement
26 to read as follows:

1 "6.4 Edison shall pay eighty percent (80%) and
2 San Diego shall pay twenty percent (20%) of all Construc-
3 tion Costs except for those Construction Costs incurred
4 in connection with the Interconnection Facilities. Edison
5 shall pay fifty percent (50%) and San Diego shall pay
6 fifty percent (50%) of all Construction Costs incurred
7 in connection with the Interconnection Facilities; pro-
8 vided, however, that the costs of engineering and design
9 for the Interconnection Facilities shall be shared as
10 provided by the San Onofre Switchyard Letter Agreement
11 between Edison and San Diego, dated May 6, 1974."

12 3.7 Amend Section 6.5.5 of the Construction Agree-
13 ment to read as follows:

14 "6.5.5 Annually or more often, each Company shall
15 prepare and submit to the Engineering Representatives
16 a detailed budget of its expected monthly expenditures
17 for Construction Costs for the two next following years."

18 3.8 Amend Section 6.5.6 of the Construction Agree-
19 ment to read as follows:

20 "6.5.6 The Companies, through their Engineering
21 Representatives, shall jointly revise the Composite
22 Budget accordingly and submit such revised Composite
23 Budget to the Coordinating Representatives for their
24 review and approval."

25 3.9 Amend Section 6.5.8 of the Construction Agree-
26 ment to read as follows:

1 "6.5.8 The Companies shall promptly advise each
2 other if and when it becomes apparent that actual
3 costs will differ materially from projected costs sub-
4 mitted by such Company. If from time to time it becomes
5 evident that the Composite Budget is in need of material
6 revision, the Companies, acting through their Engineer-
7 ing Representatives, shall promptly revise such Composite
8 Budget and submit it to the Coordinating Representatives
9 for their approval."

10 3.10 Amend Section 12.1, Page 45, Line 5, of the
11 Construction Agreement by deleting the word "arbitrators"
12 and inserting the word "arbitrator".

13 3.11 Amend Section 12.3 of the Construction Agree-
14 ment to read as follows:

15 "12.3 Within twenty (20) days after the date of
16 receipt of the initial notice of arbitration, the Parties,
17 acting through their Coordinating Representatives, shall
18 meet for the purpose of selecting one (1) arbitrator. In
19 the event the Coordinating Representatives shall fail
20 to select such arbitrator as herein provided, then such
21 representative shall request the American Arbitration
22 Association (or a similar organization if the American
23 Arbitration Association should not at that time exist)
24 to provide a list of arbitrators, the number of which
25 shall be one (1) more than there are sides to the dispute.
26

1 The arbitrator selected above, if any, and all arbitrators
2 on such list shall be available to serve and shall be
3 skilled and experienced in the field which gives rise
4 to the dispute, and no person shall be eligible for
5 appointment as an arbitrator who is an officer, employee
6 or shareholder of any of the parties to the dispute or
7 is otherwise interested in the matter to be arbitrated.
8 Within thirty (30) days after the date of receipt of
9 such list, the Coordinating Representatives shall take
10 turns striking names from said list. The last name
11 remaining on said list shall be the selected arbitrator.
12 Within ten (10) days after such selection, the Parties
13 shall submit to such arbitrator the written notices pre-
14 pared pursuant to Section 12.2 hereof."

15 3.12 Amend Section 12.4 of the Construction Agree-
16 ment to read as follows:

17 "12.4 The arbitrator shall consider evidence sub-
18 mitted by the Parties and may call for additional informa-
19 tion. The Parties shall use their best efforts to
20 furnish such additional information. The decision of
21 the arbitrator shall be binding upon all the Parties."

22 3.13 Amend Section 12.5, Page 46, Line 26, of the
23 Construction Agreement by deleting the words "arbitrators
24 or a majority of them" and inserting the word "arbitrator".

25 3.14 Amend Section 12.6 of the Construction Agree-
26 ment to read as follows:

1 "12.6 The fees and expenses of the arbitrator
2 shall be shared by the Parties equally, unless the decision
3 of the arbitrator shall specify some other apportionment
4 of such fees and expenses. All other expenses and costs
5 of the arbitration shall be borne by the Party incurring
6 the same."

7 3.15 Except as provided herein, the Construction
8 Agreement shall remain in full force and effect in accord-
9 ance with its terms.

10 IN WITNESS WHEREOF, the Parties hereto have caused
11 this Amendment No. 1 to the Construction Agreement to be
12 executed in duplicate as of the 8th day of March, 1977.
13

14 ATTEST:
15 W. J. Karnes
16 SECRETARY
17 3/7/77

SAN DIEGO GAS & ELECTRIC COMPANY

By: B. W. Colston
By: B. W. Colston, Vice President-
Project Management

18 APPROVED AS TO FORM
19 P. Master, Jr.
20 P. MASTER, JR.
Attorney

21 ATTEST:
22 A. Arenal

SOUTHERN CALIFORNIA EDISON COMPANY

By: A. Arenal
A. Arenal, Vice President

RECORDED
INDEXED
MAR 10 1977

EXHIBIT G

SAN ONOFRE OWNERSHIP AGREEMENT

SAN ONOFRE OWNERSHIP AGREEMENT

BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY

AND

SOUTHERN CALIFORNIA EDISON COMPANY

1 SAN ONOFRE OWNERSHIP AGREEMENT

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1
2 SAN ONOFRE OWNERSHIP AGREEMENT
3

4 THIS AGREEMENT, made as of this 5th day of
5 October, 1967, between SAN DIEGO GAS & ELECTRIC
6 COMPANY, hereinafter called "San Diego", and SOUTHERN
7 CALIFORNIA EDISON COMPANY, hereinafter called "Edison",
8 corporations organized and existing under and by virtue of
9 the laws of the State of California, hereinafter referred to
10 individually as "Company" and collectively as "Companies".

11 W I T N E S S E T H:

12 WHEREAS, San Diego and Edison have entered into
13 an agreement entitled "Edison-San Diego Agreement" of
14 March 8, 1963, to provide for their joint participation in
15 the procurement, construction and operation of the San Onofre
16 Nuclear Generating Station.

17 WHEREAS, Edison and San Diego propose to enter
18 into the Amended San Onofre Operating Agreement and the San
19 Onofre Interconnection Agreement.

20 WHEREAS, Edison and San Diego desire to
21 supplement the aforesaid Edison-San Diego Agreement in regard
22 to incidents of ownership as tenants in common, waiver of
23 partition, transfer of ownership and other matters with
24 respect to the San Onofre Nuclear Generating Station.

25 NOW THEREFORE, in consideration of the terms
26 and conditions herein set forth to be performed by each of

1 the Companies, respectively, the Companies agree as follows:

2 1. DEFINITIONS

3 Whenever used herein, the following terms shall
4 have the following meanings, exclusively:

5 1.1 Access Road Area:

6 An area of land described in an easement
7 granting rights for access and other purposes
8 relating to the San Onofre Nuclear Generating
9 Station by the United States to Edison and San
10 Diego on May 12, 1964, recorded in the Official
11 Records, Office of the County Recorder of San
12 Diego County, in Series 5, Book 1964, Page No.
13 85889. Such land area consisting of approxi-
14 mately 3.68 acres in the northwest corner of the
15 Marine Corps Base, Camp Pendleton, California,
16 is shown in Exhibit A and further described in
17 Exhibit A-1, both attached hereto.

18 1.2 Additional Generating Unit:

19 Any facility for the generation of electrical
20 energy (including all auxiliary and associated
21 equipment) constructed or installed at the San
22 Onofre Nuclear Generating Station other than
23 Unit 1 or generating facilities necessary for the
24 operation of Unit 1.

25 1.3 Amended San Onofre Operating Agreement:

26 The agreement the Companies propose to enter

1 into which will provide for the operation and
2 maintenance of Unit 1 and other portions of the
3 San Onofre Nuclear Generating Station to the
4 extent provided therein.

5 1.4 Capital Addition:

6 Any item of property which is added to Unit 1
7 and which does not replace any pre-existing unit
8 of property constituting a part of Unit 1 or any
9 added land or land right, which does not replace
10 any existing land or land right, necessary for
11 the operation of Unit 1 and which, in accordance
12 with Prescribed Accounting Practice, would be
13 capitalized.

14 1.5 Capital Betterment:

15 The enlargement or improvement of any unit of
16 property constituting a part of Unit 1 or the
17 replacement thereof, where such replacement
18 constitutes an enlargement or improvement of the
19 unit of property replaced and which, in
20 accordance with Prescribed Accounting Practice,
21 would be capitalized.

22 1.6 Capital Improvement:

23 A Capital Replacement, Capital Betterment or
24 Capital Addition.

25 1.7 Capital Replacement:

26 The replacement of any unit of property

1 constituting a part of Unit 1 where such
2 replacement does not constitute an enlargement
3 or improvement of the unit of property replaced
4 and which, in accordance with Prescribed
5 Accounting Practice, would be capitalized.

6 1.8 Edison Switchyard:

7 The 220-kv switchrack and related facilities
8 located within the Edison Switchyard Area and
9 any facilities subsequently installed or con-
10 structed therein by Edison, but not including
11 the conductors and dead-end assemblies for the
12 220-kv Unit 1 main transformer leads or any
13 environmental radiation monitoring equipment
14 installed therein. For purposes of this
15 Agreement, the following items located in the
16 Unit 1 control-administration building are also
17 considered to be part of the Edison Switchyard:

18 1.8.1 Controls, indicating lights and
19 instruments associated with Edison's
20 220-kv switchrack facilities.

21 1.8.2 Tap change controls and associated
22 indicating meters for San Diego's
23 220/138-kv autotransformers.

24 1.8.3 Meters and devices for interconnection
25 metering and Edison's associated tele-
26 metering equipment.

1 1.9 Edison Switchyard Area:

2 An area of land used as the site of the Edison
3 Switchyard and, at present, as the site of the
4 Nuclear Information Center. Such land area
5 consisting of approximately 3.66 acres within
6 the Plant Site is shown in Exhibit A and further
7 described in Exhibit A-2 both attached hereto.

8 1.10 FPC Accounts:

9 The Federal Power Commission's "Uniform System
10 of Accounts Prescribed for Public Utilities and
11 Licensees (Class A and Class B), in Effect on
12 March 1, 1965, Subject to the Provisions of the
13 Federal Power Act".

14 1.11 Nuclear Information Center:

15 The structures and associated facilities
16 designated in Exhibit A (attached hereto) as
17 the Nuclear Information Center located within the
18 unfenced portion of the Edison Switchyard Area
19 and any subsequent improvements of or additions
20 to said structures and facilities.

21 1.12 Off-Shore Land:

22 A strip of tide and submerged land used for
23 circulating water conduits for the San Onofre
24 Nuclear Generating Station described in an ease-
25 ment-lease for such purpose from the State of
26 California to Edison and San Diego beginning on

1 September 24, 1964 and recorded in the Official
2 Records, Office of the County Recorder of San
3 Diego County, in Series 5, Book 1964, Page No.
4 235236. Such land area consisting of approxi-
5 mately 7.599 acres is shown in Exhibit A and
6 further described in Exhibit A-3, both attached
7 hereto.

8 1.13 Operating Emergency:

9 Any unanticipated event or circumstance which,
10 at the time of such event or circumstance, either
11 reduces or will have the reasonably anticipated
12 effect of reducing the generation of electrical
13 energy by Unit 1 or either impairs or will have
14 the reasonably anticipated effect of impairing
15 the operation of the switchyard facilities.

16 1.14 Plant Site:

17 An area of land used for the major portion of
18 the San Onofre Nuclear Generating Station
19 described in an easement granted for such pur-
20 pose by the United States to Edison and San
21 Diego on May 12, 1964 and recorded in the
22 Official Records, Office of the County Recorder
23 of San Diego County, in Series 5, Book 1964,
24 Page No. 85887. Such land area consisting of
25 approximately 83.63 acres in the northwest
26 corner of the Marine Corps Base, Camp Pendleton,

1 California, is shown in Exhibit A and further
2 described in Exhibit A-4, both attached hereto.

3 1.15 Prescribed Accounting Practice:

4 Generally accepted accounting principles, in
5 accordance with FPC Accounts, applicable to
6 electric utility operations.

7 1.16 Project Easements:

8 The interests acquired under (1) three easements
9 in favor of Edison and San Diego granted by the
10 United States of America, covering respectively,
11 the Plant Site, including the associated
12 exclusion area, the Access Road Area, and the
13 Spur Track Area, all recorded in the Official
14 Records of San Diego County and hereinafter some-
15 times referred to respectively as the Plant Site
16 Easement, the Access Road Easement and the Spur
17 Track Easement; (2) the easement-lease covering
18 the Off-Shore Land; (3) a license granted to the
19 Companies by the Atchison, Topeka and Santa Fe
20 Railway perfecting the rights of the Companies
21 for those portions of the Access Road Area
22 lying within the railroad right of way; and (4)
23 any Subsequent Acquisition.

24 1.17 San Diego Switchyard:

25 The 220-kv and 138-kv switchracks, 220/138-kv
26 autotransformers, and related facilities located

1 within the San Diego Switchyard Area and any
2 facilities subsequently installed or constructed
3 therein by San Diego, but not including the con-
4 ductors and dead-end assemblies for the 138-kv
5 auxiliary "C" transformer leads.

6 1.18 San Diego Switchyard Area:

7 An area of land used as the site of the San Diego
8 Switchyard. Such land area consisting of approxi-
9 mately 2.72 acres within the Plant Site is shown
10 in Exhibit A and further described in Exhibit A-5
11 both attached hereto.

12 1.19 San Onofre Interconnection Agreement:

13 The agreement the Companies propose to enter
14 into which will provide for the operation and
15 maintenance of the Edison and San Diego Switch-
16 yards through which their respective systems are
17 interconnected.

18 1.20 San Onofre Nuclear Generating Station:

19 The entire nuclear generating facility located
20 on a site of approximately 90 acres in the
21 northwest corner of the Marine Corps Base, Camp
22 Pendleton, California, consisting of the Plant
23 Site (including the Edison Switchyard Area and
24 San Diego Switchyard Area), the Access Road Area,
25 the Spur Track Area, the Off-Shore Land, any
26 Subsequent Acquisitions, Unit 1, the Nuclear

1 Information Center, the Edison Switchyard, the
2 San Diego Switchyard, and any Additional
3 Generating Units subsequently constructed or
4 installed.

5 1.21 Spur Track Area:

6 An area of land used for a railroad spur track,
7 pipelines, and communication lines for the San
8 Onofre Nuclear Generating Station described in
9 an easement granted for such purpose by the
10 United States to Edison and San Diego on May 12,
11 1964 and recorded in the Official Records,
12 Office of the County Recorder of San Diego
13 County, in Series 5, Book 1964, Page No. 85888.
14 Such land area consisting of approximately 5.14
15 acres in the northwest corner of the Marine Corps
16 Base, Camp Pendleton, California, is shown in
17 Exhibit A and further described in Exhibit A-6,
18 both attached hereto.

19 1.22 Subsequent Acquisition:

20 Any future acquisition by either Edison or San
21 Diego of land or land rights necessary for the
22 operation of Unit 1.

23 1.23 Unit 1:

24 The first nuclear generating unit, consisting
25 of a nuclear steam supply system, a turbine-
26 generator designed to generate approximately

1 450 megawatts (gross) of electric power, and
2 all related equipment and facilities which are
3 necessary for the safe and efficient generation
4 of electricity, installed on the Plant Site, the
5 Access Road Area, the Spur Track Area, and the
6 Off-Shore Land, but excluding the Edison Switch-
7 yard, San Diego Switchyard, and the Nuclear
8 Information Center.

9 2. OWNERSHIP

10 2.1 Unit 1: Edison and San Diego shall receive
11 title to Unit 1 and thereafter own Unit 1 as
12 tenants in common as follows:

13 2.1.1 Edison shall own an undivided eighty (80)
14 percent interest therein;

15 2.1.2 San Diego shall own an undivided twenty
16 (20) percent interest therein.

17 2.2 Switchyards: Edison and San Diego shall receive
18 title to and thereafter own the Switchyards con-
19 structed at the San Onofre Nuclear Generating
20 Station as follows:

21 2.2.1 Edison shall be the sole owner of the
22 Edison Switchyard;

23 2.2.2 San Diego shall be the sole owner of
24 the San Diego Switchyard;

25 provided, however, that this Section 2.2 shall
26 in no way affect the interests of the Companies

1 in the Plant Site Easement.

2 2.3 Nuclear Information Center: Notwithstanding any
3 agreement between the Companies concerning the
4 sharing of costs of operating the Nuclear Infor-
5 mation Center, Edison and San Diego shall receive
6 title to and thereafter own as tenants in common
7 the Nuclear Information Center as follows:

8 2.3.1 Edison shall own an undivided eighty
9 (80) percent interest therein;

10 2.3.2 San Diego shall own an undivided twenty
11 (20) percent interest therein.

12 2.4 Additional Generating Units: In the event that
13 Additional Generating Units are installed or
14 constructed at the San Onofre Nuclear Generating
15 Station, Edison and San Diego shall receive
16 title to and thereafter own as tenants in common
17 all the facilities comprising each such
18 Additional Generating Unit in accordance with
19 Section 3 hereof and the agreements executed by
20 the Companies in connection with the installation
21 or construction of such unit.

22 2.5 Project Easements: Edison and San Diego shall
23 receive title to the Project Easements and
24 thereafter own the Project Easements as tenants
25 in common as follows:

26 2.5.1 Edison shall own an undivided eighty (80)

1 percent interest therein;

2 2.5.2 San Diego shall own an undivided twenty (20)
3 percent interest therein.

4 2.6 Subsequent Acquisitions: In the event that
5 either Company makes a Subsequent Acquisition,
6 it shall be deemed to have done so jointly with
7 the other Company. Edison and San Diego shall
8 receive title to and thereafter own as tenants
9 in common any interest acquired in a Subsequent
10 Acquisition, as follows:

11 2.6.1 Edison shall own an undivided eighty (80)
12 percent interest therein;

13 2.6.2 San Diego shall own an undivided twenty
14 (20) percent interest therein.

15 Immediately following any Subsequent
16 Acquisition the Companies will execute and
17 record appropriate instruments establishing their
18 respective ownership interests as set forth in
19 this Section 2.6.

20 2.7 Capital Improvements: Edison and San Diego
21 shall receive title to and thereafter own any
22 Capital Improvements as tenants in common as
23 follows:

24 2.7.1 Edison shall own an undivided eighty (80)
25 percent interest therein;

26 2.7.2 San Diego shall own an undivided twenty (20)

1 percent interest therein.

2 3. ADDITIONAL GENERATING UNITS

3 3.1 In order to utilize effectively the site of the
4 San Onofre Nuclear Generating Station and to
5 coordinate its development with the generating
6 resources requirements of each Company, Edison
7 and San Diego will conduct joint studies for the
8 construction and operation of Additional Genera-
9 ting Units at the San Onofre Nuclear Generating
10 Station. The Companies will prepare a plan for
11 site development, (hereinafter called the "Plan")
12 including any Additional Generating Units, no
13 later than January 1, 1968. Said Plan will
14 there fter be maintained and amended by the
15 Comp. es to show any changes made thereto pur-
16 suant to Sections 3.2 and 3.3 hereof. At all
17 times the Plan will set forth the expected size,
18 proposed date of commitment, date of commercial
19 operation, technical description, and estimated
20 costs of any proposed Additional Generating
21 Units. The Plan will also specify the partici-
22 pation, if any, desired by San Diego, which
23 participation will not be less than ten (10)
24 percent nor more than fifty (50) percent. Said
25 Plan shall not operate to obligate or bind
26 either Company in any manner except as provided

1 in Section 3.4 hereof.

2 3.2 Proposed amendments to the Plan will be sub-
3 mitted in writing by the proposing Company to
4 the other Company. If both Companies agree to
5 such amendment, it shall be signed by the
6 appropriate representatives of each Company, and
7 such amendment will thereafter become a part of
8 the Plan.

9 3.3 In the event the Companies disagree with respect
10 to a proposed amendment or any part thereof, an
11 amendment will be prepared in writing embodying
12 all matters upon which the Companies agree and
13 the Edison proposals in matters where the
14 Companies do not agree; provided, however, that
15 any disagreement with respect to San Diego's
16 proportionate participation shall be resolved in
17 accordance with San Diego's proposal. Said
18 amendment will be signed by appropriate represen-
19 tatives of both Companies and will thereafter
20 become a part of the Plan. Except as provided
21 in Section 3.4 hereof, any amendment prepared in
22 accordance with this Section 3.3 which has not
23 been signed within thirty (30) days of its sub-
24 mission to the Companies shall, at the
25 expiration of said thirty (30) days, be deemed
26 an effective amendment to the Plan.

1 3.4 On the date of commitment specified in the Plan,
2 an appropriate officer of each Company shall
3 attend a Final Amendment Meeting (hereinafter
4 referred to as the "Meeting"). At the Meeting,
5 the Plan will be reviewed and confirmed or final
6 amendments to the Plan, if any, shall be pre-
7 pared. No amendments received after the Meeting
8 has adjourned shall become effective unless
9 permitted under Sections 3.4.1 or 3.4.2 hereof.

10 3.4.1 If an amendment pursuant to Section 3.3
11 is prepared at the Meeting and said amendment
12 substantially changes the Plan, San Diego may at
13 any time within the next thirty (30) days amend
14 the Plan to change its percentage participation
15 within the range of ten (10) to fifty (50) per-
16 cent, or San Diego may decline to participate in
17 the proposed Additional Generating Unit; pro-
18 vided, however, that San Diego must declare at
19 the Meeting whether it considers said amendment
20 to be substantial. Upon such declaration by San
21 Diego, the officers shall specify the dates on
22 which the thirty (30) day periods provided in
23 this section and in Section 3.4.2 shall expire.

24 3.4.2 If San Diego amends the Plan or declines to
25 participate, pursuant to Section 3.4.1 above,
26 Edison may within thirty (30) days of its receipt

1 of notice of such action, elect not to proceed
2 with the Plan. If such election is made, the
3 date of commitment shall be deemed to be extended
4 for six (6) months. In the event San Diego
5 declines to participate pursuant to Section 3.4.1
6 above, Edison may proceed to construct an
7 Additional Generating Unit without participation
8 by San Diego. Any such Additional Generating
9 Unit will be constructed in substantial
10 accordance with the Plan.

11 3.4.3 At such time during the sixty (60) days
12 following the date of commitment as both
13 Companies are foreclosed from further amendments
14 to the Plan or elections to withdraw pursuant to
15 Sections 3.4.1 or 3.4.2 hereof, the Plan shall
16 be deemed final and the Companies shall be bound,
17 each to the other, to construct, own and operate
18 the Additional Generating Unit in accordance
19 with the final Plan.

20 3.4.4 The Companies may, at any time, by written
21 agreement waive any of the foregoing provisions
22 of this Section 3.4.

23 3.5 If pursuant to Section 3.4 hereof the Companies
24 become bound to jointly construct and own an
25 Additional Generating Unit they will promptly
26 negotiate all necessary agreements for the owner-

1 ship, construction and operation of the proposed
2 Additional Generating Unit on terms and conditions
3 not less favorable proportionately to each
4 Company than those provided for in this San
5 Onofre Ownership Agreement and other agreements
6 directly related thereto. If the Companies are
7 unable to agree on any such necessary agreements,
8 the ownership, operation and construction of the
9 Additional Generating Unit will, subject to
10 Section 3.6 hereof, be governed by this Agreement
11 and all others directly related thereto, in all
12 matters other than the proportionate sharing of
13 costs and output of such Additional Generating
14 Unit.

15 3.6 In the event that an Additional Generating Unit
16 is constructed and is to be owned or operated in
17 different proportionate participation than in
18 Unit 1, the Companies will amend this San Onofre
19 Ownership Agreement and directly related agree-
20 ments to apportion the ownership, use and cost
21 of the Project Easements and any facilities,
22 which are common to Unit 1 and such Additional
23 Generating Unit so as to reflect such changes in
24 proportionate participation. The Companies will
25 also exercise their best efforts to provide each
26 other with suitable releases from the liens of

1 their respective trust indentures or the Company
2 not securing such a release shall provide the
3 other with an opinion by its general counsel that
4 no such release is required.

5 3.7 If San Diego does not participate in the
6 construction, ownership or operation of an
7 Additional Generating Unit, its right to partici-
8 pate in subsequent Additional Generating Units,
9 as set forth hereinabove, will be in no way
10 diminished or prejudiced.

11 4. NUCLEAR INFORMATION CENTER

12 The Nuclear Information Center shall be removed or
13 demolished when construction or installation of an
14 Additional Generating Unit causes Edison to require
15 additional switchyard facilities which it deems cannot
16 be adequately installed in the Edison Switchyard Area
17 without such removal or demolition. The costs and
18 salvage value incurred in connection with such removal
19 or demolition shall be shared on the basis of the
20 Companies' participation in such Additional Generating
21 Unit. In the event of such removal or demolition the
22 Companies may agree to relocate or rebuild the Nuclear
23 Information Center.

24 5. SWITCHYARDS

25 Each Company shall exercise exclusive control over its
26 Switchyard and Switchyard Area; provided, however, that

1 in the event of an Operating Emergency, personnel of
2 either Company may enter any Switchyard Area for the
3 purpose of undertaking any immediately necessary action,
4 in accordance with procedures to be established and
5 approved by the Companies.

6 6. DESTRUCTION, DAMAGE OR CONDEMNATION OF UNIT 1

7 6.1 If all, or substantially all, of Unit 1 should
8 be destroyed, damaged or condemned, then the
9 Companies by agreement may elect to repair, re-
10 store or reconstruct the damaged, destroyed or
11 condemned facilities in such a manner as to
12 restore the facilities to substantially the same
13 general character or use as the original, or to
14 such other character or use as the Companies
15 may then mutually agree. In the event of such
16 election, the costs of such repair, restoration
17 or reconstruction shall be shared eighty (80)
18 percent by Edison and twenty (20) percent by
19 San Diego, and, upon completion thereof, the
20 Companies' rights, titles and interests therein
21 shall remain as provided in this Agreement.

22 6.2 Failure to reach such agreement within a
23 reasonable period of time shall be deemed to be
24 an election not to repair, restore or reconstruct
25 the damaged, destroyed or condemned facilities,
26 in which event the proceeds from any insurance

1 or from any award shall be distributed eighty
2 (80) percent to Edison and twenty (20) percent
3 to San Diego, and remaining Unit 1 facilities
4 shall be disposed of by the Companies in a
5 manner to be mutually agreed upon and the pro-
6 ceeds resulting therefrom or the costs incurred
7 thereby shall be shared eighty (80) percent by
8 Edison and twenty (20) percent by San Diego.

9 6.3 In the event that less than substantially all of
10 Unit 1 shall be destroyed, damaged or condemned,
11 it shall be the obligation of the Companies to
12 repair, restore or reconstruct the damaged,
13 destroyed or condemned facilities in such a
14 manner as to restore such facilities to sub-
15 stantially the same general character or use as
16 the original. The costs of such repair,
17 restoration or reconstruction shall be shared
18 eighty (80) percent by Edison and twenty (20)
19 percent by San Diego.

20 7. MORTGAGE AND CREATION OF SECURITY INTERESTS

21 7.1 Edison and San Diego shall have the right at any
22 time, and from time to time, to mortgage, or
23 otherwise encumber their respective rights,
24 titles and interests in the San Onofre Nuclear
25 Generating Station and the Project Easements by
26 conveyance to a trustee or trustees under deeds

1 of trust, mortgages or indentures, or by
2 execution of security agreements or other
3 obligations or securities, and to any successors
4 or assigns thereof, without need for the prior
5 written consent of the other Company.

6 7.2 Any mortgage, trustee or secured party under
7 present or future deeds of trust, mortgages,
8 indentures or security agreements of either
9 Company and any successors or assigns thereof,
10 and any receiver, referee or trustee in bank-
11 ruptcy or reorganization of either Company, and
12 any successor by action of law or otherwise,
13 and any purchaser, transferee or assignee of
14 any of the aforementioned secured parties, may
15 succeed to and acquire all the rights, titles
16 and interests of such Company in the San Onofre
17 Nuclear Generating Station and the Project Ease-
18 ments, and may take possession of or foreclose
19 upon said property, rights, titles and interests
20 of such Company, without need for the prior
21 written consent of the other Company.

22 7.3 Any transfer, assignment, merger or consolidation
23 made pursuant to the provisions of this Section 7
24 shall not be subject to the terms and conditions
25 set forth and contained in Section 8 hereof.

26 8. RIGHT OF FIRST REFUSAL

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8.1 Except as is otherwise provided in Section 7 and Section 8.15 hereof, should either Company desire to assign, transfer, convey or otherwise dispose of (hereinafter collectively referred to as "Assign") its rights, titles and interests in the San Onofre Nuclear Generating Station, the Project Easements or its entitlement to electric capacity and associated energy in Unit 1 or any part thereof or interest therein (hereinafter referred to as "Transfer Interest"), to any person, company, corporation, governmental agency or any other party (hereinafter referred to as "Third Party"), the remaining Company shall have the right of first refusal, as hereinafter described, to purchase for itself such Transfer Interest.

8.2 After its receipt of a bona fide written offer from a Third Party to purchase a Transfer Interest and at least three (3) years prior to its intended date to Assign, the Company desiring to Assign its Transfer Interest shall serve written notice of its intention to do so upon the other Company. Such notice shall contain the proposed date to Assign, the terms and conditions of said bona fide written offer received by such Company, and a proposal to Assign its Transfer

1 Interest to the remaining Company. The terms
2 and conditions contained in such proposal
3 shall be at least as favorable to the remaining
4 Company as the terms and conditions of said bona
5 fide written offer, or may be the same terms and
6 conditions set forth in said offer.

7 8.3 The remaining Company shall signify its desire
8 to purchase the Transfer Interest, or its desire
9 not to purchase the Transfer Interest by serving
10 written notice of such intention upon the Company
11 desiring to Assign pursuant to Section 15 hereof
12 within one hundred eighty (180) days after such
13 service pursuant to Section 8.2 of the written
14 notice of intention to Assign. Failure by a
15 Company to serve notice as provided hereunder
16 within the time period specified shall be con-
17 clusively deemed to be notice of its intention
18 not to purchase the Transfer Interest.

19 8.4 Such right of first refusal shall exist as of
20 the effective date of this Ownership Agreement
21 and shall continue for the term of this
22 Ownership Agreement.

23 8.5 When intention to purchase the Transfer Interest
24 has been indicated by a notice to purchase duly
25 given pursuant to Section 8.3 hereof, the
26 Companies shall thereby incur the following

1 obligations:

2 8.5.1 The Company desiring to Assign and the
3 Company desiring to purchase the Transfer
4 Interest shall be obligated to proceed in good
5 faith and with diligence to obtain all required
6 authorizations and approvals to Assign;

7 8.5.2 The Company desiring to Assign shall be
8 obligated to obtain the release of any liens
9 imposed by or through it upon any part of the
10 Transfer Interest, and to Assign the Transfer
11 Interest at the earliest practicable date there-
12 after; and

13 8.5.3 The Company desiring to purchase the
14 Transfer Interest shall be obligated to perform
15 all terms and conditions required of it to
16 complete the purchase of the Transfer Interest.

17 8.6 Purchase of a Transfer Interest pursuant to
18 Section 8.5 hereof shall be fully consummated
19 within thirty (30) months following the date
20 upon which the notice to purchase required to be
21 given under this Section 8.3 has been duly served,
22 unless the Companies are then diligently pursuing
23 applications to appropriate regulatory bodies
24 (if any) for required authorizations to effect
25 such Assignment or are then diligently
26 prosecuting or defending appeals from orders

1 entered or authorizations issued in connection
2 with such applications. In the event such
3 applications or appeals are in progress at the
4 end of said thirty (30) months, the purchase of
5 the Transfer Interest shall be fully consummated
6 upon completion of said applications or appeals.
7 If the Company desiring to purchase the Transfer
8 Interest is barred from doing so by any regula-
9 tory body or court from whose decision no appeal
10 may be taken, the Company desiring to Assign may
11 proceed to dispose of the Transfer Interest as
12 if the other Company had declined to purchase
13 the Transfer Interest.

14 8.7

15 If the intention not to purchase the Transfer
16 Interest has been indicated by a notice duly
17 given hereunder or by failure to give such
18 notice as provided in Section 8.3, the Company
19 desiring to Assign shall be free to Assign all
20 but not less than all of its Transfer Interest
21 to the Third Party that made the bona fide
22 written offer upon the terms and conditions set
23 forth in said bona fide written offer. If such
24 Assignment of the entire Transfer Interest to
25 the Third Party is not completed within eighteen
26 (18) months after the proposed date to Assign
specified in the notice given pursuant to Section

1 8.3 hereof, the Company desiring to Assign its
2 Transfer Interest must, unless it is then
3 diligently pursuing its applications to appro-
4 priate regulatory bodies (if any) for required
5 authorizations to effect such Assignment, or is
6 then diligently prosecuting or defending appeals
7 from orders entered or authorizations issued in
8 connection with such applications, give another
9 complete new right of first refusal to the other
10 Company pursuant to the provisions of this
11 Section 8, before such Company shall be free to
12 Assign a Transfer Interest to said Third Party.

13 8.8 Any Third Party who purchases the Transfer
14 Interest shall receive title to and shall own
15 the Transfer Interest as a tenant in common, sub-
16 ject to the same rights and obligations as are
17 applied to the Transfer Interest in the hands of
18 the Assigning Company.

19 8.9 Except as is otherwise provided in Section 8.10
20 and Section 8.11 hereof, no Assignment of a
21 Transfer Interest shall relieve the Assigning
22 Company from continuing full liability and
23 financial responsibility for performance of all
24 obligations imposed by this Agreement, the
25 Amended San Onofre Operating Agreement and the
26 San Onofre Interconnection Agreement.

1 8.10 To the extent that Edison delegates to San
2 Diego the functions of operating Unit 1, pursuant
3 to Section 8.14 hereof, Edison shall be relieved
4 of such duties.

5 8.11 An Assigning Company shall be relieved of its
6 duties and obligations under this Agreement, the
7 Amended San Onofre Operating Agreement and the
8 San Onofre Interconnection Agreement if and when:

9 8.11.1 Its Assignee agrees in writing with the
10 remaining Company to assume such obligations
11 and duties; and

12 8.11.2 The remaining Company agrees in writing to
13 the Assignor's release from such obligations.

14 8.12 Any Third Party who may succeed to the Transfer
15 Interest pursuant to this Section 8 shall
16 specifically agree in writing with the remaining
17 Company at the time of such Assignment that it
18 will not Assign all or any portion of the
19 Transfer Interest so acquired without complying
20 with the terms and conditions of this Section 8.

21 8.13 Any purported Assignment of a Transfer Interest
22 (other than one provided for in Section 7 hereof)
23 failing to comply with the requirements of this
24 Section 8 shall be void.

25 8.14 In the event Edison desires to Assign all or
26 substantially all of its interest in the San

1 Onofre Nuclear Generating Station, other than
2 pursuant to Section 7 or Section 8.15 hereof,
3 San Diego shall have the option to assume all
4 duties of operating Unit 1 and the Companies
5 shall complete all necessary contractual arrange-
6 ments and modifications to make San Diego
7 operating agent of Unit 1, as of the time such
8 assignment becomes effective.

9 8.15 Edison and San Diego each shall have the right
10 to Assign its respective rights, titles and
11 interests in the San Onofre Nuclear Generating
12 Station and the Project Easements without the
13 need for prior written consent of the other
14 Company, and without complying with Sections 8.1
15 through 8.7, inclusive, and Section 8.14 hereof
16 at any time to the following:

17 8.15.1 Any corporation or other entity acquiring
18 all or substantially all of the property of such
19 Company; or

20 8.15.2 Any corporation or entity into which or
21 with which such Company may be merged or
22 consolidated.

23 9. WAIVER OF RIGHT TO PARTITION

24 For itself and its successors and assigns, Edison and
25 San Diego, each, until expiration or termination of this
26 Agreement, waives the right to seek partition of the San

1 Onofre Nuclear Generating Station and the Project Ease-
2 ments (whether by partitionment in kind or by sale and
3 division of the proceeds thereof). Edison and San Diego,
4 each, further agrees that it will not resort to any
5 action at law or in equity to partition the same (in either
6 such manner) and to that extent waives the benefits of
7 all laws that may now or hereafter authorize such
8 partition.

9 10. COVENANTS RUNNING WITH THE LAND

10 10.1 Except as otherwise provided in Section 10.3
11 hereof, all of the respective covenants and
12 obligations of Edison and San Diego set forth
13 and contained in this Agreement, the Amended San
14 Onofre Operating Agreement and the San Onofre
15 Interconnection Agreement shall bind and shall
16 be and become the respective obligations of:

17 10.1.1 Edison and San Diego;

18 10.1.2 All mortgagees, trustees and secured
19 parties under all present and future
20 mortgages, indentures and deeds of trust,
21 and security agreements which are or may
22 become a lien upon any of the properties
23 of Edison or San Diego;

24 10.1.3 All receivers, assignees for the benefit
25 of creditors, bankruptcy trustees and
26 referees of Edison and San Diego;

1 10.1.4 All other persons, firms, partnerships or
2 corporations claiming through or under any
3 of the foregoing; and

4 10.1.5 Any successors or assigns of any of those
5 mentioned in this Section 10.1;

6 and shall be obligations running with the Companies'
7 rights, titles and interests in the San Onofre Nuclear
8 Generating Station and the Project Easements. It is
9 the specific intention of this provision that all of
10 such covenants and obligations shall be binding upon
11 any party which acquires any of the rights, titles
12 or interests of either Edison or San Diego in the
13 San Onofre Nuclear Generating Station or the Project
14 Easements and that such party shall be obligated to
15 use such rights, titles and interests for the purpose
16 of discharging such covenants and obligations.

17 10.2 The rights, titles and interests of Edison and
18 San Diego in the San Onofre Nuclear Generating Station
19 and the Project Easements shall inure to the benefit
20 of their successors and assigns.

21 10.3 Any mortgagee, trustee or secured party, or any
22 receiver or trustee appointed pursuant to the pro-
23 visions of any present or future mortgage, deed of
24 trust, indenture or security agreement creating a
25 lien upon or encumbering the rights, titles or
26 interests of either Company in the San Onofre Nuclear

1 Generating Station or the Project Easements, and any
2 successors thereof by action of law or otherwise, and
3 any purchaser, transferee, or assignee of any thereof,
4 shall not be obligated to pay any monies accruing on
5 account of any of the obligations or duties of such
6 Company under this Agreement or the Amended San Onofre
7 Operating Agreement incurred prior to the taking of
8 possession or the initiation of foreclosure or other
9 remedial proceedings by such mortgagee, trustee or
10 secured party.

11 10.4 Edison and San Diego shall use their best efforts
12 to obtain from the trustee(s) of their respective
13 trust indentures valid commitments obligating said
14 trustees to honor all the covenants set forth in
15 Section 10.1 herein in the event they enter into
16 possession of the San Onofre Nuclear Generating
17 Station. Such commitments may be in the form of
18 releases, consents or any other form ultimately agreed
19 upon with said trustee(s). To the extent that either
20 Company has secured such a commitment prior to the
21 effective date of this Agreement such Company shall
22 not incur any duty or obligation under this
23 Section 10.4.

24 11. RELATIONSHIP OF PARTIES

25 The duties, obligations and liabilities of Edison and
26 San Diego hereunder are intended to be several and not

1 joint or collective, and nothing herein contained shall
2 ever be construed to create an association, trust or
3 partnership or impose a trust or partnership duty,
4 obligation or liability on or with regard to Edison or
5 San Diego. Edison and San Diego shall be individually
6 responsible for their own obligations as herein provided.
7 Neither Edison nor San Diego shall have the right or
8 power to bind the other except as expressly provided in
9 this Agreement, the Amended San Onofre Operating Agree-
10 ment or the San Onofre Interconnection Agreement.

11 12. MISCELLANEOUS PROVISIONS

12 12.1 Edison and San Diego agree, upon request, to
13 make, execute and deliver any and all documents
14 reasonably required to implement the terms of
15 this Ownership Agreement.

16 12.2 The captions and headings appearing in this
17 Agreement are inserted merely to facilitate
18 reference and shall have no bearing upon the
19 interpretation of the provisions hereof.

20 12.3 This Agreement is made under and shall be
21 governed by the laws of the State of California.

22 12.4 The recitals on page 1 of this Agreement are
23 intended to serve as informational provisions
24 only and are not to be construed as binding upon
25 either Company in any way.

26 13. NO DEDICATION OF FACILITIES

1 Any undertaking by one Company to the other under any
2 provision of this Agreement shall not constitute the
3 dedication of the system or any portion thereof of any
4 Company to the public or to the other Company, and it
5 is understood and agreed that any such undertaking shall
6 cease upon the termination of this Agreement.

7 14. TERM

8 This Agreement shall become effective when it has been
9 duly executed by both Edison and San Diego, and shall
10 continue in effect until termination of the easement
11 recorded in the Official Records, Office of the County
12 Recorder, San Diego County, in Series 5, Book 1964, at
13 Page No. 85887, granted to the Companies by the United
14 States of America for the San Onofre Nuclear Generating
15 Station, or such earlier date as the Companies may agree
16 to cease operation of Unit 1.

17 Upon termination of this Agreement, the Companies
18 shall agree upon further operation of Unit 1 or upon
19 its disposition. In the event the Companies agree to
20 dispose of Unit 1, the proceeds resulting therefrom
21 or the costs incurred thereby shall be shared eighty
22 (80) percent by Edison and twenty (20) percent by
23 San Diego.

24 15. NOTICES

25 All notices under this Agreement shall be in writing
26 and shall be delivered in person or sent by registered

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or certified mail to the applicable of the following addresses:

Southern California Edison Company
c/o Secretary
Post Office Box 351
Los Angeles, California 90053

San Diego Gas & Electric Company
c/o President
Post Office Box 1831
San Diego, California 92112

By notice sent to the other Company, either Edison or San Diego may designate different persons or different addresses for the giving of notices hereunder.

16. PRIOR AGREEMENTS

It is the intention of the Companies to supersede hereby the Edison-San Diego Agreement of March 8, 1963 to the extent that it provides for matters covered herein. The Companies intend to remain bound and obligated by those provisions of that agreement which relate to construction costs, the AEC Assistance Contract, Edison's appointment as San Diego's agent, as well as all other matters not covered herein. In the event that the Edison-San Diego Agreement of March 8, 1963, is inconsistent with this Agreement, the provisions of this Agreement shall be controlling.

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IN WITNESS WHEREOF, the Companies have caused this Agreement to be executed in duplicate on their behalf.

Attest: SAN DIEGO GAS & ELECTRIC COMPANY
(SEAL)

Assistant /s/ D.R.Green By /s/ J. F. Sinnott
Secretary President

Attest: SOUTHERN CALIFORNIA EDISON COMPANY
(SEAL)

/s/ C. D. Lester By /s/ William R. Gould
Secretary Vice President

STATE OF CALIFORNIA }
COUNTY OF San Diego } ss.

The foregoing instrument was acknowledged before me this 5th day of October, 1967, by J. F. Sinnott, President of SAN DIEGO GAS & ELECTRIC COMPANY, a corporation organized and existing under and by virtue of the laws of the State of California, on behalf of said corporation.

/s/ Florence La Monte
Notary Public

My Commission Expires:

March 13, 1970

Florence LaMonte
Notary Public
Principal Office,
San Diego Co., Calif.

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STATE OF CALIFORNIA
COUNTY OF Los Angeles } ss.

The foregoing instrument was acknowledged before me this 4th day of October, 1967, by William R. Gould, Vice-President of SOUTHERN CALIFORNIA EDISON COMPANY, a corporation organized and existing under and by virtue of the laws of the State of California, on behalf of said corporation.

/s/ Dona Mary Wilcomb
Notary Public

My Commission Expires:
June 27, 1969

Dona Mary Wilcomb
Notary Public - California
Principal Office in
Los Angeles County

1 EXHIBIT A-1

2 DESCRIPTION OF ACCESS ROAD AREA

3
4 That certain real property in the County of San Diego,
5 State of California, described as follows:

6 PARCEL 1:

7 A strip of land, Forty (40) feet wide, the center line
8 of which is hereinafter described, lying within the Rancho
9 Santa Margarita y Las Flores, as described in the Patent from
10 the United States of America, dated March 28, 1879 and
11 recorded in Book 7, page 18 et seq., of Patents in the office
of the County Recorder of said County, and being also a
portion of Section 24, Township 9 South, Range 7 West, as
per Record of Survey Map No. 794 filed January 17, 1940 in
the office of said County Recorder.

12 The center line of said strip of land is described as
follows:

13 Beginning at a 6 inch by 6 inch concrete highway
14 monument, set in the Southwesterly line of U. S. Highway 101,
15 said monument being North 56° 12' 04" West 2123.77 feet,
16 measured along said Southwesterly line, from a 6 inch by 6
17 inch concrete highway monument, said first above mentioned
18 concrete highway monument bears South 02° 52' 15" East,
19 4207.25 feet from a 1-1/2 inch iron pipe, with brass cap,
20 set for the Northeast corner of Section 24 in Township 9
21 South, Range 7 West, as shown on said Record of Survey Map,
22 said first above mentioned concrete highway monument being
23 also at the beginning of a tangent curve concave South-
24 westerly and having a radius of 4940 feet; thence North-
25 westerly, along said curve, through an angle of 12° 00' 00",
26 a distance of 1034.63 feet; thence continuing along said
Southwesterly line and tangent to said last mentioned curve,
North 68° 12' 04" West, 503.81 feet to the beginning of a
tangent curve concave to the Northeast and having a radius
of 2060 feet; thence Northwesterly, along said last mentioned
curve, through an angle of 04° 54' 28" a distance of 176.47
feet to a point, a radial line of said last mentioned curve
passing through said last mentioned point bears South 26°
42' 24" West; thence South 33° 00' 00" West, 118.21 feet to
the TRUE POINT OF BEGINNING of this description; thence
North 57° 00' 00" West, 473.57 feet to the beginning of a
tangent curve concave Northeasterly and having a radius of
1912.67 feet; thence Northwesterly, along said last mentioned
curve, through an angle of 29° 47' 14" a distance of 994.37

1 feet; thence tangent to said last mentioned curve, North 27°
2 12' 46" West, 65.16 feet to the beginning of a tangent curve
3 concave to the Southeast and having a radius of 129.64 feet;
4 thence Northwesterly, Northerly and Easterly, along said last
5 mentioned curve through an angle of 151° 00' 42" a distance
6 of 341.68 feet; thence tangent to said last mentioned curve,
7 South 56° 12' 04" East, 152.16 feet, to the beginning of a
8 tangent curve concave to the Southwest and having a radius of
9 100.00 feet; thence Southeasterly along said last mentioned
10 curve, through an angle of 14° 38' 12", a distance of 25.55
11 feet; thence tangent to said last mentioned curve, South 41°
12 33' 52" East, 161.32 feet to the beginning of a tangent curve
13 concave to the Northeast and having a radius of 100.00 feet;
14 thence Southeasterly, along said last mentioned curve through
15 an angle of 14° 38' 12", a distance of 25.55 feet; thence
16 tangent to said last mentioned curve, South 56° 12' 04" East,
17 1651.27 feet to the beginning of a tangent curve concave to
18 the Northeast and having a radius of 100.00 feet; thence
19 Southeasterly along said last mentioned curve through an
20 angle of 09° 48' 07" a distance of 17.11 feet; thence tangent
21 to said last mentioned curve, South 66° 00' 11" East, 153.29
22 feet to the beginning of a tangent curve concave Southwesterly
23 and having a radius of 60.00 feet; thence Southeasterly and
24 Southerly along said last mentioned curve, through an angle
25 of 90° 00' 00", a distance of 94.25 feet to a point herein-
26 after referred to as Point "A"; thence tangent to said last
mentioned curve, South 23° 59' 49" West, 33 feet to a point
in the Northeasterly line of U. S. Highway 101, said last
mentioned point being in a curve in said Northeasterly line,
said curve being concave Southwesterly and having a radius
of 5060 feet, a radial line to said last mentioned curve
passing through said last mentioned point bears North 23°
59' 49" East, said last mentioned point being Easterly 194.13
feet measured along said Northeasterly line from a 6 inch by
6 inch concrete highway monument, said highway monument bears
South 10° 20' 14" West 3668.46 feet from a 1-1/2 inch iron
pipe with brass cap, set for the Northeast corner of said
Section 24.

21 The side lines of said strip of land, hereinabove
22 described and designated as Parcel 1, shall be prolonged or
23 shortened so as to terminate in the Northeasterly line of
24 said U. S. Highway 101.

23 PARCEL 2:

24 That portion of the Rancho Santa Margarita y Las Flores,
25 as described in the Patent from the United States of America,
26 dated March 28, 1879 and recorded in Book 7, page 18 et seq.,
of Patents in the Office of the County Recorder of said
County and being also a portion of Section 24 in Township 9

1 South, Range 7 West, as shown on the Record of Survey Map
2 No. 794, filed January 17, 1940 in the office of said County
Recorder, described as follows:

3 Beginning at Point "A" hereinabove referred to in the
4 center line description of the strip of land hereinabove
5 described and designated as Parcel 1; thence South 66° 00'
6 11" East 20 feet to the beginning of a non-tangent curve
7 concave to the East and having a radius of 40.00 feet; thence
8 Southerly along said curve through an angle of 55° 32' 58"
9 a distance of 38.78 feet to a point in the Northeasterly line
10 of U. S. Highway 101, said last mentioned point being in a
11 curve concave to the South and having a radius of 5060 feet,
12 a radial line of said last mentioned curve passing through
13 said last mentioned point bears North 24° 25' 12" East;
14 thence Westerly along said last mentioned curve through an
15 angle of 00° 50' 46" a distance of 74.72 feet to a point,
16 a radial line of said last mentioned curve passing through
17 said last mentioned point bears North 23° 34' 26" East, said
18 last mentioned point being also at the beginning of a non-
19 tangent curve concave to the West and having a radius of
20 40.00 feet; thence Northerly along said last mentioned curve
21 through an angle of 55° 32' 58" a distance of 38.78 feet to
22 a point, a radial line to said last mentioned curve passing
23 through said last mentioned point bears South 66° 00' 11"
24 East; thence South 66° 00' 11" East 20 feet to the point of
25 beginning.

26 EXCEPTING from the land hereinabove described and
designated as Parcel 2 that portion thereof lying within
the strip of land hereinabove described and designated as
Parcel 1.

1 EXHIBIT A-2

2 DESCRIPTION OF EDISON SWITCHYARD AREA

3
4 That portion of the Rancho Santa Margarita y Las
5 Flores, as described in the Patent from the United States of
6 America, dated March 28, 1879 and recorded in Book 7, page 18
7 et seq., of Patents in the office of the County Recorder of
8 said County, being also portions of Section 24 in Township 9
South, Range 7 West and Section 30 in Township 9 South, Range
6 West, as shown on Record of Survey Maps No. 794 filed
January 17, 1940 in the office of said County Recorder,
described as follows:

9 Beginning at a 6 inch by 6 inch concrete highway
10 monument, set in the Southwesterly line of U.S. Highway 101,
11 said monument bears South $02^{\circ} 52' 15''$ East 4207.25 feet from
12 a 1-1/2 inch iron pipe, with brass cap, set for the Northeast
13 corner of Section 24 in Township 9 South, Range 7 West, as
14 shown on said Record of Survey Map; thence South $56^{\circ} 12' 04''$
15 East along said Southwesterly line of U.S. Highway 101, a
16 distance of 50 feet; thence South $33^{\circ} 00' 00''$ West, 12 feet to
17 the TRUE POINT OF BEGINNING, of this description: thence
18 South $56^{\circ} 12' 04''$ East parallel with said Southwesterly line
19 of U.S. Highway 101, a distance of 556 feet; thence South
20 $33^{\circ} 00' 00''$ West 269 feet to a point in a line which passes
21 through a point that bears South $33^{\circ} 00' 00''$ West 286 feet
22 from the hereinbefore referred to 6 x 6 concrete monument in
23 the Southwesterly line of said U.S. Highway 101; thence
24 Northwesterly along said last mentioned line 594 feet; thence
25 North $33^{\circ} 00' 00''$ East, 154 feet; thence South $56^{\circ} 12' 04''$
26 East, 38 feet; thence North $33^{\circ} 00' 00''$ East 120 feet to the
TRUE POINT OF BEGINNING of this description.

1 EXHIBIT A-3

2 DESCRIPTION OF OFF SHORE LAND

3
4 A STRIP OF TIDE AND SUBMERGED LAND, ONE-HUNDRED (100) FEET
5 WIDE, IN THE GULF OF SANTA CATALINA, SAN DIEGO COUNTY, THE
6 CENTER LINE OF WHICH IS DESCRIBED AS FOLLOWS:

7 BEGINNING AT A POINT IN THAT CERTAIN COURSE IN THE SOUTH-
8 WESTERLY BOUNDARY OF THE 83.63-ACRE PARCEL OF LAND SHOWN ON
9 THE LICENSED SURVEYOR'S MAP FILED ON JUNE 13, 1963, AS MAP
10 NO. 6242 OF RECORDS OF SURVEY IN THE OFFICE OF COUNTY
11 RECORDER OF SAID COUNTY, SAID CERTAIN COURSE IS SHOWN ON
12 SAID MAP AS HAVING A BEARING OF "S 52° 00' 51" E" AND A
13 LENGTH OF "299.95 FEET", SAID POINT BEING SOUTH 52° 00' 51"
14 EAST 18.71 FEET FROM THE NORTHWESTERLY TERMINUS OF SAID
15 CERTAIN COURSE: THENCE SOUTH 33° 00' 00" WEST, 3,310.11
16 FEET, CONTAINING 7.599 ACRES MORE OR LESS.

17 THE SIDE LINES OF SAID STRIP OF LAND SHALL BE SHORTENED AT
18 THE NORTHEASTERLY TERMINUS THEREOF SO AS TO TERMINATE IN
19 THE SOUTHWESTERLY BOUNDARY LINE OF SAID 83.63-ACRE PARCEL OF
20 LAND, SHOWN ON SAID LICENSED SURVEYOR'S MAP.
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1 EXHIBIT A-4

2 DESCRIPTION OF PLANT SITE

3
4 That certain real property in the County of San Diego,
5 State of California, described as follows:

6 That portion of the Rancho Santa Margarita y Las Flores,
7 as described in the Patent from the United States of America,
8 dated March 28, 1879 and recorded in Book 7, page 18 et seq.,
9 of Patents in the office of the County Recorder of said
10 County, being also portions of Section 24 in Township 9 South,
11 Range 7 West, and Section 30 in Township 9 South, Range 6 West,
12 as shown on Record of Survey Map No. 794 filed January 17,
13 1940 in the office of said County Recorder, described as
14 follows:

15 Beginning at a 6 inch by 6 inch concrete highway monument,
16 set in the Southwesterly line of U. S. Highway 101, said
17 monument being North 56° 12' 04" West 2123.77 feet, measured
18 along said Southwesterly line, from a 6 inch by 6 inch concrete
19 highway monument, said first above mentioned concrete highway
20 monument bears South 02° 52' 15" East 4207.25 feet from a 1-1/2
21 inch iron pipe, with brass cap, set for the Northeast corner
22 of Section 24 in Township 9 South, Range 7 West, as shown on
23 said Record of Survey Map, said first above mentioned concrete
24 highway monument being also at the beginning of a tangent curve,
25 concave Southwesterly and having a radius of 4940 feet; thence
26 Northwesterly along said curve, through an angle of 12° 00',
a distance of 1034.63 feet; thence continuing along said
Southwesterly line and tangent to said last mentioned curve,
North 68° 12' 04" West, 503.81 feet to the beginning of a
tangent curve, concave to the Northeast and having a radius
of 2060 feet; thence Northwesterly, along said last mentioned
curve, through an angle of 04° 54' 28" a distance of 176.47
feet to a point, a radial line of said last mentioned curve
passing through said last mentioned point bears South 26° 42'
24" West; thence South 33° 00' 00" West, 785.32 feet to the
Mean High Tide Line of the Pacific Ocean; thence Southeasterly,
along said Mean High Tide Line of the Pacific Ocean to a line
that is parallel with and 4500 feet Southeasterly, measured
at right angles, from the course hereinabove described as
having a bearing of South 33° 00' 00" West and a length of
785.32 feet; thence North 33° 00' 00" East, along said
parallel line, 663.39 feet to a point in said Southwesterly
line of U. S. Highway 101, said last mentioned point being in
a curve in said Southwesterly line, said curve being concave
Southwesterly and having a radius of 11440 feet and being
also tangent to the course hereinabove described as having a

1 bearing of North $56^{\circ} 12' 04''$ West and a length of 2123.77 feet,
2 a radial line to said curve passing through said last mentioned
3 point bears North $37^{\circ} 12' 19''$ East; thence Northwesterly, along
4 said curve, through an angle of $03^{\circ} 24' 23''$, a distance of
5 680.14 feet to the second above mentioned 6 inch by 6 inch
6 concrete highway monument; thence North $56^{\circ} 12' 04''$ West,
7 2123.77 feet to the point of beginning.

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1 EXHIBIT A-5

2 DESCRIPTION OF SAN DIEGO SWITCHYARD AREA

3
4 That portion of the Rancho Santa Margarita y Las Flores,
5 as described in the Patent from the United States of America,
6 dated March 28, 1879 and recorded in Book 7, page 18 et seq.,
7 of Patents in the office of the County Recorder of said
8 County, being also portions of Section 24 in Township 9 South,
9 Range 7 West and Section 30 in Township 9 South, Range 6 West,
10 as shown on Record of Survey Map. No. 794 filed January 17,
11 1940 in the office of said County Recorder, described as
12 follows:

13 Beginning at a 6 inch concrete highway monument, set in
14 the Southwesterly line of U. S. Highway 101, said monument
15 bears South 02° 52' 15" East 4207.25 feet from a 1-1/2 inch
16 iron pipe, with brass cap, set for the Northeast corner of
17 Section 24 in Township 9 South, Range 7 West, as shown on
18 said Record of Survey Map; thence South 56° 12' 04" East
19 along said Southwesterly line of U. S. Highway 101, a distance
20 of 50 feet; thence South 33° 00' 00" West 12 feet; thence
21 South 56° 12' 04" East, parallel with said Southwesterly line
22 of U. S. Highway 101, a distance of 556 feet; thence South
23 33° 00' 00" West 18 feet to the TRUE POINT OF BEGINNING of
24 this description; thence South 56° 12' 04" East parallel with
25 said Southwesterly line of U. S. Highway 101, a distance of
26 105 feet to a point; thence Easterly in a direct line to a
point that is North 33° 00' 00" East 15 feet and South 56° 12'
04" East 18 feet from the last mentioned point; thence South
56° 12' 04" East 347 feet; thence South 33° 00' 00" West, 240
feet; thence Northwesterly 470 feet to a point that bears
South 33° 00' 00" West 242 feet from the TRUE POINT OF
BEGINNING of this description; thence North 33° 00' 00" East
242 feet to the TRUE POINT OF BEGINNING of this description.

1 EXHIBIT A-6

2 DESCRIPTION OF SPUR TRACK AREA

3
4 That certain real property in the County of San Diego,
State of California, described as follows:

5 A strip of land, One Hundred (100) feet wide, lying
6 Forty-seven and one-half (47.5) feet Northeasterly and Fifty-
7 two and one-half (52.5) feet Southwesterly of the herein-
8 after described reference line, said strip of land lying
9 within the Rancho Santa Margarita y Las Flores, as described
10 in the Patent from the United States of America, dated
11 March 28, 1879 and recorded in Book 7, page 18 et seq., of
12 Patents in the office of the County Recorder of said County,
and being also a portion of Section 24 in Township 9 South,
Range 7 West, as shown on the Record of Survey Map No. 794,
filed January 17, 1940 in the office of said County Recorder.

13 The reference line referred to above is described as
14 follows:

15 Beginning at a 6 inch by 6 inch concrete highway monu-
16 ment, set in the Southwesterly line of U. S. Highway 101,
17 said monument being North $56^{\circ} 12' 04''$ West 2123.77 feet,
18 measured along said Southwesterly line, from a 6 inch by
19 6 inch concrete highway monument, said first above mentioned
20 concrete highway monument bears South $02^{\circ} 52' 15''$ East,
21 4207.25 feet from a 1-1/2 inch iron pipe, with brass cap,
22 set for the Northeast corner of Section 24 in Township 9
23 South, Range 7 West, as shown on said Record of Survey Map,
24 said first above mentioned concrete highway monument being
25 also at the beginning of a tangent curve concave South-
26 westerly and having a radius of 4940 feet; thence North-
westerly, along said curve, through an angle of $12^{\circ} 00' 00''$,
a distance of 1034.63 feet; thence continuing along said
Southwesterly line and tangent to said last mentioned curve,
North $68^{\circ} 12' 04''$ West, 503.81 feet to the beginning of a
tangent curve concave to the Northeast and having a radius
of 2060 feet; thence Northwesterly, along said last mentioned
curve, through an angle of $04^{\circ} 54' 28''$ a distance of 176.47
feet to a point, a radial line of said last mentioned curve
passing through said last mentioned point bears South 26°
 $42' 24''$ West; thence South $33^{\circ} 00' 00''$ West, 115.71 feet to
the TRUE POINT OF BEGINNING of this description; thence
North $57^{\circ} 00' 00''$ West 473.57 feet to the beginning of a
tangent curve concave Northeasterly and having a radius of
1910.17 feet; thence Northwesterly along said last mentioned

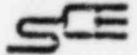
1 curve, through an angle of $29^{\circ} 47' 14''$ a distance of 993.07
2 feet; thence tangent to said last mentioned curve North 27°
3 $12' 46''$ West 456.60 feet to the beginning of a tangent curve
4 concave Southwesterly and having a radius of 573.69 feet;
5 thence Northwesterly along said last mentioned curve through
6 an angle of $20^{\circ} 00' 00''$ a distance of 200.26 feet to the
7 beginning of a compound curve concave Southwesterly and
8 having a radius of 736.76 feet; thence Northwesterly along
9 said last mentioned curve through an angle of $8^{\circ} 59' 18''$
10 115.59 feet to a point in the center line of the 100 foot
11 right of way of the Atchison, Topeka and Santa Fe Railway
12 Company, said point being North $56^{\circ} 12' 04''$ West 700 feet,
13 measured along said last mentioned center line from its
14 intersection with the center line of U.S. Highway 101 (140
15 feet wide).

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EXHIBIT H

SAN ONOFRE UNITS 2 AND 3
LETTER AGREEMENT

Southern California Edison Company



P. O. BOX 351

WILLIAM R. GOULD
SENIOR VICE PRESIDENT

LOS ANGELES, CALIFORNIA 90053

TELEPHONE
212-884-7111

January 22, 1970

San Diego Gas & Electric Company
P. O. Box 1831
San Diego, California 92112

Gentlemen:

This letter sets forth the agreement of San Diego Gas & Electric Company (San Diego) and Southern California Edison Company (Edison) pursuant to the San Onofre Ownership Agreement, dated October 5, 1967, to proceed with the construction of two additional generating units (Units 2 and 3) at the San Onofre Nuclear Generating Station. The Companies agree, as provided in this letter, to share in the ownership, construction, operation, maintenance and use of Units 2 and 3 and to proceed with the award of major contracts for such units. The Companies agree that, with respect to Units 2 and 3, this letter shall substitute for the procedures described in Section 3 of the San Onofre Ownership Agreement. The commitments in this letter shall be superseded by definitive agreements described in Section 4 hereof.

The Companies agree as follows:

1. UNITS 2 AND 3

1.1 Units 2 and 3 shall be substantially identical generating units utilizing a pressurized water reactor nuclear steam supply system, together with initial core fuel assemblies and the necessary appurtenances. The nuclear steam supply system and the initial core fuel assemblies will be furnished by Combustion Engineering, Inc. Each unit shall be designed to produce approximately 1,140 megawatts net electrical output.

2. SCHEDULES

2.1 The Companies intend to make an award to Combustion Engineering, Inc. for the

nuclear steam supply systems and initial core fuel assemblies for Units 2 and 3 on or before January 23, 1970. The award will be made in the names of both Companies.

- 2.2 In accordance with Section 3.4 of the San Onofre Ownership Agreement, the Companies confirm that the scheduled dates for initial full power operation of Units 2 and 3 will be June 1, 1975, and June 1, 1976, respectively. In order to permit a shutdown period and adequate time to establish said units as reliable generating resources, the commercial operating date for each unit will be scheduled for one year after the scheduled date of initial full power operation of such unit.

3. PARTICIPATION

- 3.1 In light of the exercise by San Diego of its participation option pursuant to the San Onofre Ownership Agreement, the Companies shall acquire and own Units 2 and 3, as tenants in common, as follows:
- 3.1.1 San Diego shall own an undivided twenty per cent (20%) interest therein; and
- 3.1.2 Edison shall own an undivided eighty per cent (80%) interest therein.
- 3.2 The capacity entitlement of each Company in each of Units 2 and 3 shall be the product of its percentage participation share and the net effective generating capacity of such unit.
- 3.3 Each Company shall be responsible for transmitting its capacity entitlement and energy associated therewith from San Onofre Nuclear Generating Station to its system.

4. DEFINITIVE AGREEMENTS

4.1 The Companies agree to negotiate in good faith and to proceed with diligence to obtain all necessary project agreements, including those pertaining to the following:

- 4.1.1 Agreements with the suppliers of the nuclear steam supply systems and turbine-generators, to be executed by both Companies with such suppliers.
- 4.1.2 Construction.
- 4.1.3 Fuel supply, to be executed by both Companies with the supplier.
- 4.1.4 Agreement with the Engineer-Constructor, to be executed by both Companies with the Engineer-Constructor.
- 4.1.5 Ownership.
- 4.1.6 Operation and maintenance.
- 4.1.7 Fuel reprocessing, to be executed by both Companies with the Reprocessor.

5. REGULATORY APPROVALS

5.1 The Companies agree to proceed with diligence to obtain all necessary regulatory approvals for the construction and operation of Units 2 and 3.

6. PROJECT COSTS

6.1 Costs incurred by the Companies which are properly chargeable to the construction of Units 2 and 3 shall be set forth in budgets to be approved in advance by the Companies.

- 6.2 San Diego shall be entitled to proportionate reimbursement by Edison for costs incurred by San Diego, which costs contribute to the advancement and are properly chargeable to the construction of Units 2 and 3.
- 6.3 Edison shall be entitled to proportionate reimbursement by San Diego for costs incurred by Edison, which costs contribute to the advancement and are properly chargeable to the construction of Units 2 and 3.
- 6.4 The details of the payment of those costs incurred by Edison prior to the effective date of the Construction Agreement shall be set forth in a supplement to this letter. It is anticipated that such payments shall be made on a monthly basis.

7. LIABILITY AND INSURANCE

- 7.1 The Companies agree to negotiate and complete, within sixty (60) days after the date of execution of this letter, a supplement to this letter containing (a) liability provisions governing the construction of Units 2 and 3, and (b) any necessary insurance arrangements for said units.

8. INTERCONNECTION

- 8.1 For system security reasons, the Companies intend to arrange in connection with the construction of Units 2 and 3 the interconnection facilities located at the San Onofre Nuclear Generating Station in such a manner that a certain amount of capacity compatible to both systems from said station will be available to both Companies during times when the two systems are not operating in parallel. The arrangement and operation of such interconnection and the amount of capacity to be isolated on the respective systems will be subjects of joint studies to be performed by the Companies assuming various contingencies of planned and forced outages.

9. PROJECT MANAGER AND OPERATING AGENT

9.1 The Companies hereby appoint Edison as Project Manager and Operating Agent. Edison shall perform, or cause to be performed, as agent for San Diego and as principal on its own behalf the project work for Units 2 and 3.

10. LIAISON

10.1 The Companies shall promptly inform each other concerning significant matters involving the project work.

10.2 Each Company shall promptly notify the other in advance of important meetings with equipment vendors, regulatory agencies and others so that representatives of both Companies may participate in such meetings.

10.3 The Companies shall meet periodically at the management level to review and discuss policy matters affecting the project work, and at the engineering staff level to review and discuss the project work.

10.4 San Diego shall designate a project representative to provide direct contact between Edison and San Diego in matters pertaining to the project work.

SCED

If the foregoing properly expresses our mutual agreement, please confirm by signing in the space provided below and returning one copy to me.

Sincerely,

SOUTHERN CALIFORNIA EDISON COMPANY

By William R. Bond
Senior Vice President

Accepted and agreed to

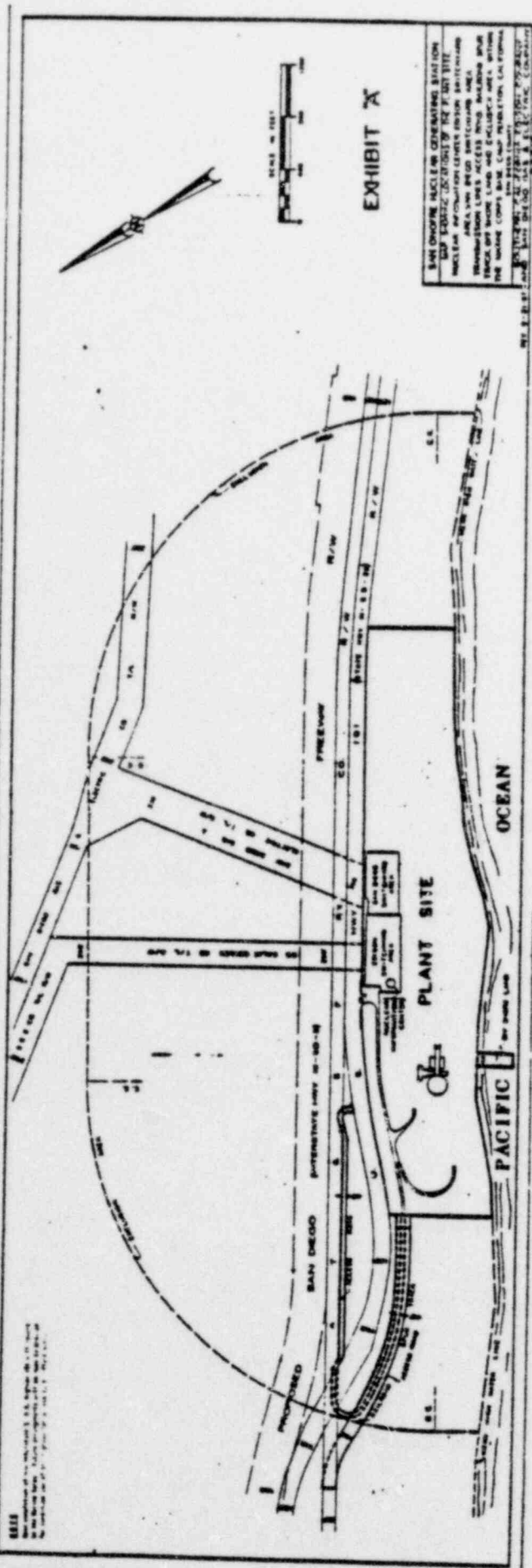
this 23 day of

January, 1970.

SAN DIEGO GAS & ELECTRIC COMPANY

By [Signature]

Handwritten notes in a box, including "San Diego Gas & Electric" and "1/23/70".



SEE
 THE PLAN OF THE SAN ONOFRE NUCLEAR GENERATING STATION
 FOR A MORE DETAILED VIEW OF THE SITE AND THE
 SURROUNDING AREA.

EXHIBIT A

SAN ONOFRE NUCLEAR GENERATING STATION
 SAN ONOFRE, CALIFORNIA
 NUCLEAR REGULATORY COMMISSION
 SAN ONOFRE NUCLEAR GENERATING STATION
 SAN ONOFRE, CALIFORNIA
 NUCLEAR REGULATORY COMMISSION
 SAN ONOFRE NUCLEAR GENERATING STATION
 SAN ONOFRE, CALIFORNIA
 NUCLEAR REGULATORY COMMISSION

EXHIBIT I

AMENDED SAN ONOFRE OPERATING AGREEMENT

AND

AMENDMENT NO. 1 TO
AMENDED SAN ONOFRE OPERATING AGREEMENT

AMENDED SAN ONOFRE OPERATING AGREEMENT

BETWEEN

SAN DIEGO GAS & ELECTRIC COMPANY

AND

SOUTHERN CALIFORNIA EDISON COMPANY

1
2 AMENDED SAN ONOFRE OPERATING AGREEMENT

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AMENDED SAN ONOFRE OPERATING AGREEMENT

THIS AGREEMENT, executed on the 30th day of July, 1970, between SAN DIEGO GAS & ELECTRIC COMPANY, hereinafter called "San Diego", and SOUTHERN CALIFORNIA EDISON COMPANY, hereinafter called "Edison", corporations organized, created, and existing under and by virtue of the laws of the State of California, hereinafter referred to individually as "Company" and collectively as "Companies".

W I T N E S S E T H :

WHEREAS, San Diego and Edison have entered into an agreement entitled "Edison-San Diego Agreement" of March 8, 1963, to provide for their joint participation in the procurement, construction, and operation of the San Onofre Nuclear Generating Station.

WHEREAS, Edison and Westinghouse Electric Corporation entered into a contract entitled "San Onofre Nuclear Generating Station Unit No. 1 Contract for Fuel Service", dated June 12, 1963, to provide long-term fuel service for Unit 1.

WHEREAS, Edison assigned to San Diego an undivided 20 per cent interest in said Contract for Fuel Service by a document entitled "Assignment of Interest in Contract for Fuel Service", dated June 21, 1963.

1 WHEREAS, Edison and San Diego have entered into an
2 agreement and Modification No. 1 thereto with the United States
3 of America, represented by the Atomic Energy Commission, dated
4 March 31, 1964, hereinafter referred to as the "Assistance
5 Contract".

6 WHEREAS, the Edison-San Diego Agreement provides
7 that Edison and San Diego shall enter into an operating agree-
8 ment which shall contain the terms and conditions under which
9 the San Onofre Nuclear Generating Station shall be operated
10 and maintained and the method of sharing the costs thereof
11 and the output therefrom.

12 WHEREAS, pursuant to the Edison-San Diego Agreement,
13 (i) Edison assigned a 20 per cent undivided interest to San
14 Diego in the contract entitled "Agreement for Coast Nuclear
15 Station, Unit No. 1", hereinafter called the "NPPC", entered
16 into by Edison on January 11, 1963, with Bechtel Corporation
17 and Westinghouse Electric Corporation, and (ii) San Diego
18 irrevocably appointed Edison as its agent, and Edison agreed
19 to undertake as San Diego's agent, as well as in Edison's own
20 behalf, the performance of all specified Edison obligations
21 under the NPPC, the handling of all transactions and relations
22 with Bechtel and Westinghouse under the NPPC, the performance
23 of all Edison's obligations therein specified and the handling
24 of all transactions and relations with Westinghouse under the
25 Fuel Service Contract, the performance of the terms and condi-
26 tions of the Assistance Contract with the Atomic Energy

1 Commission, the making on behalf of Edison and San Diego of
2 reports to the AEC and the California Public Utilities Com-
3 mission, the issuance of publicity and conducting public
4 relations except those involving San Diego's service territory,
5 and liaison with the California Coordinator of Atomic Energy
6 Development and Radiation Protection.

7 WHEREAS, the Companies desire that Unit 1 shall be
8 so operated and maintained that its value and usefulness as
9 a power generating resource will provide benefits to Edison
10 and San Diego in proportion to their ownership thereof.

11 WHEREAS, the Companies desire to obtain and share
12 maximum experience and training benefits from the operation
13 and maintenance of Unit 1.

14 WHEREAS, Edison and San Diego entered into an agree-
15 ment entitled "San Onofre Ownership Agreement", dated
16 October 5, 1967, and recorded on October 6, 1967, in Series 8,
17 Book 1967, Page 154649 of Official Records in the office of
18 the County Recorder of the County of San Diego, to supplement
19 the Edison-San Diego Agreement in regard to certain incidents
20 of ownership of the San Onofre Nuclear Generating Station.

21 WHEREAS, Edison and San Diego entered into an
22 agreement entitled "San Onofre Operating Agreement", dated
23 June 1, 1966, which provides certain terms and conditions
24 under which Edison shall operate and maintain Unit 1.

25 WHEREAS, Edison and San Diego desire to amend and
26 restate the San Onofre Operating Agreement to provide for the

1 making of Capital Improvements, the sharing of expenses, the
2 providing of insurance, and other matters in connection with
3 the operation and maintenance of Unit 1.

4 NOW THEREFORE, in consideration of the terms and
5 conditions herein set forth to be performed by each of the
6 Companies, respectively, the parties hereto agree as follows:

7 1. DEFINITIONS

8 Whenever used herein, the following terms shall have
9 the following meanings, exclusively:

10 1.1 Access Road Area: An area of land described in an
11 easement granting rights for access and other pur-
12 poses relating to the San Onofre Nuclear Generating
13 Station by the United States to Edison and San Diego
14 on May 12, 1964, recorded in Series 5, Book 1964,
15 Page 85889 of Official Records in the office of the
16 County Recorder of the County of San Diego. Such
17 land area consisting of approximately 3.68 acres in
18 the northwest corner of the Marine Corps Base,
19 Camp Pendleton, California, is shown in Exhibit A
20 attached hereto.

21 1.2 Additional Generating Unit: Any facility for the
22 generation of electrical energy (including all
23 auxiliary and associated equipment) constructed or
24 installed at the San Onofre Nuclear Generating Sta-
25 tion other than Unit 1 or auxiliary generating
26 facilities necessary for the operation of Unit 1.

- 1 1.3 Board of Review: The board established pursuant to
2 Section 3.1 hereof.
- 3 1.4 Capital Improvement: The addition of any unit of
4 property, land or land right to Unit 1 or the Station
5 Site or the replacement, enlargement or improvement
6 of any unit of property, land or land right con-
7 stituting a part of Unit 1 or the Station Site,
8 which, in accordance with Prescribed Accounting
9 Practice, would be capitalized.
- 10 1.5 Edison Switchyard: The 220-kv switchrack and related
11 facilities located within the Edison Switchyard Area
12 and any facilities subsequently installed or con-
13 structed therein by Edison, but not including the
14 conductors and dead-end assemblies for the 220-kv
15 Unit 1 main transformer leads or any environmental
16 radiation monitoring equipment installed therein.
17 For purposes of this agreement, the following items
18 located in the Unit 1 control-administration build-
19 ing are also considered to be part of the Edison
20 Switchyard:
- 21 1.5.1 Controls, indicating lights, and instruments
22 associated with Edison's 220-kv switchrack
23 facilities.
- 24 1.5.2 Tap changing controls and associated indi-
25 cating meters for San Diego's 220/138-kv
26 autotransformers.

1 1.5.3 Meters and devices for interconnection meter-
2 ing and Edison's associated telemetering
3 equipment.

4 1.6 Edison Switchyard Area: An area of land used as the
5 site of Edison Switchyard and, at present, as the
6 site of the Nuclear Information Center. Such land
7 area consisting of approximately 3.66 acres within
8 the Plant Site is shown in Exhibit A.

9 1.7 Edison Transmission Lines: The 220-kv transmission
10 lines connecting the Edison Switchyard with the
11 remainder of the Edison system.

12 1.8 FPC Accounts: The Federal Power Commission's
13 "Uniform System of Accounts Prescribed for Public
14 Utilities and Licensees (Class A and Class B), in
15 Effect on March 1, 1965, Subject to the Provisions
16 of the Federal Power Act", as amended on or before
17 the execution date of this agreement.

18 1.9 Fuel Service Contract: A contract entitled
19 "San Onofre Nuclear Generating Station Unit 1
20 Contract for Fuel Service" entered into as of
21 June 12, 1963, by Edison and Westinghouse Electric
22 Corporation, in which contract Edison assigned to
23 San Diego an undivided 20 per cent interest on
24 June 21, 1963; as amended by Amendment No. 1 thereto
25 on March 27, 1964, and Amendment No. 2 thereto on
26 March 27, 1967, and as it may thereafter be amended.

1 1.10 Nuclear Information Center: The structures and
2 associated facilities designated in Exhibit A as
3 the Nuclear Information Center, located within the
4 presently unfenced portion of the Edison Switchyard
5 Area and any subsequent improvements of or additions
6 to said structures and facilities.

7 1.11 Off-Shore Land: A strip of tide and submerged land
8 used for circulating water conduits for the San
9 Onofre Nuclear Generating Station described in an
10 easement-lease for such purpose from the State of
11 California to Edison and San Diego beginning on
12 September 24, 1964, and recorded in Series 5,
13 Book 1964, Page 235236 of Official Records in the
14 office of the County Recorder of the County of
15 San Diego, as such easement-lease was amended on
16 December 5, 1968, and may hereafter be amended.
17 Such land area consisting of approximately 7.599
18 acres is shown in Exhibit A.

19 1.12 Plant Site: An area of land used for the major
20 portion of the San Onofre Nuclear Generating Station
21 described in an easement granted for such purpose by
22 the United States to Edison and San Diego on May 12,
23 1964, and recorded in Series 5, Book 1964,
24 Page 85887 of Official Records in the office of the
25 County Recorder of the County of San Diego. Such
26 land area consisting of approximately 83.63 acres

1 in the northwest corner of the Marine Corps Base,
2 Camp Pendleton, California, is shown in Exhibit A.

3 1.13 Prescribed Accounting Practice: Generally accepted
4 accounting principles, in accordance with FPC
5 Accounts, applicable to electric utility operations.

6 1.14 San Diego Switchyard: The 220-kv and 138-kv switch-
7 racks, 220/138-kv autotransformers, and related
8 facilities located within the San Diego Switchyard
9 Area and any facilities subsequently installed or
10 constructed therein by San Diego, but not including
11 the conductors and dead-end assemblies for the
12 Unit 1 Auxiliary "C" Transformer leads.

13 1.15 San Diego Switchyard Area: An area of land used as
14 the site of the San Diego Switchyard. Such land
15 area consisting of approximately 2.72 acres within
16 the Plant Site is shown in Exhibit A.

17 1.16 San Diego Transmission Lines: The 138-kv trans-
18 mission lines connecting the San Diego Switchyard
19 with the remainder of the San Diego system.

20 1.17 San Onofre Agreements: The Edison-San Diego Agree-
21 ment referred to on page 1 hereof, the San Onofre
22 Ownership Agreement, this Amended San Onofre
23 Operating Agreement, the Fuel Service Contract,
24 the Assistance Contract, the Special Nuclear
25 Material Lease Agreement No. 264 dated July 1, 1968,
26 between the United States and the Companies, the

1 fuel reprocessing agreement to be entered into by
2 the fuel reprocessor and the Companies covering the
3 reprocessing of spent fuel, the three easements
4 granting rights by the United States to Edison and
5 San Diego for the Access Road, the Plant Site, and
6 the Spur Track Area, and the easement-lease granting
7 rights by the State of California to Edison and
8 San Diego for the Off-Shore Land.

9 1.18 San Onofre Interconnection Agreement: The agreement
10 the Companies propose to execute to provide, among
11 other matters, for the operation and maintenance of
12 the Edison and San Diego Switchyards and for the
13 interconnection of their systems through such Switch-
14 yards, as such agreement may thereafter be amended.

15 1.19 San Onofre Nuclear Generating Station: The entire
16 nuclear generating facility located on a site of
17 approximately 90 acres in the northwest corner of
18 the Marine Corps Base, Camp Pendleton, California,
19 consisting of the Plant Site (including the Edison
20 Switchyard Area and San Diego Switchyard Area), the
21 Access Road Area, the Spur Track Area, the Off-
22 Shore Land, any Subsequent Acquisitions, Unit 1,
23 the Nuclear Information Center, the Edison Switch-
24 yard, the San Diego Switchyard, and any Additional
25 Generating Units subsequently constructed or
26 installed.

1 1.20 San Onofre Ownership Agreement: The agreement the
2 Companies have executed as of October 5, 1967, which
3 was recorded on October 6, 1967, in Series 8,
4 Book 1967, Page 154649 of Official Records in the
5 office of the County Recorder of the County of
6 San Diego, supplementing the Edison-San Diego Agree-
7 ment of March 8, 1963, in regard to incidents of
8 ownership as tenants in common, waiver of partition,
9 transfer of ownership, and other matters with
10 respect to the San Onofre Nuclear Generating Station,
11 as such agreement may thereafter be amended.

12 1.21 Spur Track Area: An area of land used for railroad
13 spur track, pipelines, and communication lines for
14 the San Onofre Nuclear Generating Station described
15 in an easement granted for such purpose by the
16 United States to Edison and San Diego on May 12,
17 1964, and recorded in Series 5, Book 1964,
18 Page 85888 of Official Records in the office of the
19 County Recorder of the County of San Diego. Such
20 land area consisting of approximately 5.14 acres
21 in the northwest corner of the Marine Corps Base,
22 Camp Pendleton, California, is shown in Exhibit A.

23 1.22 Station Site: The Access Road Area, the Spur Track
24 Area, the Off-Shore Land, Subsequent Acquisitions,
25 and that portion of the Plant Site not included with-
26 in either the Edison or San Diego Switchyard Area.

- 1 1.23 Subsequent Acquisition: Any future acquisition by
2 either Edison or San Diego of land or land rights
3 necessary for the operation and maintenance of
4 Unit 1.
- 5 1.24 Unit 1: The first nuclear generating unit, consist-
6 ing of a nuclear steam supply system, a turbine-
7 generator designed to generate approximately
8 450 megawatts (gross) of electric power, and all
9 related equipment and facilities which are necessary
10 for the safe and efficient generation of electricity
11 therefrom installed on the Plant Site, the Access
12 Road Area, the Spur Track Area, and the Off-Shore
13 Land, but excluding the Edison Switchyard, San Diego
14 Switchyard, and Nuclear Information Center.
- 15 1.25 Unit 1 220-kv Output: The output in kilowatts of
16 Unit 1 delivered to and measured at the Edison
17 220-kv Switchyard.
- 18 1.26 Unit 1 Auxiliary "C" Transformer: The 138/4-kv,
19 three-phase transformer connected to the San Diego
20 Switchyard to supply a portion of the Unit 1
21 auxiliary power requirement.
- 22 1.27 Unit 1 Auxiliary "C" Transformer Demand: The
23 demand in kilowatts of the Unit 1 Auxiliary "C"
24 Transformer delivered from and measured at the
25 San Diego Switchyard.
- 26 1.28 Unit 1 Current Operating Capacity: The maximum

1 Unit 1 Net Output available to the Edison and
2 San Diego Transmission Lines at any given time.

3 1.29 Unit 1 Effective Operating Capacity: The full load
4 net electrical capability of Unit 1 as established
5 from time to time pursuant to performance tests
6 within the operating limits authorized by the
7 Atomic Energy Commission, which is reported to
8 regulatory agencies and others as the effective
9 operating capacity of Unit 1.

10 1.30 Unit 1 Insurance: Insurance coverages (including
11 the Government Indemnity Agreement referred to in
12 Section 10.2.1 hereof) for Unit 1, the Station Site,
13 and Edison personnel regularly assigned to Unit 1,
14 to be provided by Edison or Edison and San Diego
15 pursuant to Sections 10.1 and 10.2 hereof.

16 1.31 Unit 1 Minimum Output: The minimum Unit 1 Net
17 Output at which Unit 1 can be satisfactorily
18 operated.

19 1.32 Unit 1 Net Output: Unit 1 220-kv Output less the
20 simultaneous Unit 1 Auxiliary "C" Transformer
21 Demand.

22 1.33 Unit 1 Operating Impairment: Any unanticipated
23 event or circumstance, including any action, order,
24 or directive of any regulatory authority having
25 competent jurisdiction, which at the time of such
26 event or circumstance either reduces or has the

1 reasonably anticipated effect of reducing the genera-
2 tion of electric energy by Unit 1, or the operating
3 reliability of Unit 1.

4 1.34 Willful Action:

5 1.34.1 Action taken or failed to be taken by a
6 Company at the direction of its directors,
7 corporate officers or employees having
8 management responsibility affecting its
9 performance under any of the San Onofre
10 Agreements, which action:

11 1.34.1.1 is knowingly or intentionally
12 taken or failed to be taken with
13 conscious indifference to the
14 consequences thereof or with
15 intent that injury or damage
16 would result or probably would
17 result therefrom;

18 1.34.1.2 has been determined by final
19 arbitration award or final
20 judgment or judicial decree to be
21 a material default under any of
22 the San Onofre Agreements and
23 which action occurs or continues
24 beyond the time specified in such
25 arbitration award or judgment or
26 judicial decree for curing such

1 default, or if no
2 time to cure is
3 specified therein,
4 occurs or continues
5 thereafter beyond a
6 reasonable time to
7 cure such default;

8 1.34.1.3 is knowingly or
9 intentionally taken
10 or failed to be taken
11 with the knowledge that
12 such action taken or
13 failed to be taken is
14 a material default
15 under any of the San
16 Onofre Agreements.

17 1.34.2 Willful Action does not include
18 any act or failure to act which
19 is merely involuntary, acci-
20 dental or negligent.

21 1.34.3 The phrase "employees having
22 management responsibility"
23 as used in this Section 1.34
24 means the employees of a
25 Company who are responsible
26 for one or more of the

1 executive functions of plan-
2 ning, organizing, coordinating,
3 directing, controlling, and
4 supervising such Company's
5 performance under any of the
6 San Onofre Agreements, with
7 responsibility for results.
8 Included among such employees
9 for Edison are the Generating
10 Station Superintendent,
11 referred to in Section 3.2.1
12 hereof and, during his
13 absence from the station, the
14 Edison employee who has been
15 designated to act and is act-
16 ing for the Generating Sta-
17 tion Superintendent, and
18 such employee's non-field
19 supervisors who are respon-
20 sible for one or more of said
21 executive functions.

22 2. PARTICIPATION IN THE OPERATION AND
23 MAINTENANCE OF THE SAN ONOFRE
24 NUCLEAR GENERATING STATION

25 2.1 Edison shall, for the term of this agreement, per-
26 form all operation and maintenance of Unit 1 and the

1 Station Site upon the terms, covenants, and condi-
2 tions set forth herein. The operation and mainte-
3 nance of Additional Generating Units shall be
4 provided for in subsequent agreements.

5 2.2 Edison shall perform the operation and maintenance
6 of Unit 1 and the Station Site in accordance with
7 standards comparable to those followed at Edison's
8 other thermal generating plants and in accordance
9 with generally accepted electric utility industry
10 standards and practices, subject to any requirements
11 imposed by the Atomic Energy Commission or any other
12 regulatory agency having jurisdiction over such
13 operation and maintenance.

14 2.3 San Diego and Edison through the Board of Review
15 will jointly make policy determinations concerning
16 the operation and maintenance and use of Unit 1 and
17 the Station Site; provided, however, that all matters
18 relating to Additional Generating Units shall be
19 subject to Section 3 of the San Onofre Ownership
20 Agreement. In addition, San Diego will be entitled
21 to participate in and review the operation and
22 maintenance of Unit 1 and the Station Site, as
23 herein provided, through its designated representa-
24 tives, in order that San Diego may realize value
25 from Unit 1 both as a power generating resource and
26 as a source of nuclear power plant operating

1 experience; provided, however, such participation
2 and review by San Diego shall be conducted in a
3 manner and at times that will not materially hamper
4 or materially increase the costs of the operation
5 and maintenance of Unit 1 and the Station Site.

6 2.4 Edison shall operate and maintain the Edison Switch-
7 yard and San Diego shall operate and maintain the
8 San Diego Switchyard in accordance with the San
9 Onofre Interconnection Agreement. Neither Edison
10 nor San Diego shall separate its system from Unit 1
11 or from the system of the other Company at the San
12 Onofre Nuclear Generating Station in such a manner
13 as to interfere with the operation and maintenance
14 of Unit 1 or restrict the use by the other Company
15 of its entitlement in the capacity and energy of
16 Unit 1 except as provided in the San Onofre Inter-
17 connection Agreement.

18 3. BOARD OF REVIEW AND LIAISON

19 3.1 A Board of Review is hereby established to consist
20 of one member, and an alternate authorized to act
21 in the absence of such member, appointed by each
22 Company within ten days after the date of execution
23 of this agreement. The Board of Review shall hold
24 meetings at such times and places as may be neces-
25 sary to carry out its duties hereunder. Any action,
26 agreement or determination made by the Board of

1 Review shall be reduced to writing and shall become
2 effective when signed by the member from each Company
3 or an authorized alternate. Meetings may be called
4 by either member by giving written notice of the
5 time, place, and agenda at least seven days in
6 advance; except that the members may waive such
7 notice. It shall be the duty of the Board of Review
8 to review and approve the following with respect to
9 Unit 1 and the Station Site:

- 10 3.1.1 The annual capital expenditures budget;
- 11 3.1.2 The annual manpower budget;
- 12 3.1.3 The annual operation and maintenance
13 expense budget;
- 14 3.1.4 The annual fuel expense budget;
- 15 3.1.5 The establishment of the Unit 1 Effective
16 Operating Capacity;
- 17 3.1.6 The schedule of planned outages for over-
18 hauls, inspections, and refueling operations;
- 19 3.1.7 Procedures for providing nuclear training
20 for Edison and San Diego employees and for
21 personnel other than employees of the
22 Companies; and
- 23 3.1.8 Other matters as are set forth in this
24 agreement and the San Onofre Interconnection
25 Agreement.

26 In addition, the Board of Review shall resolve any

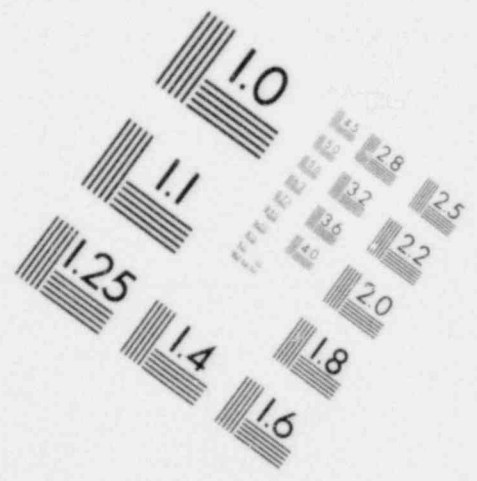
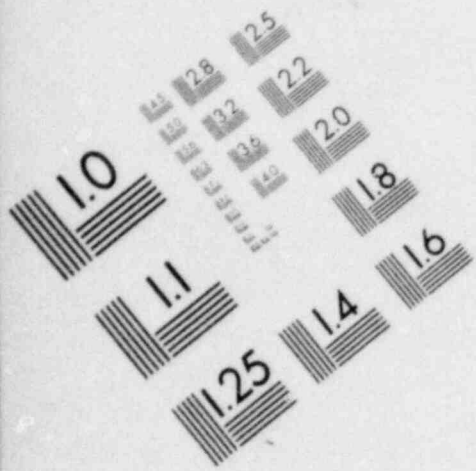
1 questions arising in the implementation of this
2 agreement which cannot be resolved by the respective
3 Company representatives appointed pursuant to
4 Section 3.2 hereof and perform such other duties as
5 may be agreed to by the Companies from time to time.

6 3.2 Each Company will designate qualified representa-
7 tives, and alternates authorized to act in the
8 absence of such representatives, as listed below,
9 who shall contact each other directly regarding
10 operating and maintenance matters and shall be
11 responsible for developing procedures as required to
12 provide for effective liaison between the Companies.

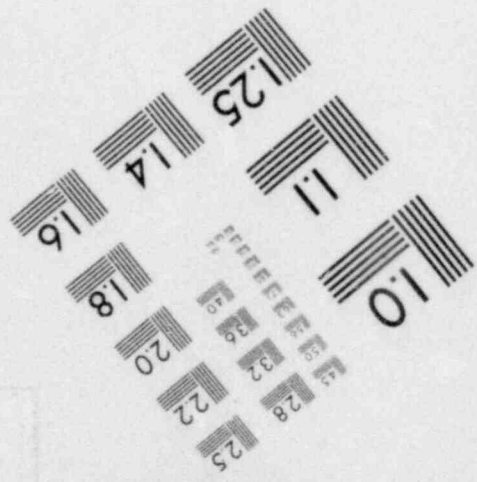
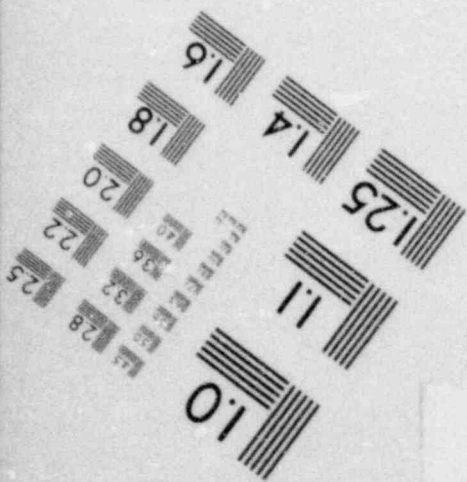
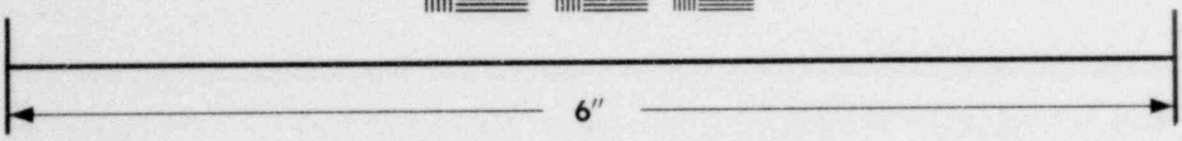
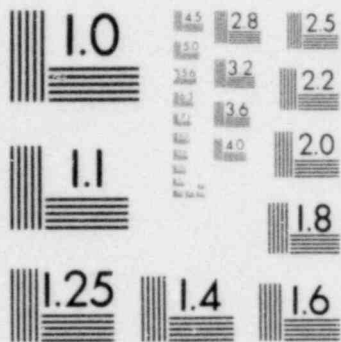
13 3.2.1 A Generating Station Superintendent to
14 be appointed by Edison to directly supervise
15 the operation and maintenance of Unit 1 and
16 the Station Site and to be the primary
17 Edison contact on all Unit 1 matters not
18 delegated to other Edison representatives.

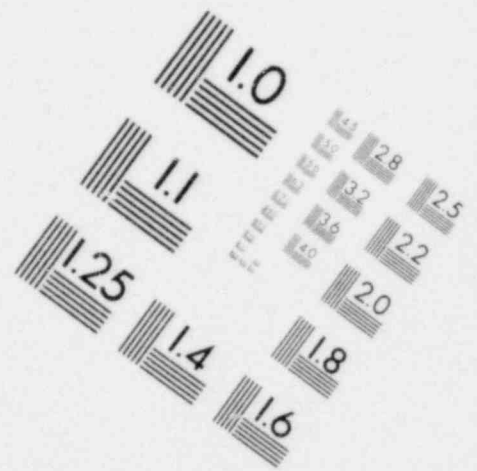
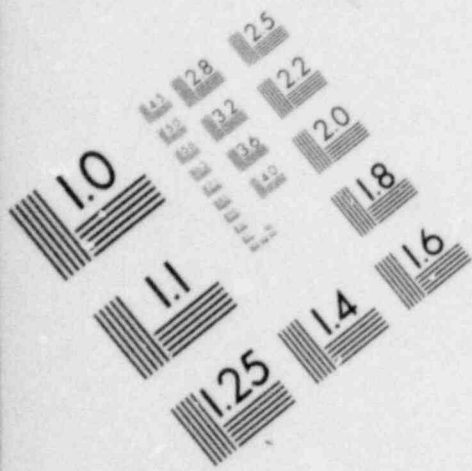
19 3.2.2 A San Diego Plant Representative to be
20 appointed by San Diego and to be the primary
21 San Diego contact on all Unit 1 matters not
22 delegated to other San Diego representatives.
23 Such representative shall, subject to AEC
24 regulations:

25 3.2.2.1 Be subject to all plant rules and
26 regulations to the same extent as

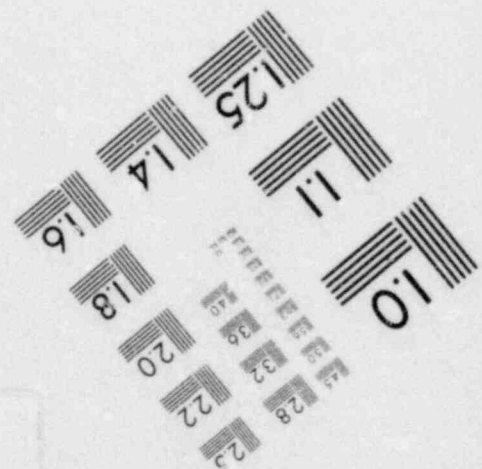
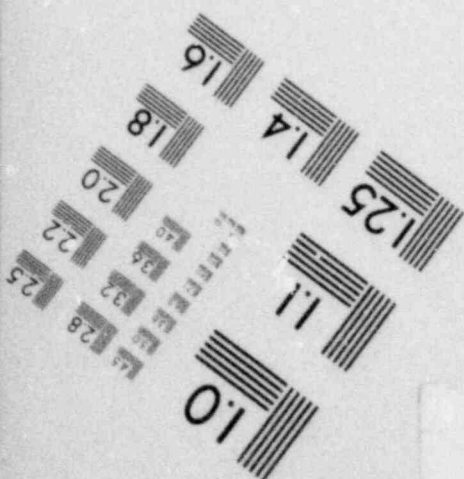
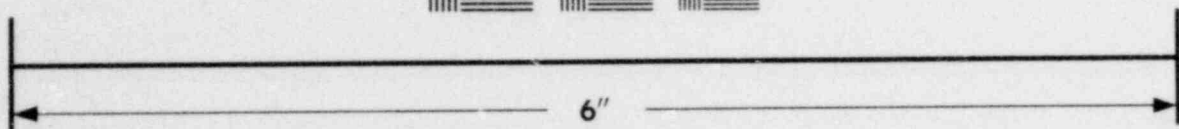
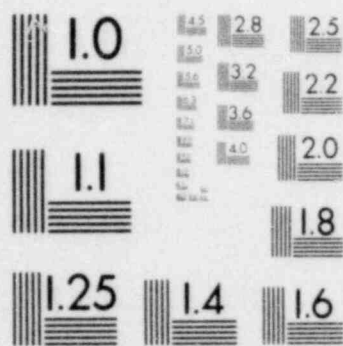


**IMAGE EVALUATION
TEST TARGET (MT-3)**





**IMAGE EVALUATION
TEST TARGET (MT-3)**



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the Generating Station Superintendent.

3.2.2.2 Have access to the plant at any time to the same extent as the Generating Station Superintendent.

3.2.2.3 Have the right to confer with the Generating Station Superintendent at all reasonable times.

3.2.2.4 Have access to all plant files except for confidential personnel records.

3.2.2.5 Receive copies of plant correspondence to the same extent as the Generating Station Superintendent except for correspondence dealing with confidential personnel records.

3.2.2.6 Have at the plant suitable desk space, file space, furnishings, parking space, and locker facilities.

3.2.2.7 Have access to and use of such duplicating facilities as may be provided at the plant.

3.2.2.8 Be advised as far in advance as possible of special operating and

1 maintenance plans, tests, and
2 other important or out-of-the-
3 ordinary plant activities.

4 3.2.2.9 Be promptly notified of meetings
5 between the Generating Station
6 Superintendent and equipment
7 vendors, personnel from regulatory
8 agencies, etc.

9 3.2.3 The Edison Dispatcher and the San Diego Load
10 Supervisor shall be the primary contacts
11 with regard to the loading of Unit 1 and the
12 delivery of San Diego's share of Unit 1 out-
13 put.

14 3.2.4 A Public Relations Representative to be
15 appointed by each Company to serve as a con-
16 tact on all matters concerning plant visits
17 and tours, other than visits by persons,
18 including Edison and San Diego employees,
19 having business to transact at the plant.

20 3.2.5 A Fiscal Representative to be appointed by
21 each Company to serve as a contact on all
22 matters concerning plant accounting, audits,
23 billing, operation and maintenance expense
24 accounting, and other fiscal matters.

25 3.2.6 An Insurance Representative to be appointed
26 by each Company to serve as a contact on

1 all matters concerning insurance.

2 3.2.7 A Public Information Representative to be
3 appointed by each Company to serve as a
4 contact on all matters concerning publicity
5 and news releases relating to the San Onofre
6 Nuclear Generating Station.

7 3.2.8 An Engineering Representative to be appointed
8 to serve as a point of contact on Unit 1
9 engineering activities, including those
10 related to regulatory and nuclear fuel
11 matters. Such Representatives, when
12 authorized by their respective Companies,
13 may represent them in formal meetings,
14 formal proceedings and negotiations con-
15 cerning regulatory and nuclear fuel matters.

16 3.3 The representatives appointed pursuant to Section
17 3.2 hereof shall have responsibilities for contact
18 and coordination between Edison and San Diego on
19 all Unit 1 and Station Site matters pertaining to
20 their areas of responsibility. It is not intended,
21 however, that this will preclude additional full
22 and free exchange of information at all Company
23 levels.

24 3.4 The representatives appointed pursuant to Section
25 3.1 or Section 3.2 hereof shall serve at the
26 pleasure of the Company by which they are appointed.

1 Each Company shall promptly notify the other Company
2 of the representatives so appointed, or of any
3 changes of said representatives.

4 4. OPERATION AND MAINTENANCE

5 4.1 Edison shall provide all manpower required for the
6 operation and maintenance of Unit 1 and the Station
7 Site. On or before the first of September of each
8 year, Edison shall prepare and submit to the Board
9 of Review, for its review and approval, a manpower
10 budget for Unit 1 and the Station Site for the
11 ensuing calendar year. On or before the fifteenth
12 of October of each year, the Board of Review shall
13 approve a manpower budget for Unit 1 and the Station
14 Site for the ensuing calendar year. Said manpower
15 budget may be revised at any time during the year
16 with the approval of the Board of Review. Edison
17 shall furnish San Diego with job descriptions for
18 each position as required. If personnel in addition
19 to regular Edison employees are required for special
20 testing, operations, maintenance, or other special
21 work, such personnel shall be obtained from regular
22 San Diego employees to the extent that qualified
23 personnel are available, and the use of such per-
24 sonnel by Edison will be economical and practical.
25 San Diego employees so assigned shall work under
26 the direction and supervision of Edison personnel

1 in charge of such special work.

2 4.2 Edison may use Unit 1 facilities and personnel as
3 may be necessary to train employees to man Unit 1.
4 In addition to training personnel for plant manning,
5 the Unit 1 facilities and personnel may be used at
6 the request of either Company to provide nuclear
7 training for its employees in accordance with
8 principles and procedures approved by the Board of
9 Review. Training of personnel, other than employees
10 of the Companies, shall be conducted in accordance
11 with principles and procedures approved by the Board
12 of Review.

13 4.3 Edison shall prepare and issue all station orders
14 and instructions necessary for the operation and
15 maintenance of Unit 1 and the Station Site. Copies
16 of all such instructions and orders will be furnished
17 to the San Diego Plant Representative. To the extent
18 practicable, Edison will consult with the San Diego
19 Plant Representative and will submit such instruc-
20 tions and orders to him for his review and comment
21 prior to issuance.

22 4.4 Edison will procure all materials, equipment, and
23 supplies (except nuclear fuel) necessary for the
24 operation and maintenance of Unit 1 and the Station
25 Site. Edison shall own an undivided eighty (80)
26 percent interest, and San Diego shall own an

1 undivided twenty (20) percent interest in such
2 materials, equipment, and supplies.

3 4.5 On or before the first of September of each year,
4 Edison will prepare and submit to the Board of
5 Review, for its review and approval, an operating
6 and maintenance expense budget and a fuel expense
7 budget for Unit 1 and the Station Site for the
8 ensuing calendar year. On or before the fifteenth
9 of October of each year, the Board of Review shall
10 approve an operating and maintenance expense budget
11 and a fuel expense budget for Unit 1 and the Station
12 Site for the ensuing calendar year. Said operating
13 and maintenance expense and fuel expense budgets may
14 be revised at any time with the approval of the
15 Board of Review.

16 4.6 Edison and San Diego shall enter into agreements
17 between themselves or jointly with third parties
18 with respect to the procurement, ownership, manage-
19 ment, and reprocessing of nuclear fuel required for
20 the operation of Unit 1.

21 4.7 Edison, in consultation with San Diego, shall pre-
22 pare and submit annually to the Board of Review,
23 for its review and approval prior to the fifteenth
24 of October of each year, a schedule of planned
25 outages for overhauls, inspections, and refueling
26 operations for Unit 1 for the ensuing five-year

1 period. Other scheduled outages for Unit 1 shall be
2 planned by Edison in consultation with San Diego.
3 Edison, as plant operator, shall have the authority
4 for taking an unscheduled outage of Unit 1 or limit-
5 ing the Unit 1 Current Operating Capacity if, in
6 Edison's judgment, such action is necessary for the
7 safety of personnel, to prevent damage to equipment,
8 or to perform emergency repairs or maintenance. To
9 the extent practicable, the Edison Dispatcher shall
10 consult with the San Diego Load Supervisor in order
11 to take such unscheduled outages or limit the
12 Unit 1 Current Operating Capacity at times mutually
13 agreed upon.

14 4.8 The Edison Dispatcher and the San Diego Load Super-
15 visor shall contact each other regarding day-to-day
16 Unit 1 operating matters, and the San Diego Load
17 Supervisor shall notify the Edison Dispatcher of
18 San Diego's desired output of Unit 1. With respect
19 to such matters, the Edison Dispatcher shall issue
20 all orders to the Unit 1 control operator, except
21 as otherwise provided in emergency operating pro-
22 cedures approved by the Board of Review.

23 4.9 San Diego shall provide a direct communication link
24 between the San Diego Load Supervisor and the Unit 1
25 control room so that San Diego may be advised of and
26 may obtain first-hand information about plant

1 conditions. To the extent practicable, the Unit 1
2 control operator will simultaneously advise the
3 Edison Dispatcher and the San Diego Load Supervisor
4 of plant operating conditions.

5 4.10 Edison shall prepare and maintain records and
6 reports required in connection with the operation
7 and maintenance of Unit 1 and the Station Site.
8 San Diego shall be supplied with a tabulation of all
9 records and reports routinely prepared and main-
10 tained and shall be supplied with copies of such
11 records and reports as it requires. A copy of any
12 special report required in connection with the
13 operation and maintenance of Unit 1 and the Station
14 Site shall be supplied to San Diego. Through
15 appropriate representatives, San Diego will advise
16 Edison of information needed for regulatory reports
17 to be submitted by San Diego, and Edison will make
18 such information available to San Diego in a timely
19 manner. San Diego also will be furnished a list of
20 all plant drawings, equipment, specifications,
21 manufacturers' operating manuals, etc., and will be
22 supplied with at least one copy of such of these
23 items as it requests.

24 4.11 The Edison and San Diego Public Relations Repre-
25 sentatives, in consultation with the Generating
26 Station Superintendent, will prepare and submit

1 to the Board of Review, for its review and approval,
2 rules and procedures covering plant visits and tours.

3 4.12 In the event the operating and maintenance expense
4 budget, the fuel expense budget, the manpower budget,
5 or any revision of any of such budgets has been
6 submitted but has not been approved by the Board of
7 Review as provided in Sections 4.1 and 4.5 hereof,
8 Edison shall continue to take all actions necessary
9 for the operation and maintenance of Unit 1 and the
10 Station Site until the budget or revision in ques-
11 tion is approved.

12 5. ALLOCATION OF CAPACITY AND SCHEDULING OF ENERGY

13 5.1 Edison and San Diego shall each have a capacity
14 entitlement in Unit 1 equal to eighty (80) percent
15 and twenty (20) percent, respectively, of the Unit 1
16 Effective Operating Capacity and such capacity
17 entitlements shall be used for reporting and
18 resources planning; provided, however, the amount
19 of Unit 1 capacity available to each of Edison and
20 San Diego shall, at any given time, be equal to
21 eighty (80) percent and twenty (20) percent,
22 respectively, of the Unit 1 Current Operating
23 Capacity. The Edison Dispatcher will keep the San
24 Diego Load Supervisor advised of the Unit 1 Current
25 Operating Capacity.

26 5.2 Edison and San Diego shall each be entitled to

1 schedule generation on Unit 1 (including associated
2 reactive power), for its account at any time, up to
3 the amount of Unit 1 Current Operating Capacity
4 available to it.

5 5.3 Unit 1 shall be operated whenever Edison or San
6 Diego requests its operation, provided that the
7 Company requesting such operation schedules genera-
8 tion, for its account, in an amount at least equal
9 to eighty (80) percent, for Edison, or twenty (20)
10 percent, for San Diego, of the Unit 1 Minimum Output.
11 A Company not requesting operation shall, neverthe-
12 less, be required to schedule additional generation
13 to the extent necessary to increase load to the
14 Unit 1 Minimum Output.

15 5.4 Metering devices have been installed in the Edison
16 and San Diego Switchyards to provide input to the
17 Edison and San Diego load frequency control equip-
18 ment such that an amount of power equal to the sum
19 of twenty (20) percent of the Unit 1 220-kv Output
20 plus eighty (80) percent of the Unit 1 Auxiliary "C"
21 Transformer Demand will automatically flow across
22 the interconnection from the Edison Switchyard to
23 the San Diego Switchyard, in addition to any
24 scheduled interchange from Edison to San Diego.
25 Edison and San Diego will thereby automatically
26 receive into their Transmission Lines eighty (80)

1 percent and twenty (20) percent, respectively, of
2 the Unit 1 Net Output. During periods when Unit 1
3 is not generating, Edison and San Diego will thereby
4 automatically supply from their systems eighty (80)
5 percent and twenty (20) percent, respectively, of
6 the Unit 1 auxiliary load.

7 5.5 In the event either Company wishes to receive less
8 than its full entitlement to Unit 1 Net Output, the
9 Edison Dispatcher and the San Diego Load Supervisor
10 will arrange for each Company to receive its desired
11 share of Unit 1 Net Output in accordance with pro-
12 cedures to be approved by the Board of Review.

13 6. CAPITAL IMPROVEMENTS

14 6.1 On or before the first of September of each year,
15 Edison shall prepare and submit to the Board of
16 Review, for its review and approval, a Capital
17 Improvements budget for the ensuing calendar year.
18 On or before the fifteenth of October of each year,
19 the Board of Review shall approve a Capital Improve-
20 ments budget for the ensuing calendar year, which
21 said budget may at any time during the year be
22 revised with the approval of the Board of Review.

23 6.2 Edison shall make all Capital Improvements approved
24 by the Board of Review.

25 6.3 The costs of all Capital Improvements made by Edison
26 pursuant to Sections 6.2, 13 and 14 hereof shall be

1 shared eighty (80) percent by Edison and twenty (20)
2 percent by San Diego.

3 6.4 The costs of any Capital Improvement shall include
4 all costs incurred by Edison which conform to the
5 provisions of Electric Plant Instruction 3 or the
6 FPC Accounts entitled "Components of Construction
7 Cost"; provided, however, for the purpose of billing
8 San Diego for its share of such costs, Edison shall
9 abide by the following qualifications to said
10 Electric Plant Instruction 3:

11 6.4.1 Charges pursuant to Item (8) "Injuries and
12 Damages" and Item (14) "Insurance" shall not
13 include any costs shared by San Diego pur-
14 suant to Section 10 hereof which provides
15 for insurance coverage with respect to
16 Unit 1. However, such charges shall include
17 costs of any injuries or damages arising out
18 of and occurring during the course of con-
19 struction of a Capital Improvement and the
20 cost of any additional insurance which the
21 Insurance Representatives deem necessary to
22 protect the interests of the Companies in
23 such a Capital Improvement prior to the time
24 the coverage provided in Section 10 hereof
25 becomes applicable thereto.

26 6.4.2 Charges pursuant to Item (12) "General

1 administration capitalized" shall be as
2 follows:

3 6.4.2.1 If any Capital Improvement is made
4 by Edison forces, the amount of
5 general administration expense
6 (includes pensions and benefits and
7 other administrative and general
8 expenses) allocable to such Capital
9 Improvement shall be determined by
10 multiplying the amount of Edison
11 direct labor costs chargeable
12 thereto by the Capital A&G Ratio.
13 The Capital A&G Ratio shall be
14 determined in accordance with the
15 method shown in Exhibit C. Esti-
16 mated ratios shall be used and
17 year-end adjustments shall be made
18 in a manner similar to that
19 described in Sections 7.4.1 and
20 7.4.2 hereof.

21 6.4.2.2 If any Capital Improvement is made
22 by a contractor, the amount of
23 general administration expense
24 allocable to such Capital Improve-
25 ment shall be determined by multi-
26 plying the total work order cost

1 the Board of Review.

2 6.4.3 Charges pursuant to Item (16) "Taxes" shall
3 not include any taxes shared by San Diego
4 pursuant to Section 11 hereof.

5 6.4.4 There shall be no charges made pursuant to
6 Item (17) "Interest during construction".

7 6.5 Edison, at its own expense, shall make all improve-
8 ments to the Edison Switchyard, and San Diego, at its
9 own expense, shall make all improvements to the
10 San Diego Switchyard, as is more fully provided in
11 the San Onofre Interconnection Agreement.

12 7. OPERATION AND MAINTENANCE EXPENSES

13 7.1 The expenses incurred by Edison on behalf of itself
14 and San Diego for the operation and maintenance of
15 Unit 1 and the Station Site which are chargeable to
16 FPC Accounts 517, 519 through 525, inclusive, 528
17 through 532, inclusive, 560, 562, 566, 568, 569,
18 570, and 573 shall be shared eighty (80) percent by
19 Edison and twenty (20) percent by San Diego.

20 Charges to such accounts include the following:

21 7.1.1 Overhead expenses incurred by Edison which
22 are allocable to the operation and mainte-
23 nance of Unit 1 and the Station Site. Such
24 overhead expenses shall be determined in
25 accordance with the allocation procedures
26 shown in Exhibit B.

1 7.1.2 Nuclear training expenses for the initial
2 manning of Unit 1 and for Unit 1 personnel
3 replacements required by normal attrition,
4 such as promotions, resignations or neces-
5 sary transfers. Other nuclear training
6 expenses for the training of personnel to
7 provide manning of other generating facili-
8 ties shall not be charged to the operation
9 and maintenance of Unit 1. Any disagreement
10 with respect to charging any nuclear training
11 expenses to the operation and maintenance of
12 Unit 1 shall be resolved by the Board of
13 Review.

14 7.1.3 Payments made by Edison to San Diego, pur-
15 suant to Section 12.6 hereof, for the use of
16 San Diego personnel in the operation and
17 maintenance of Unit 1 and the Station Site.

18 7.2 Payroll tax expenses incurred by Edison on behalf of
19 itself and San Diego which are allocable to the
20 operation and maintenance of Unit 1 and the Station
21 Site shall be shared eighty (80) percent by Edison
22 and twenty (20) percent by San Diego. The amount of
23 such allocable expenses shall be determined by
24 multiplying the Edison labor cost portion of the
25 expenses determined in accordance with Section 7.1
26 hereof by a decimal fraction, hereinafter referred

1 to as the Payroll Tax Ratio. The Payroll Tax Ratio
2 shall be determined and applied as follows:

3 7.2.1 During each calendar year, an estimated Pay-
4 roll Tax Ratio shall be used to determine
5 the amount of payroll tax expenses to be
6 paid monthly by San Diego. Such estimated
7 Payroll Tax Ratio shall be determined in
8 accordance with the method shown in Exhibit C
9 hereof based on Edison's expenses for the
10 preceding year; provided, however, by agree-
11 ment of the Fiscal Representatives, such
12 ratio may be changed to more nearly reflect
13 the expected expenses of the current year.

14 7.2.2 As soon as practicable after the end of each
15 calendar year, the actual Payroll Tax Ratio
16 for such year shall be determined in accord-
17 ance with the method shown in Exhibit C
18 hereof. Using said actual Payroll Tax Ratio,
19 the payroll tax expenses for which San Diego
20 is obligated hereunder shall be determined
21 for such year. To the extent that such
22 expenses are more or less than those already
23 paid by San Diego during said year, Edison
24 shall receive from or pay to San Diego, as
25 the case may be, the amount of such
26 difference.

1 7.3 Pensions and benefits expenses (including payroll
2 tax expenses and Workmen's Compensation expenses
3 applicable thereto) incurred by Edison on behalf of
4 itself and San Diego which are allocable to the
5 operation and maintenance of Unit 1 and the Station
6 Site shall be shared eighty (80) percent by Edison
7 and twenty (20) percent by San Diego. The amount of
8 such allocable expenses shall be determined by multi-
9 plying the Edison labor cost portion of the expenses
10 determined in accordance with Section 7.1 hereof by
11 a decimal fraction, hereinafter referred to as the
12 Benefits Ratio. The Benefits Ratio shall be deter-
13 mined and applied as follows:

14 7.3.1 During each calendar year, an estimated
15 Benefits Ratio shall be used to determine
16 the amount of pensions and benefits expenses
17 to be paid monthly by San Diego. Such
18 estimated Benefits Ratio shall be determined
19 in accordance with the method shown in
20 Exhibit E hereof based on Edison's expenses
21 for the preceding year; provided, however,
22 by agreement of the Fiscal Representatives,
23 such ratio may be changed to more nearly
24 reflect the expected expenses of the current
25 year.

26 7.3.2 As soon as practicable after the end of each

1 calendar year, the actual Benefits Ratio for
2 such year shall be determined in accordance
3 with the method shown in Exhibit E hereof.
4 Using said actual Benefits Ratio, the pen-
5 sions and benefits expenses for which San
6 Diego is obligated hereunder shall be deter-
7 mined for such year. To the extent that
8 such expenses are more or less than those
9 already paid by San Diego during said year,
10 Edison shall receive from or pay to San
11 Diego, as the case may be, the amount of
12 such difference.

13 7.4 Administrative and general expenses (including pay-
14 roll tax expenses, Workmen's Compensation expenses,
15 and pensions and benefits expenses applicable there-
16 to) incurred by Edison on behalf of itself and San
17 Diego which are allocable to the operation and
18 maintenance of Unit 1 and the Station Site shall be
19 shared eighty (80) percent by Edison and twenty (20)
20 percent by San Diego. The amount of such allocable
21 expenses shall be determined by multiplying the
22 Edison labor cost portion of the expenses deter-
23 mined in accordance with Section 7.1 hereof by a
24 decimal fraction, hereinafter referred to as the
25 A & G Ratio. The A & G Ratio shall be determined
26 and applied as follows:

1 7.4.1 During each calendar year, an estimated
2 A & G Ratio shall be used to determine the
3 amount of administrative and general expenses
4 to be paid monthly by San Diego. Such esti-
5 mated A & G Ratio shall be determined in
6 accordance with the method shown in
7 Exhibit F hereof based on Edison's expenses
8 for the preceding year; provided, however,
9 by agreement of the Fiscal Representatives,
10 such ratio may be changed to more nearly
11 reflect the expected expenses of the current
12 year.

13 7.4.2 As soon as practicable after the end of each
14 calendar year, the actual A & G Ratio for
15 such year shall be determined in accordance
16 with the method shown in Exhibit F hereof.
17 Using said actual A & G Ratio, the adminis-
18 trative and general expenses for which San
19 Diego is obligated hereunder shall be deter-
20 mined for such year. To the extent that such
21 expenses are more or less than those already
22 paid by San Diego during said year, Edison
23 shall receive from or pay to San Diego, as
24 the case may be, the amount of such
25 difference.

26 7.5 The procedures referred to in Section 7.1.1 hereof

1 and the methods for determining and applying the
2 Payroll Tax Ratio, Benefits Ratio, and A & G Ratio
3 referred to in Sections 7.2, 7.3, and 7.4 hereof
4 shall be reviewed from time to time by the Fiscal
5 Representatives and, if necessary, be revised so
6 that the application thereof shall continue to be
7 equitable to Edison and San Diego. Any such revi-
8 sion shall be agreed to in writing by the Fiscal
9 Representatives and approved by the Board of Review.

10 7.6 Nuclear training expenses incurred prior to
11 January 1, 1967, for the initial manning of Unit 1
12 which have been charged to FPC Account 926 shall be
13 shared eighty (80) percent by Edison and twenty (20)
14 percent by San Diego. Any training expenses for
15 Unit 1 personnel incurred on or after January 1,
16 1967, which are charged to FPC Account 926 shall be
17 shared through application of the Benefits Ratio
18 pursuant to Section 7.3 hereof.

19 7.7 Each Company shall pay all expenses of its repre-
20 sentatives referred to in Section 3 hereof except
21 for such expenses properly chargeable to Unit 1.

22 7.8 Edison shall pay all operation and maintenance
23 expenses of the Edison Switchyard and San Diego
24 shall pay all operation and maintenance expenses of
25 the San Diego Switchyard. Such expenses shall not
26 be shared by the Companies in connection with the

1 operation and maintenance of Unit 1 except for the
2 costs of meter tests as specified in Section 13.

3 7.9 Edison shall pay directly to the United States its
4 eighty (80) percent share and San Diego shall pay
5 directly to the United States its twenty (20) per-
6 cent share of the annual use charges due under the
7 terms and conditions of the grants of easements for
8 the Plant Site, Spur Track Area, and Access Road
9 Area.

10 8. NUCLEAR FUEL COSTS

11 8.1 During the term of the Fuel Service Contract, Edison
12 shall make all payments to and receive all moneys
13 and credits from Westinghouse, the Atomic Energy
14 Commission, and others, which arise under the Fuel
15 Service Contract and directly related contracts.
16 San Diego shall pay to Edison its share of such
17 payments and shall receive from Edison its share
18 of moneys and credits, as hereinafter specified, in
19 the manner provided in Section 12 hereof.

20 8.2 Payments for fuel under Article VI-C of the Fuel
21 Service Contract shall be shared as follows:

22 8.2.1 The fixed monthly payment shall be shared
23 eighty (80) percent by Edison and twenty (20)
24 percent by San Diego.

25 8.2.2 The portion of all energy payments equal to
26 the zero net load fuel costs for Unit 1

1 shall be shared eighty (80) percent by Edison
2 and twenty (20) percent by San Diego. Such
3 zero net load fuel costs shall be determined
4 each billing period in accordance with pro-
5 cedures to be approved by the Board of
6 Review.

7 8.2.3 The remaining portion of all energy payments
8 shall be shared by Edison and San Diego in
9 direct proportion to the amount of energy
10 delivered for the account of each Company
11 from Unit 1 during the period covered by
12 such payments.

13 8.3 Any additional payment (including any non-California
14 taxes associated with reprocessing charges) or credit
15 which may arise under Article VII of the Fuel Service
16 Contract, except for those arising under Subdivision
17 D, shall be shared by Edison and San Diego in direct
18 proportion to the sums of the energy payments
19 charged to each Company under Sections 8.2.2 and
20 8.2.3 hereof, during the period in which the fuel,
21 to which such additional payment or credit applies,
22 was used; provided, however, if any such additional
23 payment or credit applies to fuel which will be used
24 in the future, it shall be shared initially eighty
25 (80) percent by Edison and twenty (20) percent by
26 San Diego and appropriate adjustments shall be

1 made periodically, as such fuel shall be used, to
2 provide sharing of such additional payment or credit
3 as first specified above in this Section 8.3.

4 8.4 Any additional payment with respect to California
5 State and local sales and use taxes which may arise
6 under Article VIII of the Fuel Service Contract shall
7 be shared by Edison and San Diego in the same propor-
8 tion as they share (or shared) the payments to which
9 said taxes apply. Any other payments which may arise
10 under Article VIII of the Fuel Service Contract shall
11 be shared eighty (80) percent by Edison and twenty
12 (20) percent by San Diego.

13 8.5 For the purpose of establishing a scheduled refuel-
14 ing date with Westinghouse pursuant to Article III
15 of the Fuel Service Contract, Edison and San Diego
16 each shall estimate the rate at which it expects to
17 schedule energy from Unit 1 during the remaining
18 period of operation before refueling and each shall
19 advise the other thereof. Any additional payment
20 which may be required under Article III-B or
21 Article III-D of the Fuel Service Contract, as a
22 result of scheduling energy from Unit 1 at a lesser
23 rate than that estimated, shall be shared by Edison
24 and San Diego in direct proportion to the amounts by
25 which the amounts of energy estimated to be scheduled
26 from Unit 1 exceed the amounts of energy actually

1 taken from Unit 1 by each Company. Neither Company
2 shall schedule energy at a rate greater than that
3 estimated during the remaining period of operation
4 before refueling, without the consent of the other
5 Company.

6 8.6 Any additional payments which may arise under
7 Article III-C of the Fuel Service Contract, as a
8 result of operating Unit 1 at less than ninety (90)
9 percent capacity factor, shall be shared by Edison
10 and San Diego in direct proportion to the amounts,
11 if any, by which the amounts of energy corresponding
12 to ninety (90) percent capacity factor operation
13 exceed the amounts of energy actually taken from
14 Unit 1 by each Company.

15 8.7 All other payments, costs, charges, or credits which
16 may arise under or in connection with the Fuel
17 Service Contract or directly related contracts, or
18 any other agreed upon costs incurred by Edison on
19 beha'f of itself and San Diego for the operation of
20 Unit 1 which are chargeable to FPC Accounts 157,
21 158, 159 or 518 shall be shared eighty (80) percent
22 by Edison and twenty (20) percent by San Diego
23 unless otherwise determined by the Board of Review.

24 9. ENVIRONMENTAL RADIATION MONITORING

25 Edison shall perform or cause to be performed all
26 environmental radiation monitoring activities which are

1 necessary in connection with the operation of Unit 1,
2 including those which must be performed outside of or
3 away from the San Onofre Nuclear Generating Station.
4 Such activities include, but are not limited to, (i) the
5 procurement, installation, operation, and maintenance of
6 monitoring equipment and supplies, (ii) the collection
7 and analysis of data, and (iii) the reporting of such
8 activities and analyses to governmental agencies and
9 others. All costs incurred by Edison in connection with
10 or allocable to such environmental radiation monitoring
11 activities shall be shared eighty (80) percent by Edison
12 and twenty (20) percent by San Diego.

13 10. INSURANCE

14 10.1 For the protection of Edison and San Diego with
15 respect to liabilities and risks arising out of the
16 ownership, operation, or maintenance of Unit 1 and
17 the Station Site, Edison shall secure and maintain
18 in force policies of insurance of the following
19 types, in form, and with companies satisfactory to
20 the Insurance Representatives, and with premiums to
21 be shared by Edison and San Diego as set forth in
22 Section 10.3 hereof. Such insurance coverage shall
23 be subject to periodic review and revision to assure
24 the maintenance of insurance protection as deemed
25 to be required by mutual agreement of the Insurance
26 Representatives. In the event of any disagreement

1 concerning the securing of or the subsequent revision of such insurance coverage, the matter shall be
2 submitted to the Board of Review.
3

4 10.1.1 Comprehensive General Liability Insurance -
5 Non-nuclear (Including Motor Vehicles)

6 Edison shall extend its comprehensive
7 general liability insurance to provide
8 coverage for Unit 1 and the Station Site
9 with San Diego added as an additional named
10 insured respecting such coverage.

11 10.1.2 Workmen's Compensation and Employers'
12 Liability Insurance

13 Edison shall extend its Workmen's Com-
14 pensation and Employers' Liability Insurance
15 to the extent of permissible self-insurance
16 and insured excess to include operating and
17 maintenance personnel of Edison regularly
18 assigned to Unit 1.

19 10.1.3 Physical Damage Insurance - Non-nuclear

20 To the extent possible, Edison shall
21 extend coverage under its Physical Damage
22 Insurance policies to provide non-nuclear
23 physical damage coverage for Unit 1 and the
24 Station Site for risks not covered by the
25 nuclear property damage insurance referred
26 to in Section 10.2.2 hereof, with San Diego

1 added as an additional named insured respect-
2 ing such coverage. This insurance is
3 applicable to all real and personal property
4 of every description, subject to policy
5 exclusions. In the event Edison is unable
6 to obtain such coverage for Unit 1 and the
7 Station Site under its present program,
8 such coverage shall be provided in the
9 manner and to the extent agreed upon by the
10 Insurance Representatives.

11 10.2 Nuclear Insurance

12 Edison and San Diego shall secure and maintain in
13 force the following insurance and other coverages
14 with respect to Unit 1 and the Station Site:

15 10.2.1 Protection against liability arising out
16 of, or resulting from, a "nuclear incident"
17 as defined in the Atomic Energy Act of
18 1954, as amended, to include (a) liability
19 insurance from the Nuclear Energy
20 Liability Insurance Association and/or
21 the Mutual Atomic Energy Liability Under-
22 writers, or equivalent insurance in such
23 amount and in such form as shall meet
24 the financial protection requirements of
25 the Atomic Energy Commission pursuant to
26 Subsection 170(b) of the Atomic Energy

1 Act of 1954, as amended; and (b) a
2 Government Indemnity Agreement with the
3 Atomic Energy Commission pursuant to the
4 Subsection 170(c) of the Atomic Energy
5 Act of 1954, as amended; and

6 10.2.2 Nuclear property damage insurance from the
7 Nuclear Energy Property Insurance Associa-
8 tion and/or the Mutual Atomic Energy
9 Reinsurance Pool, or equivalent insurance,
10 and any additional nuclear property damage
11 insurance coverage, in such amount and such
12 form as are agreed upon by the Insurance
13 Representatives.

14 10.3 The premium costs allocable to the additional non-
15 nuclear insurance coverage with respect to Unit 1
16 and the Station Site described in Section 10.1
17 hereof and for the nuclear insurance described in
18 Section 10.2 hereof shall be shared eighty (80)
19 percent by Edison and twenty (20) percent by San
20 Diego. All dividends, return premiums, and credits
21 received respecting Unit 1 insurance policies
22 shall be shared in the same proportions.

23 10.4 San Diego shall provide, at its sole expense,
24 Workmen's Compensation and Employers' Liability
25 Insurance to cover the San Diego Plant Representa-
26 tive, San Diego personnel used for special work on

1 Unit 1 pursuant to Section 4.1 hereof, San Diego
2 personnel receiving training at the San Onofre
3 Nuclear Generating Station pursuant to Section 4.2
4 hereof, and any other San Diego personnel while at
5 the San Onofre Nuclear Generating Station.

6 10.5 Edison shall investigate, adjust and settle claims
7 asserted by any party other than a Company against
8 the Companies or either of them, which are claims
9 of the type referred to in Section 16.3 hereof;
10 however, San Diego shall investigate, adjust and
11 settle claims asserted by any of its ultimate
12 consumers, which are claims of the type referred to
13 in Section 16.4 hereof. At the request of Edison,
14 San Diego shall assist in the investigation, adjust-
15 ment and settlement of any such claims.

16 10.6 Edison shall present and prosecute claims for
17 losses and damages against any insurer or third
18 party. Costs incurred by Edison in presenting and
19 prosecuting such claims and any other costs
20 incurred by Edison arising out of the operation
21 and maintenance of Unit 1 and the Station Site
22 which are chargeable to FPC Account 924, will be
23 shared eighty (80) percent by Edison and twenty
24 (20) percent by San Diego.

25 10.7 Through the appointed Insurance Representatives,
26 Edison shall consult with San Diego on matters

1 of insurance with respect to Unit 1 and the Station
2 Site and shall provide San Diego copies of the
3 following:

4 10.7.1 Policies of nuclear insurance and certifi-
5 cates of insurance applicable to non-nuclear
6 coverages in effect.

7 10.7.2 Invoices applicable to insurance costs.

8 10.7.3 Notices of losses in excess of \$1,000
9 applicable to physical damage, third party
10 liability, and Workmen's Compensation.

11 10.7.4 Notices of Workmen's Compensation claims
12 filed with the Workmen's Compensation
13 Appeals Board.

14 10.7.5 Annual summaries of Workmen's Compensation
15 claims.

16 10.7.6 Status reports of all claims involving a
17 potential loss in excess of \$1,000.

18 10.8 San Diego shall pay to Edison its share of premium
19 costs and other insurance costs in the manner
20 provided in Section 12 hereof.

21 11. AD VALOREM TAXES

22 11.1 Edison and San Diego shall use their best efforts to
23 have any taxing authority imposing ad valorem taxes
24 or assessments on the San Onofre Nuclear Generating
25 Station assess and levy such taxes and assessments
26 directly against each Company on the basis of its

1 percentage ownership in the property taxed.

2 11.2 All ad valorem taxes or assessments so levied
3 against each Company shall be the sole responsi-
4 bility of the Company upon whom said taxes or
5 assessments are levied.

6 11.3 If any ad valorem taxes or assessments are assessed
7 and levied in a manner other than that specified in
8 Section 11.1 hereof, it shall be the responsibility
9 of the Board of Review to establish procedures for
10 the equitable apportionment of such taxes or assess-
11 ments and the payment thereof.

12 12. PAYMENTS

13 12.1 As soon as practicable after the date of execution
14 of this agreement, Edison shall submit to San Diego
15 an accounting report showing:

16 12.1.1 All expenditures in connection with the
17 operation and maintenance of Unit 1 and
18 the Station Site (except for such expendi-
19 tures which have been or will be capitalized
20 and shared under the Edison-San Diego
21 Agreement) which have been made by Edison
22 on behalf of itself and San Diego on or
23 before the last day of the calendar month
24 in which this agreement is executed;

25 12.1.2 San Diego's share of such expenditures
26 determined in accordance with the

1 provisions of Sections 6, 7, 8, 9, 10, 14,
2 15 and 16 hereof;

3 12.1.3 The month and year in which such expendi-
4 tures were made; and

5 12.1.4 The amount of interest then due on San
6 Diego's share of such expenditures computed
7 from the fifteenth day of the month in
8 which such expenditures were made at the
9 rate of six (6) percent per annum.

10 12.2 San Diego shall pay to Edison its share of the
11 expenditures and accumulated interest shown in said
12 accounting report within ten days after receipt by
13 San Diego of said accounting report.

14 12.3 With respect to Unit 1 and Station Site expenditures
15 made after the last day of the calendar month in
16 which this agreement is executed, Edison shall
17 notify San Diego of San Diego's share of such Unit 1
18 and Station Site expenditures made pursuant to
19 Sections 6, 7, 9, 14, 15 and 16 hereof and San Diego
20 shall pay its share of such expenditures to Edison,
21 in the manner specified below:

22 12.3.1 On or before the first day of each calendar
23 month, Edison shall submit in writing to
24 San Diego (a) an estimate of all such
25 expenditures which Edison expects to make
26 on behalf of itself and San Diego during

1 that calendar month, (b) an estimate of
2 San Diego's share of such expenditures
3 determined in accordance with the provisions
4 of this agreement, and (c) the amount of
5 money to be paid by San Diego in payment of
6 its share of expenditures. In determining
7 such amount, Edison shall take account of
8 any unexpended balance of funds previously
9 advanced by San Diego pursuant hereto or
10 any deficiency in funds previously so
11 advanced by San Diego.

12 12.3.2 San Diego shall pay to Edison the amount of
13 money so specified on or before the
14 fifteenth day of the calendar month for
15 which expenditures have been estimated.

16 12.3.3 As soon as practicable after the close of
17 each calendar month, Edison shall furnish to
18 San Diego an accounting report covering all
19 Unit 1 and Station Site costs incurred by
20 Edison on behalf of itself and San Diego
21 during that month.

22 12.3.4 Upon termination of this agreement and after
23 all Unit 1 and Station Site costs incurred
24 under this agreement have been determined,
25 Edison shall pay to San Diego any unexpended
26 balance of funds previously advanced by

1 San Diego or San Diego shall pay to Edison
2 any deficiency in funds previously advanced
3 by San Diego.

4 12.4 With respect to expenditures to be made pursuant to
5 Section 8 hereof after the last day of the calendar
6 month in which this agreement is executed, Edison
7 shall notify San Diego and San Diego shall pay its
8 share of such expenditures in the manner specified
9 below:

10 12.4.1 Not less than five business days prior to
11 the date Edison must make such expenditures,
12 Edison shall provide San Diego with a
13 written statement of San Diego's share of
14 such expenditures.

15 12.4.2 San Diego shall pay its share of such
16 expenditures to Edison no later than the
17 date Edison must make such expenditures.

18 12.4.3 In the event Edison is unable to make an
19 accurate determination of San Diego's share
20 in sufficient time to give San Diego the
21 notice provided for in Section 12.4.1
22 hereof, Edison shall estimate San Diego's
23 share and San Diego shall pay such esti-
24 mated amount. The following billing will
25 be adjusted by the amount such estimated
26 share differs from San Diego's actual

1 share subsequently determined.

2 12.4.4 Upon written agreement of the Fiscal
3 Representatives, San Diego may pay its share
4 of all or any of the expenditures described
5 in Section 8 hereof, other than payments to
6 Westinghouse, the Atomic Energy Commission,
7 or the fuel reprocessor, in the manner
8 described in Section 12.3 hereof.

9 12.5 With respect to expenditures to be made by Edison
10 pursuant to Section 10 hereof after the last day of
11 the calendar month in which this agreement is
12 executed, Edison shall provide San Diego a written
13 statement of San Diego's share of such expenditures
14 not less than eight business days in advance of the
15 date Edison must make such expenditures. San Diego
16 shall pay its share of such expenditures to Edison
17 no later than the date that Edison must make such
18 expenditures.

19 12.6 If and to the extent that San Diego personnel are
20 used for special work on Unit 1 and the Station
21 Site, as provided in Section 4.1 hereof, San Diego
22 shall pay all wages, salaries, and other expenses
23 associated with such use of San Diego personnel.
24 San Diego shall advise Edison in advance of the
25 basis of the charges to be made by San Diego for
26 the use of its personnel and Edison shall make

1 payment to San Diego thereof on completion or dur-
2 ing the course of such work, as the Companies may
3 agree. Edison shall charge any such payment to
4 Unit 1 and the Station Site.

5 12.7 The accounting reports submitted by Edison covering
6 Unit 1 and Station Site costs shall be in a form
7 satisfactory to San Diego with sufficient detail to
8 enable San Diego to allocate costs to the proper
9 FPC Accounts and to ascertain the accuracy and
10 correctness of such costs.

11 12.8 San Diego shall have the right to post-audit the
12 books and records of Edison pertaining to Unit 1 and
13 the Station Site. Should any post-audit reveal
14 errors, omissions or items not properly chargeable
15 to Unit 1 and the Station Site or to San Diego in
16 the amounts billed, appropriate adjustments shall
17 be made.

18 12.9 Annually or at such other intervals agreed upon by
19 the Fiscal Representatives, Edison shall prepare
20 and distribute complete compilations of Unit 1 and
21 Station Site costs which are required for fiscal
22 purposes by the Companies. San Diego will assist
23 in such preparations as necessary.

24 12.10 Any disagreement as to whether San Diego's share
25 of Unit 1 and Station Site costs has been properly
26 determined in accordance with the provisions of

1 this agreement, which is not resolved within sixty
2 days of the date written notice of such disagreement
3 is given, shall be referred to the Board of Review.
4 If after thirty days the Board of Review has not
5 resolved the dispute, the matter may be submitted
6 to arbitration as provided in Section 17 hereof.

7 12.11 Any payment by either Company to the other under
8 this agreement which is not made when due shall
9 thereafter be payable with interest computed at the
10 rate of ten (10) percent per annum from the date
11 payment is due until the date payment is received.

12 12.12 In the event either Company disputes any portion
13 of any payment which it is required to make to the
14 other Company under this agreement, the disputing
15 Company shall give written notice thereof and shall
16 pay the full amount of such payment on or before
17 the date when such payment is due. In the event
18 it is determined subsequently that the disputing
19 Company is entitled to a refund of all or any por-
20 tion of such payment, then the other Company shall
21 thereupon pay to the disputing Company the amount
22 of such refund with interest computed at the rate
23 of ten (10) percent per annum from the date of
24 payment to the date of reimbursement.

25 13. UNIT 1 OPERATING IMPAIRMENT

26 In the event of a Unit 1 Operating Impairment,

1 Edison shall take all actions reasonably necessary and
2 required to restore or maintain the operating capability
3 and reliability of Unit 1 in a timely manner; provided,
4 however, if all or substantially all (as determined by
5 the Board of Review) of Unit 1 is destroyed, damaged, or
6 condemned, no such restoration shall be undertaken unless
7 the Companies agree thereto. As soon as practicable
8 after the commencement of any Unit 1 Operating Impairment,
9 Edison shall advise San Diego of the occurrence and
10 nature of such Unit 1 Operating Impairment and the actions
11 being taken and contemplated to be taken to restore or
12 maintain the operating capability and reliability of
13 Unit 1.

14 14. ATOMIC ENERGY COMMISSION REGULATORY MATTERS

15 14.1 Edison, in consultation with San Diego, shall be
16 responsible for the preparation and filing with the
17 Atomic Energy Commission of any application for a
18 construction permit and a license to acquire,
19 possess, and use Unit 1, including any amendments
20 thereof, to extend the term of the provisional
21 operating license or to acquire a permanent
22 operating license, and for handling all other
23 matters with the Atomic Energy Commission in
24 connection therewith, except for any such matters
25 which the Atomic Energy Commission may require
26 San Diego to handle independently. Edison shall

1 submit such applications to San Diego for approval
2 and execution prior to filing.

3 14.2 The Companies, through and as agreed upon by their
4 appropriate representatives, shall meet or communi-
5 cate regularly to advise, inform, and consult with
6 each other on all significant matters and upcoming
7 meetings connected with the regulation of the
8 San Onofre Nuclear Generating Station by the Atomic
9 Energy Commission or other regulatory agencies.
10 San Diego's representatives shall have the right to
11 attend and participate in all such meetings,
12 whether in-house, with the AEC, or others.

13 14.3 Except as the Companies may otherwise mutually
14 agree, Edison and San Diego shall take all actions,
15 including the making of Capital Improvements, which
16 are reasonably necessary to obtain regulatory
17 approval for the operation of Unit 1, including all
18 such actions which are reasonably necessary to
19 obtain without unreasonable delay a permanent
20 operating license for Unit 1.

21 14.4 Engineering costs incurred by Edison which are
22 required in connection with its activities pursuant
23 to Section 14.1 hereof shall be included among the
24 expenses to be shared by the Companies pursuant to
25 Section 7.1 hereof, except for any such costs
26 which shall be chargeable to Capital Improvements

1 required in connection therewith and shared pursuant
 2 to Section 6 hereof. If it should be determined
 3 subsequently that such costs are not chargeable to
 4 any of the FPC Accounts referred to in Section 7.1
 5 hereof, such costs shall nevertheless be treated,
 6 for purposes of this agreement, as if they were so
 7 chargeable.

8 15. METER TESTS

9 15.1 In accordance with test procedures approved by the
 10 Board of Review, Edison shall make routine tests of
 11 the meters in the Edison Switchyard which measure
 12 (a) energy deliveries between Unit 1 and the Edison
 13 Switchyard, (b) energy deliveries from the San
 14 Diego Switchyard to the Unit 1 Auxiliary "C" Trans-
 15 former, and (c) energy deliveries over the inter-
 16 connection between the Edison and San Diego
 17 Switchyards. Edison shall make such tests during
 18 the month of June of each year or at such other
 19 times as may be agreed upon. Edison shall adjust
 20 or replace any meter which is found to be inac-
 21 curate. Edison shall, at the request of San Diego,
 22 or may, on its own initiative, make special tests
 23 of said meters. Edison shall give San Diego rea-
 24 sonable notice of the time when meter tests will be
 25 made and San Diego shall have the right to have a
 26 representative witness the tests. The costs of

meter tests shall be shared eighty (80) percent by Edison and twenty (20) percent by San Diego, except that the requesting or initiating Company shall pay the entire cost of any special tests it requests or initiates wherein the percentage error is found to be less than one (1) percent slow or fast.

15.2 If any test shows any meter to be inaccurate by more than one (1) percent or if any meter fails to register, corrections, equal to the amount of error as found, shall be made to the records of the measurements made by such meter during the period of such erroneous meter registration or, if such period cannot be determined or reasonably estimated, for half the period from the date of the last preceding test. Billing adjustments or energy exchanges corresponding to such corrections shall be made in accordance with procedures approved by the Board of Review.

16. LIABILITY

16.1 Each Company shall be responsible for the consequences of its Willful Action, and shall indemnify the other Company from the consequences thereof.

16.2 Except for any loss, damage, cost, charge, or expense (hereinafter collectively referred to as "Damage") resulting from Willful Action, and except to the extent of any Damage covered by valid

1 and collectible Unit 1 Insurance, no Company (First
2 Company), its directors, officers or employees shall
3 be obligated to discharge any liability to the other
4 Company (Second Company) for any direct, indirect or
5 consequential Damage of any kind or nature incurred
6 by the other Company (Second Company) resulting
7 [whether or not from the negligence of a Company
8 (First Company), its directors, officers, employees
9 or any other person or entity whose negligence would
10 be imputed to such Company (First Company)] from
11 (i) the ownership, operation, maintenance or use of
12 the San Onofre Nuclear Generating Station, or (ii)
13 the performance or non-performance of the obliga-
14 tions of a Company under any of the San Onofre
15 Agreements. Subject to the exceptions in this
16 Section 16.2, each Company (Second Company)
17 expressly releases the other Company (First Company),
18 its directors, officers, and employees from any
19 such liability, or from any judgment obtained
20 against such other Company (First Company), its
21 directors, officers or employees, for any such
22 liability, and such Company (Second Company) shall
23 not execute, levy or otherwise enforce such a judg-
24 ment (including recording or effecting a judgment
25 lien) against the other Company (First Company),
26 its directors, officers or employees.

1 16.3 Except for any liability resulting from Willful
2 Action, except as provided in Sections 16.4 and
3 16.5 hereof, and except for any liability paid for
4 by Unit 1 Insurance, Edison shall pay eighty (80)
5 percent and San Diego shall pay twenty (20) percent
6 of (i) the costs and expenses of discharging lia-
7 bility of one or both of the Companies for any
8 Damage of any kind or nature (including direct,
9 indirect or consequential Damage) suffered or
10 incurred by any party other than a Company (whether
11 or not resulting from the negligence of any Company,
12 its directors, officers, employees, or any other
13 person or entity whose negligence would be imputed
14 to such Company) resulting from (a) the ownership,
15 operation, maintenance or use of Unit 1 or the
16 Station Site, or (b) the performance or non-
17 performance of the obligations of a Company under
18 any of the San Onofre Agreements, and (ii) the
19 costs and expenses incurred in settlement of
20 injuries and damages claims, including attorneys'
21 fees and the cost of labor and related supplies and
22 expenses incurred in injuries and damages activities
23 (all as referred to in FPC Account 925), resulting
24 from or arising out of such liability.

25 16.4 Except for any liability resulting from Willful
26 Action and except for any liability paid for by

1 insurance or the Government Indemnity Agreement
2 referred to in Section 10.2.1 hereof, either Company
3 whose ultimate consumer shall make a claim or demand,
4 or bring an action for any death, injury or Damage
5 arising out of electric service to such ultimate con-
6 sumer and resulting from (i) the ownership, operation,
7 maintenance or use of Unit 1 or the Station Site, or
8 (ii) the performance or non-performance of the obliga-
9 tions of a Company under any of the San Onofre Agree-
10 ments shall indemnify and hold harmless the other
11 Company, its directors, officers and employees from
12 and against any claim, demand or liability for such
13 death, injury or Damage. The term "ultimate consumer"
14 means an electric consumer to whom no electric power
15 or energy is delivered for resale.

16 16.5 Except for any liability resulting from Willful Action,
17 each Company shall bear the total cost of discharging
18 all legal liability imposed upon it or the other
19 Company, including attorneys' fees and other associ-
20 ated costs, arising out of Workmen's Compensation
21 claims (or employer's liability claims) brought by its
22 employees, provided, however, the total cost of dis-
23 charging such liability, including attorneys' fees and
24 other associated costs, arising out of such Workmen's
25 Compensation claims brought by Edison personnel whose
26 labor expenses are charged or allocated to the opera-

1 tion and maintenance of Unit 1 and the Station Site
2 pursuant to Section 7.1 hereof, shall be shared eighty
3 (80) percent by Edison and twenty (20) percent by
4 San Diego.

5 17. ARBITRATION

6 17.1 In the event that San Diego and Edison, acting through
7 their respective members on the Board of Review, should
8 be unable to reach agreement with respect to a matter
9 herein specified to be approved, established, deter-
10 mined, or resolved by agreement of the Companies, or by
11 their representatives appointed pursuant to this agree-
12 ment, either Company may call for submission of such
13 matter or dispute to arbitration in the manner herein
14 set forth, which call shall be binding upon the other
15 Company to the dispute. Edison shall continue to do
16 all things and make all expenditures necessary for the
17 operation and maintenance of Unit 1 and the Station
18 Site pending the final decision of the arbitrators.

19 17.2 The Company calling for arbitration shall give notice to
20 the other Company, setting forth in such notice in ade-
21 quate detail the issues to be arbitrated, and within ten
22 days from receipt of such notice the other Company may
23 by notice to the first Company set forth in adequate
24 detail additional related issues to be arbitrated.

25 17.3 Within twenty days from its notice calling for the
26 arbitration, the first Company shall appoint a

1 person to serve as one arbitrator, and shall give
2 notice to the other Company of such appointment, and
3 within fifteen days after receipt of notice of
4 appointment of the first arbitrator, the other
5 Company shall appoint a person to serve as a second
6 arbitrator, and shall give notice to the first
7 Company of such appointment. The two persons so
8 appointed shall then agree upon and secure a third
9 arbitrator. If the second arbitrator should not be
10 appointed within fifteen days after receipt of
11 notice of appointment of the first, or if the third
12 arbitrator should not be secured within fifteen
13 days from the appointment of the second, either
14 Company may with notice to the other Company call
15 upon the American Arbitration Association (or upon
16 a similar organization if the American Arbitration
17 Association should not at that time exist) for
18 appointment of an arbitrator skilled with respect to
19 the matter to be arbitrated, and whose appointment
20 shall be binding on both Companies. No person
21 shall be eligible for appointment by the American
22 Arbitration Association who is an officer,
23 employee, shareholder of, or otherwise interested
24 in either of the Companies hereto or in the matter
25 to be arbitrated.

26 17.4 The arbitrators so appointed shall hear evidence

1 submitted by both Companies and may call for addi-
2 tional information, which additional information
3 the Companies or Company called upon shall furnish
4 to the extent feasible. A decision or determina-
5 tion signed by a majority of the arbitrators shall
6 be conclusive with respect to the issues submitted
7 and shall be binding upon both Companies.

8 17.5 Except as otherwise provided in Sections 17.1,
9 17.2, 17.3, and 17.4 hereof, the arbitration shall
10 be governed by the rules of practice and procedure
11 of the American Arbitration Association from time
12 to time in force, except that, if such rules and
13 practice as herein modified shall conflict with the
14 California Code of Civil Procedure or any other
15 provision of California law then in force, such
16 California rules and provisions shall govern. This
17 submission and agreement to arbitrate shall be
18 specifically enforceable. The award of the
19 arbitrators or a majority of them upon any question
20 submitted to them hereunder shall be final and
21 binding upon the Companies to the extent and in the
22 manner provided by the California Code of Civil
23 Procedure.

24 17.6 Each Company shall bear the fee and personal
25 expenses of the arbitrator appointed by it,
26 together with the fees and expenses of its own

1 counsel and of its own witnesses, and all other
2 costs and expenses of the arbitration shall be borne
3 one-half by the Company calling for arbitration and
4 one-half by the other Company involved, unless a
5 decision of the arbitrators shall specify a dif-
6 ferent apportionment of any or all of such costs
7 and expenses.

8 18. FORCE MAJEURE

9 Neither Company shall be considered to be in breach
10 of any of the obligations hereunder to the extent failure
11 of performance shall be due to uncontrollable forces.
12 The term "uncontrollable forces" shall mean any cause
13 beyond the control of a Company unable to perform such
14 obligation, including, but not limited to, failure of
15 facilities, flood, earthquake, storm, fire, lightning,
16 and other natural catastrophes, epidemic, war, riot,
17 civil disturbance, labor dispute, sabotage, Government
18 priorities, restraint by Court order or public authority,
19 and action or non-action by or failure to obtain the
20 necessary authorizations or approvals from any Government
21 agency or authority, which by exercise of reasonable
22 diligence and foresight such Company could not reasonably
23 have been expected to avoid and which by exercise of
24 reasonable diligence it has been unable to overcome.
25 Nothing contained herein shall be construed so as to
26 require a Company to settle any strike or labor dispute

1 in which it may be involved. Any Company rendered unable
2 to fulfill any obligation by reason of uncontrollable
3 forces shall exercise due diligence to remove such
4 inability with all reasonable dispatch.

5 19. RELATIONSHIP OF PARTIES

6 19.1 The covenants, obligations, and liabilities of the
7 Companies are intended to be several and not joint
8 or collective, and nothing herein contained shall
9 ever be construed to create an association, joint
10 venture, trust or partnership, or to impose a trust
11 or partnership covenant, obligation or liability on
12 or with regard to either of the Companies. Each
13 Company hereto shall be individually responsible
14 for its own covenants, obligations, and liabilities
15 as herein provided. Neither Company shall be under
16 the control of or shall be deemed to control the
17 other Company. No Company shall have a right or
18 power to bind the other Company without its express
19 written consent, except as expressly provided in
20 the San Onofre Agreements.

21 19.2 The Companies hereby elect to be excluded from the
22 application of Subchapter "K" of Chapter 1 of Sub-
23 title "A" of the Internal Revenue Code of 1954, or
24 such portion or portions thereof as may be permitted
25 or authorized by the Secretary of the Treasury or
26 his delegate insofar as such subchapter, or any

1 portion or portions thereof, may be applicable to
2 the Companies under the San Onofre Agreements.

3 20. NOTICES

4 All notices under this agreement shall be in writing
5 and shall be delivered in person or sent by registered or
6 certified mail to the applicable of the following
7 addresses:

8 Southern California Edison Company
9 c/o Secretary
10 Post Office Box 351
11 Los Angeles, California 90053

12 San Diego Gas & Electric Company
13 c/o President
14 Post Office Box 1831
15 San Diego, California 92112

16 By notice sent to the other Company, either Edison
17 or San Diego may designate different persons or different
18 addresses for the giving of notices hereunder.

19 21. TERM

20 This agreement shall be effective as of October 5,
21 1967, and shall continue in effect until termination of
22 the easement for the Plant Site, or such earlier date
23 as the Companies may agree to cease operation of Unit 1.
24 The San Onofre Operating Agreement is hereby superseded
25 as of October 5, 1967.

26 IN WITNESS WHEREOF, the Companies have caused
this agreement to be executed in duplicate on their
behalf.

SAN DIEGO GAS & ELECTRIC COMPANY

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2
3
4 ATTEST:

By Em Jaxon

5
6 Abraham

7
8 SOUTHERN CALIFORNIA EDISON COMPANY

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10
11 ATTEST:

By William R. Paul

SENIOR VICE PRESIDENT.

12
13 E. S. Lester
14 **Secretary**

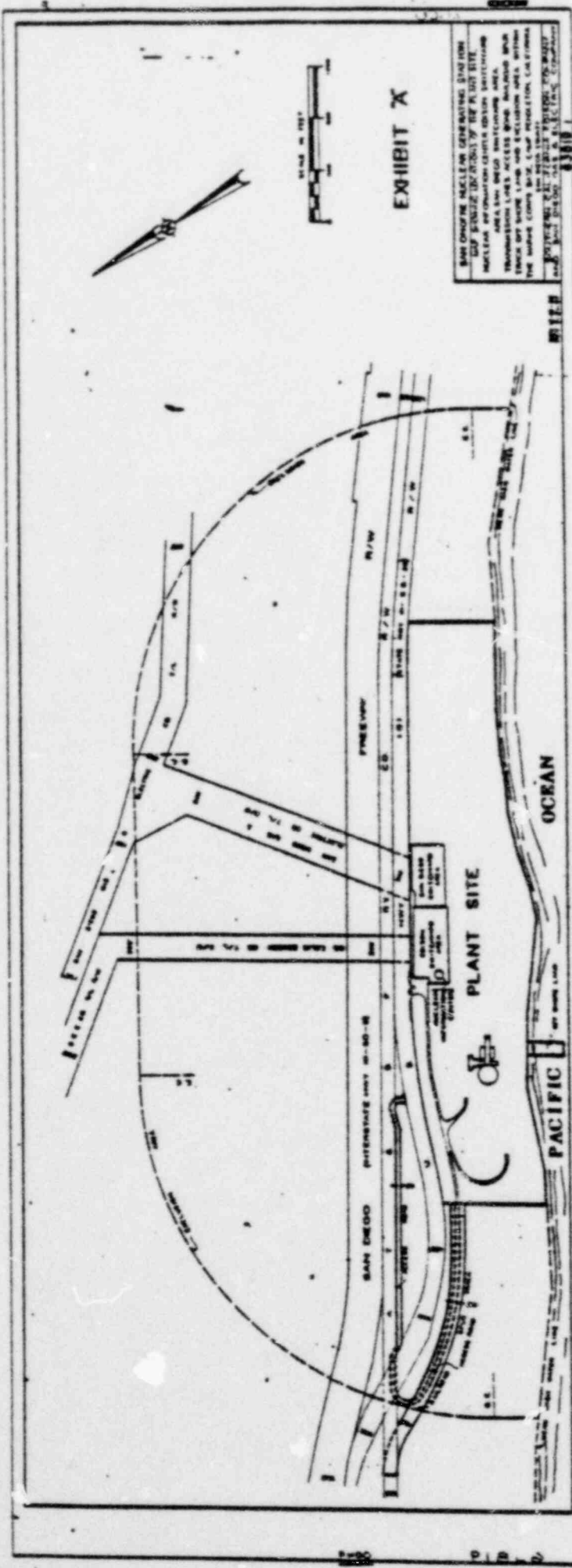


EXHIBIT B

ALLOCATION OF OVERHEAD EXPENSES

Overhead expenses incurred by Edison which are allocable to the San Onofre Nuclear Generating Station are comprised of the following:

1. All of the following expenses incurred at the San Onofre Nuclear Generating Station:
 - a) The salaries and expenses of the Station Chief and his supervisory, administrative, engineering, and clerical and accounting staff assigned to the San Onofre Nuclear Generating Station;
 - b) Stationery and office supplies expenses;
 - c) The payroll and other costs incurred in processing grievances;
 - d) The payroll and other costs incurred in attending job training meetings by employees assigned to the San Onofre Nuclear Generating Station;
 - e) Miscellaneous overhead expenses not assignable to other functions of the San Onofre Nuclear Generating Station.

2. A portion of the following expenses incurred in Edison's Steam Generation Division:
 - a) The salaries and expenses of the Superintendent of Steam Generation and his supervisory, administrative, engineering, and clerical and accounting staff;
 - b) Stationery and office supplies expenses;
 - c) A portion (which is applicable to the Steam Generation Division) of the payroll and other costs incurred in the operation of Edison's operators' training school and the salaries and expenses of Steam Generation Division personnel while attending such school;

- d) Miscellaneous overhead expenses not assignable to other functions of the Steam Generation Division.

Such portion shall be determined by multiplying the total of such salaries and expenses by a ratio, the numerator of which is the total payroll for the San Onofre Nuclear Generating Station and the denominator of which is the total payroll supervised by the Superintendent of Steam Generation and his staff.

- 3. A portion of the following expenses incurred in Edison's Power Supply Department:

- a) The salaries and expenses of the Manager of Power Supply and the Superintendent of System Operation and their supervisory, administrative, engineering, and clerical and accounting staffs, but excluding system dispatchers;
- b) Stationery and office supplies expenses;
- c) Expenses (but not payroll costs) incurred in attending certain conventions and committee meetings by Power Supply Department personnel;
- d) Miscellaneous overhead costs not assignable to other functions of the Power Supply Department.

Such portion shall be determined by multiplying the total of such salaries and expenses by a ratio, the numerator of which is the total payroll for the San Onofre Nuclear Generating Station and the denominator of which is the total payroll supervised by the Manager of Power Supply and his staff.

- 4. The overhead expenses of Edison's Steam Maintenance Division will be charged to the San Onofre Nuclear Generating Station only to the extent that Steam Maintenance Division personnel are employed at the San Onofre Nuclear Generating Station.

The total of such allocable overhead expenses shall be allocated and charged to the appropriate FPC electric plant and operation and maintenance expense accounts for Unit 1 and the Edison Switchyard on the basis of the direct Edison labor charges to such accounts.

EXHIBIT C

PAYROLL TAX RATIO

The Payroll Tax Ratio shall be determined in the following manner using, where indicated, expenses reported in the Annual Report of Edison to the Federal Power Commission ("FPC Form 1"):

Payroll Taxes for 1967

Payroll taxes applicable to labor charged to operation and maintenance, construction, and other accounts, per FPC Form 1, Page 352:

F.I.C.A.	\$2,711,186
H.I.T.	347,596
F.U.T.A.	134,311
S.U.I.	<u>755,494</u>
Total	<u>\$3,948,587</u>

Labor Base for 1967

Total labor charged to operation and maintenance, construction, and other accounts, per FPC Form 1, Page 356:

\$107,586,271

Payroll Tax Ratio for 1967 = $\frac{\$ 3,948,587}{\$107,586,271}$ = 0.0367

EXHIBIT D

WORKMEN'S COMPENSATION RATIO

The Workmen's Compensation Ratio, to be applied as shown in Exhibits E, F, and G, shall be determined in the following manner using, where indicated, expenses reported in the Annual Report of Edison to the Federal Power Commission ("FPC Form 1"):

Workmen's Compensation Expenses for 1967 (Not Capitalized)

Employee injuries expenses, per FPC Form 1, Page 226:

Disability Allowance and Compensation - Employees ..	\$270,298	
Medical Expenses	91,662	
First Aid Kits	<u>63,531</u>	
		\$ 425,491

Portion of liability insurance premium allocable to Workmen's Compensation coverage:	<u>8,507</u>
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Total Workmen's Compensation expenses:	\$ 433,998
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Less the amount of such expenses which have been shared by the Companies pursuant to Sections 10 and 16 hereof:	<u>\$ 0</u>
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Net expenses to be allocated:	<u>\$ 433,998</u>
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Labor Base for 1967

Total labor charged to operation and maintenance, per FPC Form 1, Page 356:	\$72,770,976
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Total labor charged to other accounts, per FPC Form 1, Page 356:	<u>979,429</u>
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Total labor base:	\$73,750,405
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Less the amount of labor charged to the operation and maintenance of Unit 1 and the Station Site pursuant to Section 7.1 hereof:	<u>166,524</u>
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Net labor base:	<u>\$73,583,881</u>
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Workmen's Compensation Ratio =	$\frac{\$ 433,998}{\$73,583,881}$	=	<u>0.0059</u>
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EXHIBIT E
BENEFITS RATIO

The Benefits Ratio shall be determined in the following manner using, where indicated, expenses reported in the Annual Report of Edison to the Federal Power Commission ("FPC Form 1"):

Pensions and Benefits Expenses for 1967

	<u>Labor*</u>	<u>Total</u>
Employee pensions and benefits charged to Account 926, per FPC Form 1, Page 419:	\$1,051,144	\$ 10,522,097
Plus employee pensions and benefits capitalized:	-	3,516,521
Sub-total	\$1,051,144	\$ 14,038,618
Payroll taxes @ 3.67% of labor		38,577
Workmen's Compensation @ 0.59% of labor		6,202
Total pensions and benefits expenses:		\$ 14,083,397
 <u>Labor Base for 1967</u>		
Total labor charged to operation and maintenance, construction, and other accounts, per FPC Form 1, Page 356:		\$107,586,271
Less labor charged to FPC Account 926:		1,051,144
Net labor base:		\$106,535,127

$$\text{Benefits Ratio for 1967} = \frac{\$ 14,083,397}{\$106,535,127} = \underline{0.1322}$$

* Includes direct and indirect labor

EXHIBIT F

A & G RATIO

The A & G Ratio shall be determined in the following manner using, where indicated, expenses reported in the Annual Report of Edison to the Federal Power Commission ("FPC Form 1"):

Administrative and General Expenses Allocable to Operation and Maintenance for 1967 (per FPC Form 1, Page 419)

	<u>Labor*</u>	<u>Total</u>
A/C 920 Administrative and general salaries:	\$10,565,273	\$10,565,273
921 Office supplies and expenses:	<u>216,355</u>	<u>3,695,474</u>
Total Accounts 920 and 921:	<u>\$10,781,628</u>	<u>\$14,260,747</u>
0.6308 (See Exhibit H) of Accounts 920 and 921 applicable to operation and maintenance:	\$ 6,801,051	\$ 8,995,679
A/C 923 Outside services (see Note 1):	-	407,443
932 General maintenance	<u>1,033,843</u>	<u>1,784,991</u>
Sub-total	\$ 7,834,894	\$11,188,113
Payroll taxes @ 3.67% of labor		\$ 287,541
Workmen's Compensation @ 0.59% of labor		46,226
Pensions and benefits @ 13.22% of labor		<u>1,035,773</u>
Total A & G expense allocable to operation and maintenance:		<u>\$12,557,653</u>

Operation and Maintenance Labor Base for 1967

Total labor charged to operation and maintenance accounts, per FPC Form 1, Page 356: \$72,770,976

Less the amount of such labor charged to administrative and general expense accounts:

Direct labor, per FPC Form 1, Page 355:	\$12,891,459
Indirect labor included in the amount reported in FPC Form 1, Page 356, Column C, Line 92:	<u>392,065</u>

Total 13,283,524

Net operation and maintenance labor base: \$59,487,452

$$A \ \& \ G \ Ratio \ for \ 1967 \ = \ \frac{\$12,557,653}{\$59,487,452} \ = \ \underline{\underline{0.2111}}$$

Note 1: The amount shown for A/C 923 shall be the amount charged thereto except that it shall not exceed the greater of (a) \$500,000 or (b) 150% of the average of the charges to A/C 923 for the two most recent preceding years.

* Includes direct and indirect labor

EXHIBIT G

CAPITAL A & G RATIO

The Capital A & G Ratio shall be determined in the following manner using, where indicated, expenses reported in the Annual Report of Edison to the Federal Power Commission ("FPC Form 1"):

Administrative and General Expenses Allocable to Construction for 1967 (per FPC Form 1, Page 419)

	<u>Labor*</u>	<u>Total</u>
A/C 920 Administrative and general salaries:	\$10,565,273	\$10,565,273
921 Office supplies and expenses:	<u>216,355</u>	<u>3,695,474</u>
Total Accounts 920 and 921	<u>\$10,781,628</u>	<u>\$14,260,747</u>
0.3538 (See Exhibit H) of Accounts 920 and 921 applicable to construction:	\$ 3,868,448	\$ 5,116,756
Payroll taxes @ 3.67% of labor		141,972
Workmen's Compensation @ 0.59% of labor		22,824
Pensions and benefits @ 13.22% of labor		<u>511,409</u>
Total A & G expense allocable to construction		\$ 5,792,961
Total pensions and benefits expense allocable to total labor charged to construction accounts:		
0.1322 x \$33,835,866** =		<u>\$ 4,473,101</u>
Total A & G plus pensions and benefits expenses allocable to construction:		\$10,266,062
Less amount of A & G plus pensions and benefits expenses allocable to contract construction:		
0.01 x \$169,200,000 =		<u>\$ 1,692,000</u>
Remainder of A & G plus pensions and benefits expenses allocable to Edison construction:		<u>\$ 8,574,062</u>
<u>Construction Direct Labor Base for 1967</u>		
Total direct labor charged to construction accounts, per FPC Form 1, Page 356:		<u>\$20,428,022</u>

$$\text{Capital A \& G Ratio for 1967} = \frac{\$ 8,574,062}{\$20,428,022} = \underline{0.4197}$$

* Includes direct and indirect labor.
 ** Per FPC Form 1, Page 356

EXHIBIT H

DETERMINATION OF OPERATION & MAINTENANCE AND CONSTRUCTION
LABOR RATIOS TO BE USED IN EXHIBITS F & G

Labor Charges for 1967

Total labor charged to operation and maintenance accounts, per FPC Form 1, Page 356: \$72,770,976

Less the amount of such labor charged to administrative and general expense accounts:

Direct labor, per FPC Form 1, Page 355: \$12,891,459
Indirect labor included in the amount reported in FPC Form 1, Page 356, Column C, Line 92: 392,065

Total 13,283,524

Net labor charged to operation and maintenance accounts: \$59,487,452

Total labor charged to other accounts, per FPC Form 1, Page 356: 979,429

Total labor charged to construction accounts, per FPC Form 1, Page 356: 33,835,866

Total labor base for this computation: \$94,302,747

Ratio of net operation and maintenance labor to total labor: = $\frac{\$59,487,452}{\$94,302,747}$ = 0.6308

Ratio of construction labor to total labor: = $\frac{\$33,835,866}{\$94,302,747}$ = 0.3588

1
2 AMENDMENT NO. 1
3 TO
4 AMENDED SAN ONOFRE OPERATING AGREEMENT

5 THIS AMENDMENT NO. 1 to the AMENDED SAN ONOFRE OPERATING
6 AGREEMENT is entered into as of the 30th day of
7 August, 1971, by and between SAN DIEGO GAS &
8 ELECTRIC COMPANY, a California corporation ("San Diego") and
9 SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation
10 ("Edison"), hereinafter sometimes individually called
11 "Company" and collectively called "Companies."

12 RECITALS

13 This Amendment is made with reference to the following
14 facts:

15 San Diego and Edison entered into the Amended San
16 Onofre Operating Agreement as of July 30, 1970. On the same
17 date San Diego and Edison entered into a letter agreement
18 that modified in part the provisions of Section 16
19 (Liability) of the Amended San Onofre Operating Agreement.

20 San Diego and Edison now wish to amend Section 16 and
21 Section 10 of the Amended San Onofre Operating Agreement and
22 to supersede the aforementioned letter agreement as herein-
23 after set forth.

24 AGREEMENT

25 The Companies agree as follows:
26 /

1 AMENDMENT TO SECTION 16

2 Section 16 of the Amended San Onofre Operating Agreement
3 is hereby amended to read as follows:

4 16. LIABILITY

5 16.1 As used in this Section 16, the following terms
6 shall have the following meanings:

7 16.1.1 "Damage" means any loss, damage, cost,
8 charge or expense resulting from the
9 ownership, operation, maintenance or use
10 of Unit 1 or the Station Site, or the per-
11 formance or non-performance by a Company
12 or the Companies of any of the San Onofre
13 Agreements.

14 16.1.2 "Nuclear Incident" means a nuclear inci-
15 dent as defined in Section 11q of the
16 Atomic Energy Act of 1954, as amended.

17 16.1.3 "Uninsured Damage" means Damage not paid
18 for by Unit 1 Insurance.

19 16.2 Except as permitted under Section 16.3 hereof,
20 neither Company shall be liable to the other Com-
21 pany for Uninsured Damage resulting from a Nuclear
22 Incident.

23 16.3 Neither Company, its directors, officers or em-
24 ployees shall be obligated to discharge any liabil-
25 ity to the other Company in excess of \$2,000,000
26 for any single occurrence for any direct, indirect

1 or consequential Uninsured Damage of any kind or
2 nature suffered by the other Company, resulting
3 from Willful Action and resulting from or arising
4 out of a Nuclear Incident. Each Company expressly
5 releases the other Company, its directors,
6 officers and employees from any such liability in
7 excess of \$2,000,000 per occurrence and from any
8 judgment in excess of \$2,000,000 per occurrence
9 obtained against a Company, its directors,
10 officers or employees, for any such liability.
11 Neither Company shall execute, levy or otherwise
12 enforce such a judgment, or record or effect a
13 judgment lien, against the other Company, its
14 directors, officers or employees for any part of
15 such judgment in excess of \$2,000,000 per
16 occurrence.

17 16.4 Subject to Sections 16.2 and 16.3 hereof and
18 except for Uninsured Damage resulting from Willful
19 Action (and not resulting from or arising out of
20 a Nuclear Incident), neither Company, its
21 directors, officers or employees shall be obligated
22 to discharge any liability to the other Company,
23 for any direct, indirect or consequential Uninsured
24 Damage of any kind or nature suffered by the other
25 Company, whether or not resulting from the negli-
26 gence of a Company, its directors, officers,

1 employees or any other person or entity whose
2 negligence would be imputed to a Company. Subject
3 to the exceptions contained in this Section 16.4,
4 each Company expressly releases the other Company,
5 its directors, officers and employees from any
6 such liability. Neither Company shall execute,
7 levy or otherwise enforce a judgment for such
8 liability, including recording or effecting a
9 judgment lien, against the other Company, its
10 directors, officers or employees.

11 16.5 Subject to Sections 16.2 and 16.3 hereof and
12 except for liability for Uninsured Damage resulting
13 from Willful Action (and not resulting from or
14 arising out of a Nuclear Incident) and except as
15 provided in Sections 16.6 and 16.7 hereof, Edison
16 shall pay eighty percent (80%) and San Diego shall
17 pay twenty percent (20%) of:

18 16.5.1 The costs and expenses of discharging
19 liability of one or both of the Companies
20 for any direct, indirect or consequential
21 Uninsured Damage of any kind or nature
22 suffered by any party other than a
23 Company, whether or not resulting from the
24 negligence of a Company, its directors,
25 officers and employees or any other person
26 or entity whose negligence would be

1 imputed to a Company; and

2 16.5.2 The costs and expenses incurred in
3 settlement of injuries and damages
4 claims, including attorneys' fees and the
5 cost of labor and related supplies and
6 expenses incurred in injuries and damages
7 activities (all as referred to in FPC
8 Account 925) resulting from or arising
9 out of such liability.

10 16.6 Except for liability for Uninsured Damage result-
11 ing from Willful Action, either Company whose
12 ultimate consumer shall make a claim or demand, or
13 bring an action for any damage (including death
14 or injury) arising out of electric service to such
15 ultimate consumer shall indemnify and hold harm-
16 less the other Company, its directors, officers
17 and employees from and against any claim, demand
18 or liability for such damage. The term "ultimate
19 consumer" means an electric consumer to whom no
20 electric power or energy is delivered for resale.

21 16.7 Except for liability for Uninsured Damage (includ-
22 ing death or injury) resulting from Willful Action,
23 each Company shall bear the total cost of dis-
24 charging all legal liability imposed upon it or the
25 other Company, including attorneys' fees and other
26 associated costs, arising out of Workmen's

1 Compensation claims or employers' liability
2 claims, brought by its employees; provided that
3 the cost of discharging such liability, including
4 attorneys' fees and other associated costs,
5 arising out of such Workmen's Compensation claims
6 brought by Edison personnel whose labor expenses
7 are charged or allocated to the operation and
8 maintenance of Unit 1 and the Station Site
9 pursuant to Section 7.1 hereof, shall be shared
10 eighty percent (80%) by Edison and twenty percent
11 (20%) by San Diego.

12 AMENDMENT TO SECTION 10

13 Section 10.5 of the Amended San Onofre Operating Agree-
14 ment is hereby amended to read as follows:

15 10.5 Edison shall investigate, adjust and settle claims
16 asserted by any party other than a Company against
17 the Companies or either of them, which are claims
18 of the type referred to in Section 16.5 hereof.
19 Edison shall obtain the prior consent of the
20 Board of Review members before agreeing to a
21 settlement of any claim or combination of claims
22 exceeding \$100,000 arising out of the same trans-
23 action or event and not covered by Unit 1
24 Insurance. At the request of Edison, San Diego
25 shall assist in the investigation, adjustment and
26 settlement of any such claims. Each Company shall

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investigate, adjust and settle claims asserted by any of its ultimate consumers, which are claims of the type referred to in Section 16.6 hereof.

SUPERSEDE LETTER AGREEMENT

This Amendment supersedes the letter agreement of July 30, 1970 between the Companies that modified in part the provisions of Section 16 of the Amended San Onofre Operating Agreement.

TERM

The term of this Amendment shall be coincident with the term of the Amended San Onofre Operating Agreement.

IN WITNESS WHEREOF, the Companies have caused this Amendment to be executed in duplicate on their behalf.

SAN DIEGO GAS & ELECTRIC COMPANY,

ATTEST:

[Signature]

By *[Signature]*

SOUTHERN CALIFORNIA EDISON COMPANY

ATTEST:

Clairne Botwinster

ASSISTANT SECRETARY

By *[Signature]*

APPROVED AS TO FORM
EUGENE E. WOODBURY
Vice President & General Counsel
By *[Signature]*
Assistant Counsel
7-7 1971

PERMITS, LICENSES, AND MATERIAL, EQUIPMENT AND SERVICE
SUPPLIER'S AGREEMENTS WHICH MAY REQUIRE
AMENDMENT OR ASSIGNMENT

1. American Society for Mechanical Engineering
 - A. Owner's Certificate of Authorization
2. Army Corps of Engineers
 - A. Offshore Conduit Construction Permit
 - B. Sand Disposal Permit
 - C. Permit Assigned Not Applicable
 - D. Marine Monitoring Buoys (12)
 - E. Del Mar Boat Dock and Grounding Pad
3. Nuclear Regulatory Commission (Formerly A.E.C.)
 - A. Construction Permit
 - B. Operating License
 - C. Special Nuclear Material License
 - D. Uranium Enrichment Agreement
 - E. Contaminated Equipment License
4. Coastal Zone Commission
 - A. Coastal Zone Commission Construction Permit No. 183-73
 - B. Guarantee Agreement
 - C. Trust Fund Agreement and Marine Review Committee
 - D. Site Drainage (Berm)
5. U.S. Coast Guard
 - A. Aid to Navigation Agreement
 - B. Buoys - Sand Disposal

EXHIBIT " J "

- 6. Environmental Protection Agency
 - A. Concrete Batch Plant Approval to Construct
 - B. Operating Permit - Batch Plant
 - C. Auxiliary Boiler Construction/Operating Permit
 - D. Other Ancillary Equipment That Could Emit Air Contaminants
 - E. NPDES #003855 (Plant Operating)
 - F. NPDES #CA0107328 (Construction Dewatering)
- 7. U.S. Marine Corps
 - A. Construction Parking
 - B. Grant Easement
 - C. Plant and Mesa Site License NF(R)22928
 - (1) Access Road
 - (2) Parcels: A, B, C, D, E, F, G, Conduit Haul Road, and Evap. Pond
 - (3) Heavy Haul Road and Boat Dock
 - D. Jap Mesa
 - (1) Temporary PKS Waterline - NF(R)23306
 - (2) Extension of Permit
 - E. Sand Disposal
 - F. Jobsite Security Plan
 - G. Telephone Line Relocation
 - H. Temporary Easement for 220 kV Lines
 - I. T/S Construction Laydown Area
 - J. Mutual Aid Agreement
 - K. Onshore Tracer Study Agreement

EXHIBIT " J "

8. Pacific Telephone and Telegraph Company
 - A. Fill Over Easement
 - B. Relocation of U.S.M.C. Cable into PT&T Easement
 - C. Construction Parking
 - D. Duct Beam and Fireline Crossing
9. Public Utilities Commission
 - A. Authorization for Financial Agreement
 - B. Certificate of Convenience and Necessity
 - C. Certificate of Convenience and Necessity for Transmission Lines
10. City of San Clemente
 - A. Temporary Service Agreement
11. San Diego County - A.P.C.D.
 - A. Auxiliary Boiler Construction/Operating Permit
 - B. Batch Plant Construction
 - C. Batch Plant Operating
12. San Diego Water Quality Control Board
 - A. Dewatering Discharge 74-4 (NPDES CA0107328)
 - B. Sand Disposal
 - (1) 70-R42
 - (2) Addendum #1
 - (3) Monitoring and Reporting Program #71-6
 - C. Operation Order #76-21 (NPDES CA0003395)
13. Santa Fe Railway
 - A. Haul Road Overcrossing License
 - B. Overhead Wire Crossing Agreement

EXHIBIT " J "

14. Southern California Gas
 - A. Highway 101 Relocation Permit
 - B. Off-Highway Haul Route Permit
 - C. Temporary Information Center
15. State Department of Parks and Recreation
 - A. Access Road Agreement
 - B. Construction Parking
 - C. Temporary Waterline
 - D. Highway 101 Realignment
 - E. Main Plant Access
 - F. Signalization of Highway 101 - Main Plant Access Lighting
 - G. Circ. Conduit Haul Road
 - H. Signal at Highway 101 and Jap Mesa Haul Road
 - I. AMERON Batch Plant Evaporation Pond
 - J. Heavy Haul Road
16. State Department of Public Health
 - A. Radiological Monitoring Program Approval
 - B. Source Material License (RA 226)
 - C. Contaminated Equipment License
17. State Department of Transportation
 - A. Construction Parking and Hopper (1174-E-762, 668)
 - B. Relocate Power Pole (1173-U-743-943)
Install Guard Rail (1171-E-761-930)
String 220 kV Across I5 (1170-U-782-727)
Temporary 138 kV and 220 kV Across I5 (1170-U-782-701)
 - C. Jap Mesa Road Access (1173-E-762-565)

EXHIBIT " J "

- D. Main Plant
 - (1) Access
 - (2) Rider to Move Road (1173-E-762-565)
 - E. Off-Highway Haul Route (1173-E-762-565)
 - F. Offsite Drainage Structure Permit (1174-E-762-633)
 - G. U.S. 101 Realignment (1174-E-762-633)
 - H. Temporary I5 Crossing
 - I. Duct Beam and Fireline Installation
 - J. Floor Protection Beam
18. State Lands Commission
- A. Buoys - Sand Disposal (Marine Monitoring - 3 Buoys)
 - B. Offshore Easement
 - (1) Construction Permit
 - (2) Conduit Site
 - C. Sand Disposal
 - (1) Work Area
 - (2) Extension of Permits
19. State Resources Agency
- A. Siting
 - (1) Agreement and Amendment
 - (2) Amendment to Resources Agreement
20. State Water Resources Control Board
- A. Sand Disposal Certificate of Conformance #70-12
 - B. Plant Operation Certificate of Conformance #72-28

EXHIBIT " J "

21. Temporary Construction Power Permits
 - A. All Required Permits for Temporary Construction Power
22. Department of Motor Vehicles
 - A. Licensing
23. Federal Aviation Administration
 - A. Air Navigation Approval
 - B. Transportation Facilities Air Naval Approval
24. Federal Communications Commission
 - A. License to Construct and Operate Electronic Transmission Equipment
 - (1) Mobile System
 - (2) Telemetering System
 - (3) Microwave System
25. Tri-Cities Municipal Water District
26. Material, Equipment and Service Suppliers' Agreements
 - A. Engineering and Construction Contract - San Onofre Nuclear Generating Station Units 2 and 3 among Edison, San Diego, and Bechtel Power Corporation
 - B. Nuclear Steam Supply System Contract among Edison, San Diego, and Combustion Engineering
 - C. Nuclear Steam Supply System Spare Parts Master Agreement between Edison and Combustion Engineering
 - D. Preservice Examination Agreement between Edison and Combustion Engineering
 - E. General Engineering Services Master Agreement between Edison and Combustion Engineering
 - F. Turbine Generator Contract among Edison, San Diego and GEC-English Electric Corporation
 - G. Turbine Generator Spare Parts Master Agreement between Edison and GEC-English Electric Corporation

- H. Heavy Haul Contract between Edison and Rigging International
- I. Off-Shore Circulating Water System Contract between Edison and Guy F. Atkinson Company

EXHIBIT " J "

EXHIBIT " J "

5.a.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 1979

Commission File Number 1-2313

SOUTHERN CALIFORNIA EDISON COMPANY

(Exact name of registrant as specified in its charter)

California

95-1240335

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

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

(Address of principal executive offices)

(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Capital Stock	
Original Preferred (Par Value \$8 1/2 per share)	American and Pacific
Cumulative Preferred (Par Value \$25 per share)	American and Pacific
4.08% Series	
4.24% Series	
4.32% Series	
4.78% Series	
5.80% Series	
8.85% Series	
9.20% Series	
\$100 Cumulative Preferred (Par Value \$100 per share)	American and Pacific
7.58% Series	
8.54% Series	
8.70% Series	
8.96% Series	
Preference	
(Par Value \$25 per share)	American and Pacific
5.20% Convertible Series	
Common Stock	
(Par Value \$8 1/2 per share)	New York and Pacific
Funded Debt	
First and Refunding Mortgage Bonds (Series F through Series S, Series Y through Series CC, Series EE through Series JJ and Series MM)	American
3 1/8% Convertible Debentures, Due 1980	New York and Pacific

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

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

The total number of shares outstanding at December 31, 1979 of the Company's Common Stock, \$8 1/2 par value, was 64,894,936.

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FART I

Item 1. Business

Southern California Edison Company ("Company") was incorporated in 1909 under California law and is a public utility primarily engaged in the business of supplying electric energy to a 50,000 square-mile area of central and southern California, excluding the City of Los Angeles and certain other cities. This area includes some 800 cities and communities and a population of more than eight million people. As of December 31, 1979, the Company had 12,917 employees.

General problems of the industry

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

Regulation

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

The Company is subject to the jurisdiction of the Nuclear Regulatory Commission ("NRC") with respect to nuclear power plants. NRC regulations govern the granting of operating licenses for the construction and operation of nuclear power plants and subject such power plants to continuing review and regulation.

The Company's plant construction, planning and siting are subject to the jurisdiction of the California Energy Commission. The Company is subject to rules and regulations promulgated by the California Air Resources Board ("ARB") and local air pollution control districts with respect to the emission of pollutants into the atmosphere, and the regulatory requirements of the California Water Resources Control Board and regional boards with respect to the discharge of pollutants into waters of the state. The Company is also subject to regulation by the Environmental Protection Agency ("EPA"), which administers certain federal statutes relating to environmental matters, and to certain other federal, state and local laws and regulations relating to environmental protection and land use.

The Department of Energy has regulatory authority over certain aspects of energy conservation, solar energy development, power plant fuel use, coal conversion, public utility regulatory policy and natural gas pricing.

RATE MATTERS

Retail rates

Effective January 1, 1979, the Company was granted a general rate increase designed to produce annual revenues of approximately \$124,000,000, based on a 1979 test year. This amount included a \$102,000,000 interim rate increase which became effective in July 1978. The

decision authorized an increase in rate of return on common equity from 12.63% to 13.49% and raised the authorized rate of return on rate base from 8.98% to 9.60%.

On December 26, 1979, the Company filed with the CPUC a general rate application designed to increase annual revenues by approximately \$340,000,000, based on a 1981 test year. The application requests rate relief as a result of a general increase in operating expenses and financing costs. In addition, the application requests an average annual rate of return on common equity of 15% and on rate base of 10.78% for the period 1981-82. Because of the two-year cycle adopted by the CPUC in granting general rate increases, the rate request takes into consideration increases in costs expected to occur in the year following the test year.

Energy cost adjustment clause

The Company's Energy Cost Adjustment Clause ("ECAC"), adopted by the CPUC in 1976, provides for adjustments in rates, subject to CPUC approval, to reflect changes in energy costs. Under the ECAC procedure, a balancing account has been established in which energy costs above or below those used in establishing rates are accumulated, and the accumulated amount is reflected in succeeding rate adjustments. The balance in the ECAC balancing account, representing accumulated net undercollections and accrued interest, was approximately \$303,600,000 at December 31, 1979. Under present ECAC procedures, changes in energy costs subject to CPUC jurisdiction should not affect the Company's reported earnings because such costs are reported as operating expenses only as they are reflected in electric rates and thereby offset by revenues.

From January 1, 1979 to March 1, 1980, the Company experienced an increase of approximately 80% in fuel oil costs (see "Fuel Supply" below), a portion of which has been recognized in previous ECAC adjustments. This increase (as well as increases in other energy costs), coupled with an inherent lag in the recovery of cost increases under the ECAC procedure and past delays in receiving CPUC approvals, has resulted in increased short-term borrowing requirements.

On October 23, 1979, the CPUC granted, effective November 1, 1979, an annual increase in ECAC revenues of approximately \$431,600,000 out of the Company's \$466,600,000 ECAC request. The CPUC decision deferred consideration of approximately \$35,000,000 of ECAC undercollections pending evaluation of the results of a consultant's report on the reasonableness of operating capacity factors at the Company's coal-fired power plants. The Company believes that operating practices at its coal-fired plants have been prudent and reasonable.

On January 29, 1980, the CPUC issued three orders designed to improve the operation of the ECAC. First, the CPUC granted a Company petition to modify the October 23 ECAC decision by accelerating the collection of approximately \$81,000,000 in revenues during the period February 3 through April 30, 1980.

Second, as part of its continuing investigation into the operation of the ECAC, the CPUC issued an interim order providing for more timely recovery of increases in energy costs. This interim order provides for adjustments in rates three times a year rather than twice yearly, with each adjustment based on estimates of fuel prices and balancing account amounts at the adjustment date and forecasted energy mix and sales estimates, in contrast to historical data. In addition, the period over which amounts in the balancing account are to be amortized will be determined at the time of each adjustment, and will no longer be a fixed 12-month period as previously called for.

Third, the CPUC increased the rate for accruing interest on undercollections or overcollections in the balancing account from a fixed rate of 7% to a variable rate equal to the Federal Reserve Bank three-month Prime Commercial Paper rate.

On March 5, 1980, the Company filed an application under the revised ECAC procedure requesting an increase in ECAC revenues, effective May 1, 1980, of approximately \$740,600,000 annually and amortization of undercollections in the balancing account over a six-month period. The Company believes that the revised interim ECAC procedures should provide more timely recovery of accumulated undercollections in the balancing account and should reduce its short-term borrowing requirements from those which would otherwise be required. However, any significant delay in receiving ECAC adjustments or recovering ECAC undercollections could result in serious financing and cash flow problems for the Company.

Resale rates

Under FERC procedures, increases in resale rates are permitted to become effective, subject to refund with interest to the extent that the FERC subsequently determines that the requested increases are inappropriate. The Company's January 15, 1979 filing with the FERC, designed to increase resale rates at an annual level of approximately \$5,500,000, became effective, subject to refund, on August 16, 1979. On August 1 and August 22, 1979, the FERC issued decisions on the Company's rate filings which became effective, subject to refund, on August 4, 1974 and February 1, 1976, respectively. Certain of the Company's municipal resale customers have intervened in these proceedings, alleging an anti-competitive "price squeeze" with respect to the filed rates.

The August 1 decision affirmed the August 4, 1974 rate increase filed by the Company with respect to cost of service issues, but provided that it remain subject to refund pending resolution of the "price squeeze" issues. The August 22 decision ordered the Company to file a revised tariff to reduce annual revenues by approximately \$3,600,000. Although such decision, if it were to become final, would require a refund of approximately \$13,700,000, revenues in excess of this amount had been deferred in the Company's financial statements and the related interest accrued. The decision also found that the Company's resale customers had established a prima facie case of a price squeeze with respect to the filed rates and ordered the case remanded to an administrative law judge for hearings to determine the extent of a price squeeze, if any, with respect to the filed revised rates. Both the Company and certain intervenors have petitioned for a rehearing.

If a price squeeze is ultimately determined with respect to the above proceedings, the FERC may impose further rate reductions as a remedy, which would result in additional refunds. The FERC decisions could also affect the pending antitrust litigation in federal district court discussed under "Antitrust litigation" under Item 5.

As of December 31, 1979, approximately \$377,800,000 in incremental revenues attributable to resale rate increases had been billed, of which approximately \$364,100,000 has been recorded as revenues. Of the amount billed, approximately \$46,600,000 is no longer subject to refund by virtue of the appeals relative to a May 2, 1974 fuel clause adjustment having become final subsequent to December 31, 1979. The Company does not believe that any other amounts which the FERC may require the Company to refund as a result of the proceedings relative to these increases will have a material financial effect. (See Note 3 to Financial Statements.)

FUEL SUPPLY

Fuel costs

Fuel and purchased power costs amounted to approximately \$1.5 billion in 1979, 27.2% higher than in 1978. Sources of energy and unit costs of fuel for 1975 through 1979 were as follows:

	Sources of energy					Average cost per million BTU's				
	1975	1976	1977	1978	1979	1975	1976	1977	1978	1979
Oil	46%	47%	56%	43%	44%	267¢	252¢	254¢	291¢	340¢
Natural gas	13	11	15	18	23	87	125	185	205	239
Coal	14	14	14	10	11	28	36	41	53	71
Nuclear	5	3	3	3	4	17	29	34	36	43
All fuels	75	75	88	74	82	176	180	200	224	258
Hydroelectric	8	4	2	9	8			(1)		
Purchased and interchanged power	14	21	10	17	10			(2)		
	100%	100%	100%	100%	100%					

- (1) There are no fuel costs associated with the Company's hydroelectric generation.
- (2) For the year ended December 31, 1979, the cost of purchased power (primarily hydroelectric) was 1.631 cents per kilowatt-hour.

The prices for oil now under contract are subject to various adjustments based on, among other factors, specified foreign prices for crude oil (including prices established by OPEC nations), import license fees and duties, royalties, taxes and transportation charges. From January 1, 1979 to March 1, 1980 the Company experienced an increase of approximately 80% in fuel oil costs. (See "Energy cost adjustment clause" under "Rate Matters" above.)

Average fuel costs, expressed in cents per kilowatt-hour for the year ended December 31, 1979 were: oil 3.300¢; natural gas 2.516¢; coal 0.823¢; and nuclear 0.464¢. Fuel costs per kilowatt-hour for the month of February 1980 were: oil 4.238¢; natural gas 3.269¢; coal 0.787¢; and nuclear 0.565¢.

Natural gas supply

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

Fuel oil supply

Air pollution control laws and regulations applicable to the Company's oil- and gas-fired steam electric generating units have required the Company to depend to an increasing extent on more costly 0.25% low-sulphur fuel oil. The Company now has under contract approximately 90% of its estimated requirements for 0.25% sulphur oil through 1986. The balance of its fuel oil requirements is expected to be met with oil to be purchased on the spot market and under short-term contracts or through flexibility in existing long-term contracts.

At March 1, 1980, the Company had in inventory enough low-sulphur fuel oil to supply the Company's oil-burning facilities for at least 90 days, assuming projected utilization of the Company's coal-burning, nuclear and hydroelectric facilities and purchased and interchanged power. If the Company cannot purchase enough low-sulphur fuel oil to meet its fuel oil requirements in the future, it may still be able to acquire higher-sulphur fuel oil. However, the Company's ability to burn such higher-sulphur fuel oil would be dependent upon obtaining variances under air pollution control regulations.

Nuclear fuel supply

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

	Unit 1	Units 2 & 3
Mining and milling to produce concentrates(1)	1984	1984
Conversion	1990	1990
Enrichment	2014	2009
Fabrication	1992	1984
Spent fuel storage(2)	1992	1992

- (1) The Company has contracted for approximately 50% of the uranium concentrates required for San Onofre Units 1, 2 and 3 from 1985 through 1990. Approximately 47% of the Company's uranium concentrate requirements for the period 1980 through 1990 are expected to be provided by a mine and mill in which Mono Power Company ("Mono"), a wholly-owned subsidiary of the Company, is a participant. (See Note 1 to Financial Statements for more information on Mono's activities.)
- (2) The dates indicated assume full utilization of the capacities of on-site storage now existing and under construction and off-site storage currently under contract for normal operations of these Units, including interpool transfers. If additional storage or permanent disposal is unavailable when storage limits are reached, other arrangements will be required, the availability or cost of which the Company cannot predict at this time.

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

Although the Palo Verde participants have no commitments for off-site storage of fuel discharged from reactors, on-site storage for spent fuel is being planned to accommodate normal operation through 1990 for Unit 1 and through later dates for Units 2 and 3. The timing of when and the extent to which off-site storage may be required cannot be accurately predicted at this time.

Coal supply

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

Powerplant and Industrial Fuel Use Act of 1978

Full implementation of the Powerplant and Industrial Fuel Use Act of 1978 administered by the Department of Energy through the Economic Regulatory Administration will preclude the utilization of natural gas and petroleum fuels in new power plants and will limit the utilization of natural gas and petroleum fuels in existing power plants, unless conservation standards and procedures are implemented. The Act's impact on the Company is not presently determinable.

President's energy proposals

In July 1979, President Carter announced a program calling for, among other things, reducing oil imports over the next ten years, requiring utilities to reduce current oil usage by 50% by 1990 and requiring electric and gas utilities to offer long-term financing to their residential and commercial customers for conservation improvements to structures, with the loans being included in utility rate bases and being repaid when the structures are sold. The President's proposed program has now evolved to include as its goal a reduction of oil and gas consumption by electric utilities by one million barrels of oil (equivalent) per day, to be accomplished by a mandatory Phase I conversion to coal program and a voluntary Phase II oil and gas displacement program with partial federal grant assistance in both phases. The Company has no plants anticipated to be included in Phase I, and it is unable at this time to determine the extent to which any such program, if implemented, would affect its operating cost and capital expenditure levels.

ENVIRONMENTAL MATTERS

Legislation and regulation

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

The two principal federal environmental statutes are the Clean Air Act, as amended, and the Clean Water Act. Both regulatory schemes are administered by the EPA in conjunction with state and local governments.

The Clean Air Act provides the statutory framework to implement a program for achieving national ambient air quality standards and provides for maintenance of air quality in areas exceeding such standards. As a result, the Company may incur additional expenses in reducing or eliminating emissions at existing facilities and in constructing new facilities. However, because major regulations relating to the 1977 amendments to the Act have not as yet been finalized, the Company is unable at this time to determine the extent to which such amendments will affect its operations and capital expenditures.

Regulations under the Clean Water Act require the obtaining of permits for the discharge of certain pollutants into the waters of the United States. Under the Act, the EPA issues effluent limitation guidelines, pretreatment standards and new source performance standards

for the control of certain pollutants. Individual states may impose still more stringent limitations. In order to comply with guidelines and standards applicable to steam electric power plants, the Company is incurring additional expenses and capital expenditures. Additional regulations will be issued but the Company is unable to predict the extent to which such additional regulations will affect its operations and capital expenditure requirements. The Company presently has discharge permits for all its facilities.

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

Currently pending environmental rulemaking and compliance proceedings and litigation involving the Company are discussed under "Environmental administrative proceedings and litigation" under item 5. The effect of the Company's use of low-sulphur fuel required by air quality regulations is discussed under "Fuel Supply" above.

Environmental expenditures

The Company's estimated capitalized expenditures for environmental protection for the years 1969 through 1979 and its projected capital expenditures for such purposes for the years 1980 through 1984 (based upon the Company's December 20, 1979 plant budget/forecast) are:

(Thousands of Dollars)

Years	Total	Air pollution control	Water pollution control	Solid waste disposal	Noise abate- ment	Aesthetics	Additional plant capacity	Miscel- laneous
1969-1979	\$672,098	\$ 55,851	\$ 24,060	\$ 2,750	\$ 4,153	\$536,713	\$ 3,746	\$ 44,825
1980	212,874	29,090	21,293	280	5,488	108,758	168	47,797
1981	185,619	61,593	9,907	15	483	89,876	-0-	23,745
1982	151,121	60,141	2,178	18	174	81,588	25	6,097
1983	94,442	14,557	-0-	-0-	174	78,039	106	1,566
1984	80,026	19	-0-	-0-	83	78,172	357	1,395

These estimates include currently effective legislation and do not include potential costs associated with certain environmental proceedings. (See "Environmental administrative proceedings and litigation" under Item 5.) Projected capital expenditures for environmental protection are subject to continuous review and periodic revisions because of escalation in engineering and construction costs, additions and deletions of planned facilities, changes in technology, evolving environmental regulatory requirements and other factors beyond the Company's control. The Company believes that costs incurred for these environmental purposes will be recognized by the CPUC and the FERC as reasonable and necessary costs of service for rate purposes.

SOUTHERN CALIFORNIA EDISON COMPANY
OPERATING STATISTICS

Year Ended December 31,

	Year Ended December 31,					% of 1979 Total
	1975	1976	1977	1978	1979	
Energy Generated and Purchased — KWH (000):						
Generated — Net Station Output						
Hydroelectric Plants	4,732,201	2,550,415	1,509,058	5,887,687	5,009,320	7.6
Thermal Plants	42,925,421	44,671,019	55,417,884	47,183,394	54,389,360	82.1
Total Generated	47,657,622	47,221,434	56,926,942	53,071,081	59,398,680	89.7
Purchased Power	4,773,360	11,933,835	6,009,426	10,535,636	6,084,396	9.2
Power Interchanged (Net)	2,692,853	272,658	408,338	270,399	733,834	1.1
Total Generated, Purchased and Interchanged	55,123,535	59,427,927	63,344,706	63,877,116	66,216,910	100.0
Company Use	(116,100)	(94,364)	(119,748)	(115,050)	(110,334)	—
Losses and Unaccounted for	(3,680,227)	(5,648,185)	(5,498,685)	(6,735,031)	(6,588,715)	—
Total Energy Consumption	51,327,508	53,685,378	57,726,273	57,027,035	59,517,861	—
Energy Consumption — KWH (000):						
Residential	13,493,387	13,946,809	14,285,971	15,368,184	16,191,091	27.2
Agricultural	1,074,606	1,275,643	1,377,939	851,017	975,311	1.6
Commercial	12,036,129	12,951,697	13,388,075	13,937,000	14,454,319	24.3
Industrial	15,055,646	15,622,603	16,393,105	16,652,243	17,351,728	29.2
Public Authorities	5,578,669	5,621,955	5,666,173	5,813,443	5,559,687	9.3
Interdepartmental	962	914	731	1,015	1,134	—
Resale	4,088,109	4,265,757	6,614,279	4,403,133	4,984,591	8.4
Total Energy Consumption	51,327,508	53,685,378	57,726,273	57,027,035	59,517,861	100.0
Operating Revenues — (000):						
Residential	\$ 564,389	\$ 583,397	\$ 616,520	\$ 704,658	\$ 764,595	29.8
Agricultural	37,521	45,338	50,701	40,449	47,146	1.8
Commercial	413,458	464,254	505,469	610,735	663,678	25.9
Industrial	389,829	430,427	481,587	593,580	683,013	26.7
Public Authorities	153,850	166,038	188,054	206,838	225,351	8.8
Interdepartmental	29	27	22	30	39	—
Resale	97,439	120,459	208,145	138,253	169,304	6.6
Customer Refunds	(20,881)	17,072	—	—	—	—
Operating Revenues — Sales	1,635,634	1,833,012	2,050,578	2,294,543	2,553,126	99.6
Other	11,500	13,528	14,336	34,255	10,848	0.4
Total Operating Revenues	\$1,647,134	\$1,846,540	\$2,064,914	\$2,328,798	\$2,563,974	100.0
Number of Customers:						
Residential	2,438,903	2,497,076	2,572,826	2,648,841	2,733,435	88.7
Agricultural	24,997	25,465	25,888	25,802	25,768	0.8
Commercial	222,694	227,143	234,276	242,264	252,594	8.2
Industrial	30,410	31,405	33,791	35,126	35,792	1.2
Public Authorities	32,658	33,294	34,053	34,491	34,769	1.1
Interdepartmental	2	2	2	2	2	—
Resale	16	18	20	19	22	—
Total Customers	2,749,680	2,814,403	2,900,856	2,986,545	3,082,382	100.0
Averages:						
Annual Use Per Residential Customer (KWH)	5,596	5,650	5,630	5,883	6,010	
Annual Revenue Per Residential Customer (a)	\$234.07	\$238.77	\$242.98	\$269.73	\$283.81	
Revenue Per KWH (a):						
Residential	4.18¢	4.23¢	4.32¢	4.58¢	4.72¢	
Commercial	3.44¢	3.58¢	3.78¢	4.38¢	4.59¢	
Industrial	2.59¢	2.76¢	2.94¢	3.56¢	3.94¢	

(a) Does not reflect Customer Refunds.

Item 2. Summary of Operations

Information responding to this item is included with the financial statements in Item 12(a)(1) beginning on page 21 and in Exhibit 1, and should be read in conjunction with Management's Discussion and Analysis of Statements of Income beginning on page 22.

Item 3. Properties

Existing generating facilities

The Company owns and operates 11 oil- and gas-fueled electric generating plants, one diesel-fueled generating plant, 36 hydroelectric plants and San Onofre (in which the Company owns an undivided 80% interest), all located in central and southern California. In addition, the Company owns two small fossil-fueled electric generating units in Arizona and a 48% undivided interest (768 megawatts ("MW")) in Four Corners Units 4 and 5, a coal-fueled steam electric generating plant in New Mexico (the "Four Corners Project") all of which are operated by another utility. The Company also operates and owns a 56% undivided interest (885 MW) in the Mohave Project, two coal-fueled steam electric generating units in Clark County, Nevada (the "Mohave Project"). The Company also operates certain hydroelectric generating units owned by others in Arizona. Of the existing Company-owned generating capacity, approximately 79% is dependent on gas and oil fuel, 12% on coal, 3% on nuclear fuel and 6% is hydroelectric.

San Onofre, the Four Corners Project, certain of the Company's substations and certain portions of its transmission, distribution and communication systems are located on lands of the United States or others under (with minor exceptions) licenses, permits, easements or leases or on public streets or highways pursuant to franchises. Certain of such documents obligate the Company, under specified circumstances, at its expense to relocate transmission, distribution and communication facilities located on lands owned or controlled by federal, state or local governments.

With certain exceptions, major and certain minor hydroelectric plants, with related reservoirs, having an effective operating capacity of 875 MW and located in whole or in part on lands of the United States, are owned and operated under government licenses which expire at various times between 1980 and 2009. Such licenses impose numerous restrictions and obligations on the Company, including the right of the United States to acquire the project or the FERC to issue a license to a new licensee under certain conditions upon payment of specified compensation. Any new licenses issued to the Company are expected to be issued upon terms and conditions less favorable than those of the expired licenses. Applications of the Company for the relicensing of certain of the hydroelectric plants referred to above with an aggregate effective operating capacity of 21.4 MW are pending, and until such proceedings are completed, the Company has been issued annual license renewals for such projects.

As of March 1, 1980, the total Company area system operating capacity (summer rating) available to the Company under favorable operating conditions was approximately 15,163 MW. The record peak area instantaneous demand experienced on the Company's interconnected system through March 1, 1980, was 12,662 MW on September 11, 1979.

Substantially all of the properties of the Company are subject to the lien of a trust indenture securing First and Refunding Mortgage Bonds, of which \$2,627,530,000 principal amount was outstanding on December 31, 1979. Such lien and the Company's title to its properties are subject to the terms of franchises, licenses, easements, leases, permits, contracts and other instruments under which properties are held or operated, certain statutes and governmental regulations, liens for taxes and assessments, the lien of another trust indenture to the extent referred to below, and liens of the trustees under such indentures. In addition

such liens and the Company's title to its properties are subject to certain other liens, prior rights and other encumbrances, none of which, with minor or unsubstantial exceptions, affects the Company's right to use such properties in its business, unless the matters with respect to the Company's interest in the Four Corners Project and the related easement and lease referred to below may be so considered.

The properties acquired by the Company pursuant to the merger in 1963 of California Electric Power Company, together with all substitutions, replacements, additions, alterations, improvements and enlargements to, of, or upon such properties are, with certain exceptions, also subject to the prior lien of another trust indenture securing \$66,000,000 principal amount of First Mortgage Bonds originally issued by that company and now outstanding.

The Company's rights in the Four Corners Project, which is located on land of the Navajo Tribe of Indians under an easement from the United States and a lease from the Navajo Tribe, may be subject to possible defects, including possible conflicting grants or encumbrances not ascertainable because of the absence of or inadequacies in the applicable recording law and the record system of the Bureau of Indian Affairs and the Navajo Tribe, the possible inability of the Company to resort to legal process to enforce its rights against the Navajo Tribe without Congressional consent and, in the case of the lease, possible impairment or termination under certain circumstances by Congress or the Secretary of the Interior. The Company cannot predict what effect, if any, such possible defects may have on its interest in the Four Corners Project.

Generating facilities under construction

The Company currently has a proximately 5,000 MW of new generating facilities and 1,000 MW of new purchased power planned through 1989. Of the new generating facilities, 47% will use nuclear fuel, 28% will use natural gas and fuel oil, 19% will use coal, 4% will be hydroelectric and 2% will use other energy sources. The major generating facilities under construction are the following nuclear plants being built jointly with other utilities:

Facility	Location	Percent completed as of December 31, 1979	Initial Full Power	Company's share of			Recorded costs as of December 31, 1979 (1) (000)
				Facility	Net capacity (MW)	Estimated total cost (1) (000)	
San Onofre 2, 3	San Clemente, CA	76	1981-1983	80.0%	1,760	\$2,597,000	\$1,536,327
Palo Verde 1, 2 & 3	Wintersburg, AZ	28	1983-1984 & 1986	15.8%	579	899,000	235,529

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

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

Nuclear power developments

As a result of evaluations of the accident at Three Mile Island Nuclear Power Plant ("TMI"), the NRC required a review of the design and operating procedures of all operating nuclear power plants and in March 1979 initiated a pause in issuing licenses for nuclear power plants not yet in operation. On February 28, 1980, the NRC voted to resume licensing nuclear power plants.

In October 1979 the President's Commission on the accident at TMI submitted its report (the "Kemeny Report") to President Carter and released its findings and recommendations to the public. The Kemeny Report recommends a restructuring of the NRC and numerous changes in existing policies and procedures in order to emphasize safety. A number of such recommendations have been or are in the process of being implemented by the Company.

San Onofre Unit 1 has been operating under a provisional operating license since 1968. Although the Unit is different in design from TMI, the Company has been ordered to implement certain design and operating procedure changes. Pursuant to an NRC order, the Company removed Unit 1 from service on January 26, 1980 to perform the initial required design changes, and on February 10, 1980 the Company returned the Unit to service. The Company expects to remove the Unit from service in April 1980 for routine refueling, at which time additional TMI design changes will be implemented. The Company expects to remove the Unit from service again in late 1980 to perform the remaining currently required design changes.

San Onofre Units 2 and 3, which are currently under construction, will also require certain design modifications as a result of the TMI accident. The Company believes that currently required modifications can be accomplished without delaying the construction of such Units. However, because the NRC pause resulted in slowed administrative procedures in processing licenses by the NRC staff, the completion and operation dates of the Units have been rescheduled to April 1981 and December 1981, respectively, for Unit 2 and to mid-1982 and early 1983, respectively, for Unit 3. The Company estimates that the delays will increase its share of the total project cost for the Units by approximately \$112,000,000, resulting primarily from the cost of carrying money invested in the project for the longer period. The Company will incur additional costs to make up any necessary generating capacity.

The Company cannot predict what other effects, if any, including legislative or regulatory actions, the TMI accident may have upon it or upon the construction, licensing or future operation of its San Onofre Units or the extent of any additional costs it may incur as a result thereof.

Construction expenditures

Funds used by the Company for construction expenditures totaled \$500,269,000 in 1977, \$567,831,000 in 1978 and \$674,147,000 in 1979. Construction expenditures for the 1980-1984 period are estimated as of February 22, 1980, as follows:

	(Thousands of dollars)				
	1980	1981	1982	1983	1984
Electric generating plants	\$621,052	\$ 730,568	\$544,027	\$384,046	\$519,042
Electric transmission lines and substations	67,115	95,502	56,205	110,761	156,437
Electric distribution lines and substations	179,631	168,850	178,580	187,605	187,182
Other expenditures	27,033	14,888	9,852	12,276	20,112
Total construction additions	894,831	1,009,808	788,664	694,688	882,773
Less allowance for funds used during construction	167,000	212,000	148,000	73,000	60,000
Funds required for construction expenditures	\$727,831	\$ 797,808	\$640,664	\$621,688	\$822,773

Approximately 50% of the total electric generating plant expenditures for the years 1980 through 1984 are related to the construction of the new nuclear units at San Onofre and Palo Verde. The Company's construction program and related expenditures are subject to continuous review and periodic revisions because of changes in estimated system load growth, rates of inflation, receipt of adequate and timely rate relief, the availability and timing of environmental, siting and other regulatory approvals, the scope of modifications required by

regulatory agencies, the availability and costs of external sources of capital and other factors beyond the Company's control.

To finance its construction program as shown in the above table for the five years through 1984, and to meet long-term debt maturities and preferred stock sinking fund requirements aggregating \$507,017,000 during such years, the Company estimates that approximately \$2.5 billion will be required from external sources. (For more information concerning long-term debt and sinking fund requirements of the Company, see Notes 8 and 9 to Financial Statements). The balance of funds required for those purposes is expected to be obtained from internal sources. The Company's ability to finance a portion of its continuing construction program from internal sources is largely dependent upon the timely recovery of increased energy costs through the operation of its ECA. (See "Energy cost adjustment clause" under "Rate Matters" under Item 1.)

The timing, type and amount of all additional external financing are dependent upon market conditions, rate relief and other factors, including restrictions imposed by the Company's Articles of Incorporation and trust indenture.

Effect of governmental utilities and utility districts

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

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

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

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

Item 4. Parents and Subsidiaries

All subsidiaries of the Company are California corporations and are wholly-owned by the Company. The subsidiaries, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary. Investments in these subsidiaries are accounted for by the equity method. (See Note 1 to Financial Statements.)

Item 5. Legal Proceedings

Antitrust litigation

In 1978, five of the Company's resale customers, the California cities of Anaheim, Riverside, Banning, Colton and Azusa, filed a suit against the Company in the U.S. District Court for the Central District of California alleging violation of certain antitrust laws. The complaint seeks certain injunctive relief and damages in excess of \$23,000,000, consequential damages and the trebling of such damages.

One principal contention set forth in the complaint is that the Company is engaging in anti-competitive behavior by charging more for wholesale electricity sold to the resale customers than the Company charges certain classes of its retail customers. The plaintiffs have alleged that there is a resulting anti-competitive "price squeeze" in that the resale customers, to recover their higher costs of supply, are required to raise some or all of their retail rates to levels exceeding the Company's comparable retail rates. The plaintiffs allege that this has the effect of inhibiting the resale customers' ability to persuade their existing or potential customers to remain or locate within their service areas and preventing such resale customers from remaining as viable electric systems.

Another principal contention is that the Company, in violation of the antitrust laws, has taken actions alone and in concert with other utilities to prevent or limit such resale customers from obtaining bulk power supplies from other sources to reduce or replace the resale customers' wholesale purchases from the Company. The Company is alleged to have entered into agreements and understandings with other investor-owned utilities to preempt bulk power supplies available from other utilities in the Pacific Northwest and in California and to have unilaterally restricted the sale of transmission services to and within California in such a way that the resale customers are prevented from obtaining transmission services to transmit bulk power supplies from outside California.

In May 1979, the Court continued a stay of the proceedings pending resolution of the FERC proceedings described below. On February 15, 1980, the Court lifted the stay on discovery and set February 10, 1981, for the next status conference.

The same five resale customers have intervened in the Company's three resale rate proceedings currently before the FERC alleging, among other things, that the Company has engaged in certain anti-competitive activities similar to those described above. (See "Resale rates" under "Rate Matters" under Item 1.)

Four of the same resale customers also have made charges with the FERC in separate proceedings alleging that the Company, through contracts for the purchase of power over the Pacific Intertie and through its participation in the California Power Pool Agreement, has engaged in anti-competitive conduct by restricting access to the Intertie transmission facilities and by preventing the resale customers from purchasing power from suppliers in the Pacific Northwest. The resale customers have asked the FERC to modify these contracts and to order the Company to provide transmission service to them. Hearings before the FERC are currently in progress in connection with this latter proceeding.

These FERC proceedings could adversely affect the pending district court antitrust litigation described above. However, these judicial and administrative proceedings involve complex

issues of law and fact, and, although the Company is unable to predict their final outcome or the possible effect of the FEPC proceedings on the district court case, it categorically denies the allegations of these resale customers.

Fair employment practices matters

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

Although denying that it had engaged in any unlawful employment practices, the Company entered into a Conditional Settlement with the EEOC and the representatives of most of the class action plaintiffs which was submitted to the federal court for approval as a consent decree in 1977. 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 that it intends to approve the Conditional Settlement. It is not known at this time whether an appeal would be taken from any such approval. If the Court's approval were to be reversed on appeal and the case 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.

Environmental administrative proceedings and litigation

Four Corners Project

In 1978 the EPA issued citations alleging excessive emissions of particulates and violations of the opacity regulations applicable to Four Corners Units 4 and 5. Because of the way the standards have evolved, Arizona Public Service Company, the operating agent, believes that no such violations of applicable standards have occurred to date. However, if more recently enacted New Mexico regulations are rejected by the EPA, that agency might attempt to exact fines from the participants of up to \$25,000 per pollutant per day for past alleged violations. Such an attempt would be resisted by the Company and the other participants as being without merit.

In 1978, the Four Corners participants, New Mexico regulatory agencies and environmental groups reached a settlement providing for the installation of emission control systems for compliance with state sulphur dioxide ("SO₂") and particulate emission rules. The Company's share of the total project cost had been estimated at \$163,680,000 and was scheduled for operation in December 1982. However, as a result of technical problems relating to a proposed horizontal scrubber system, the Four Corners participants have elected not to proceed further with the application of horizontal scrubbers for SO₂ removal, but rather to pursue alternate technologies for that purpose. While the cost of an alternative technology is presently unknown, the particulate removal program continues as planned at an estimated cost to the Company of \$86,400,000.

In June 1979, the New Mexico Environmental Improvement Board was requested to reconsider the applicable SO₂ emission requirement. The reconsideration could lead to the adoption of a more stringent regulation, further increasing the costs of the Four Corners Project. To date, however, data indicates that emission levels are well below ambient standards and it is possible that the Board may eliminate or substantially ease the SO₂ regulation. Other parties to the settlement have brought suit in a New Mexico state court seeking to enjoin Arizona Public

Service Company from pursuing such a change in the regulation, citing a provision in the settlement document to the effect that the regulation was to remain unchanged if initial monitoring indicated that the regulation's emission limitations were sufficient to achieve the ambient standards.

If SO₂ controls are required, it now appears doubtful that the design and installation of SO₂ equipment could be completed before December 1982, the compliance date required by the Clean Air Act, even if a necessity for such equipment were established at an early date. Further, if the New Mexico rule is approved by the EPA as part of New Mexico's State Implementation Plan, noncompliance penalties, which are the current subject of EPA rulemaking, could be assessed according to a formula based upon the "economic benefit" of delay. An extension of the final compliance period of a federally-approved rule can only be adopted by the Congress through an amendment to the Clean Air Act. Several bills have been introduced in the Congress to extend the compliance period.

The design and compliance date problems are further complicated by receipt of conflicting indications from the EPA as to the acceptability of the New Mexico regulations. Regardless of the EPA's decision, however, the rule could continue to have the effect of state law in New Mexico. In such event, the December 1982 final compliance date does not permit delay for an orderly progression of design, procurement, and construction of the equipment needed for compliance. While it is not certain what approach the State would take in the event of delayed compliance, any attempt to enjoin the plant's operation would be resisted by all of the participants.

Oxides of Nitrogen Rules

All of the Company's conventional oil- and gas-fueled generating plants, which are located in South Coast Air Basin, are subject to oxides of nitrogen rules ("NOx Rules") promulgated by the ARB for the South Coast Air Quality Management District ("SCAQMD") and the Ventura County Air Pollution Control District. The NOx Rules are designed to achieve (1) a 90% reduction in NOx on a demonstration unit equal to or greater than 100 MW by January 1, 1982; (2) a 50% reduction in NOx on conventional generating units in the South Coast Air Basin by December 31, 1982; and (3) a 90% reduction in NOx on conventional generating units in the South Coast Air Basin by January 1, 1990.

The NOx Rules could require the Company to make substantial expenditures for pollution control equipment. It has been estimated that 50% reduction and 90% reduction would cost the Company \$180,000,000 (1981 dollars) and \$1.3 billion (1981 dollars), respectively, in capital and outage costs to retrofit the affected generating units. The ARB, however, is presently reconsidering the NOx Rules because the Congress may ultimately require the Company to reduce its use of oil, which could make some controls unnecessary. Due to these efforts to reconsider the NOx Rules, the Company appeared before the SCAQMD Hearing Board and obtained a variance until March 31, 1980. It is expected that the ARB will hold a hearing prior to the expiration of the variance to reconsider the NOx rule.

Alamitos and Redondo Generating Stations

On April 11, 1979, the Company stipulated to an order with the SCAQMD to implement measures designed to prevent further emissions of particulates near the Company's Alamitos and Redondo Generating Stations. Compliance with the order will involve the expeditious refitting of certain of the power plants' machinery and equipment with more corrosion-resistant materials, and the early implementation of specific stack washing and boiler cleaning techniques. Some disagreement exists between the technical staffs of the SCAQMD and the Company as to the extent of action required under certain of the order's provisions. Cost

estimates for implementation, therefore, presently range between \$15,000,000 and \$25,000,000. A further hearing before the SCAQMD hearing board may be held to resolve these disagreements. The Company will conduct a final test of the above particulate reduction measures between March 1981 and September 1981 and submit the data to the SCAQMD for consideration. If the implemented measures are accepted by the SCAQMD, the orders will be lifted in March 1982. The Company would then be required to maintain the effectiveness of such measures.

In October 1979 the Company filed an answer to a SCAQMD civil complaint alleging a smoking violation at the Alamitos Generating Station in May 1979. The maximum exposure is a \$500 fine.

In January 1980 the Company received notice of a SCAQMD misdemeanor criminal complaint alleging a smoking violation at the Alamitos Station in November 1979. The maximum possible fine is \$500.

Other Matters

In November 1979 the Company received a notice from the San Diego County Air Pollution Control District alleging that the Company had operated an abrasive blast machine and a paint spray booth at the San Onofre construction site without a permit from the district. In December 1979 the Company received notice of another such alleged violation. The alleged violations could result in civil complaints being issued. The maximum exposure is a \$500 fine in each case.

In February 1980 the Company was served with an EPA civil administrative complaint alleging certain violations of the Toxic Substance Control Act concerning the handling, storage and disposal of polychlorinated biphenyls. The complaint proposes to assess a civil penalty of \$9,000.

Tax litigation

The Navajo Tribal Council has adopted, but not yet implemented, a possessory interest tax, a business activity tax and a sulphur emissions tax which could apply to the Four Corners Project. The validity of these taxes is currently being litigated by participants in the Project. The Company cannot predict the ultimate effect of these taxes, if implemented, upon future costs associated with the Four Corners Project or their effect upon costs of power or fuel derived from certain other Arizona and New Mexico operations.

Item 6. Increases and Decreases in Outstanding Securities and Indebtedness

Changes in the amount of equity securities

Common stock sold by the Company during 1979 which is registered under the Securities Act of 1933:

	Number of shares	Net proceeds to Company
Common stock outstanding as of December 31, 1978	62,536,581	
Add:		
Issuances through the Company's Dividend Reinvestment and Stock Purchase Plan (Registration File No. 2-67525)*		
February 16, 1979	223,657	\$5,707,730
May 16, 1979	285,177	6,720,706
August 16, 1979	294,868	7,232,456
November 16, 1979	361,371	8,307,023
Issuances through the Company's Employee Stock Purchase Plan (Registration File No. 2-54685)*		
April 2, 1979	170,344	4,539,157
July 2, 1979	183,717	4,721,600
October 1, 1979	190,015	4,882,492
December 31, 1979	212,351	5,296,544
Issuances through the Company's Employee Stock Ownership Plan (Registration File No. 2-65941)**		
February 16, 1979	6,921	184,445
May 16, 1979	7,647	190,984
August 16, 1979	7,633	195,596
November 16, 1979	8,081	194,752
Miscellaneous issuances of common stock resulting from the conversion of 553,140 shares of Preference Stock, 5.20% Convertible Series, at various times throughout the year*	406,573	
Total common stock outstanding as of December 31, 1979	<u>64,894,936</u>	

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

**Not previously reported because common stock issued and sold through the Company's Employee Stock Ownership Plan was not registered under the Securities Act of 1933 prior to December 3, 1979.

On April 25, 1979 the Company issued and sold 525,000 shares of \$100 Cumulative Preferred Stock, 8.70% Series A. (Reported on Form 10-Q for the quarter ended March 31, 1979.)

On September 13, 1979 the Company issued and sold 750,000 shares of \$100 Cumulative Preferred Stock, 8.54% Series. (Reported on Form 10-Q for the quarter ended September 30, 1979.)

On February 13, 1980, the Company issued and sold 7,000,000 shares of common stock (Registration File No. 2-66416).

The net proceeds from the sales of the above common stock and Preferred Stock were used to reimburse the Company for monies expended for its construction program, exclusive of maintenance of service and replacements. The amounts so reimbursed became a part of the general treasury funds of the Company and, among other things, were used to retire short-term obligations outstanding at the date of such issuances.

Increase in the amount of debt securities

On June 29, 1979 the Company issued and sold by private placement \$105,000,000 principal amount of First and Refunding Mortgage Bonds, Series KK, Due 2004. (Reported on Form 10-Q for the quarter ended June 30, 1979.)

In September 1979, the Company entered into a financing agreement with certain foreign banks that permits the Company to borrow up to \$50,000,000 at any time before September 18, 1980, at which time the Company is required to borrow any additional amount necessary to bring the total borrowings up to \$50,000,000. The borrowings will be secured by the concurrent issuance of an equal principal amount of First and Refunding Mortgage Bonds, Series LL, Due 1987. There were no outstanding borrowings under this agreement at December 31, 1979. (See Note 8 to Financial Statements.) (Reported on Form 10-Q for the quarter ended September 30, 1979.)

On October 18, 1979, the Company issued and sold \$200,000,000 principal amount of First and Refunding Mortgage Bonds, Series MM, Due 2004. (Reported on Form 10-Q for the quarter ended September 30, 1979.)

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

On May 17, 1979, as a result of the cumulative effect of issuances of additional shares of common stock through the Company's Dividend Reinvestment and Stock Purchase Plan, Employee Stock Ownership Plan and Employee Stock Purchase Plan, the conversion price at which the 3 1/8 % Convertible Debentures, Due 1980, may be converted into the Company's common stock was reduced from \$37.50 to \$37.00.

Item 8. Defaults Upon Senior Securities

None.

Item 9. Approximate Number of Equity Security Holders

<u>Title of Class</u>	<u>Approximate Number of Record Holders*</u>
Original Preferred	1,454
Cumulative Preferred (all series)	30,060
\$100 Cumulative Preferred (all series)	8,664
Preference (all series)	2,510
Common	138,441
3 1/8 % Convertible Debentures, Due 1980	1,053
	<u>182,182</u>

* Data shown for various classes of equity securities is as of January 5, 1980. Data shown for 3 1/8 % Convertible Debentures is as of December 31, 1979.

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

(a) Date and type of meeting:

Annual Meeting of Shareholders held April 19, 1979.

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

(c) No matters were voted upon other than election of directors and approval of independent public accountants.

Item 11. Indemnification of Directors and Officers

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

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

12(a)(1) Financial Statements

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Schedule XII — Reserves for the Years Ended December 31, 1978 and 1979	52
Information Required by Schedules IX, XIII and XVI is shown in the Financial Statements or Notes thereto.	
Schedules I to XIX, inclusive, except those referred to above, are omitted as not required or not applicable.	

MANAGEMENT'S DISCUSSION AND ANALYSIS OF STATEMENTS OF INCOME

1979 compared with 1978

Primary earnings per share increased \$1.04, or 29.5%, reflecting an increase in earnings available for common and original preferred stock of \$90,255,000, or 44.6%, principally due to the net effect of the items discussed below.

Operating revenues increased by \$235,176,000, or 10.1%, primarily due to the combined effect of a 7% increase in average revenue per kilowatt-hour ("KWH") and an increase in KWH consumption of 4.4%. The higher average revenue was largely attributable to a general rate increase, a substantial portion of which became effective in July 1978, and the balance of 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"). The increase in KWH consumption resulted primarily from an increase of nearly 96,000 in the total number of customers.

Fuel expense increased by \$347,607,000, or 32%, primarily because of increases in fuel oil and gas costs. However, energy costs increased only \$103,994,000, or 8.4%, due primarily to the impact of the ECAC, which defers energy costs until reflected in succeeding rate adjustments. (See "Energy cost adjustment clause" under "Rate Matters" under Item 1)

Other operation expenses increased \$38,569,000, or 13.6%, primarily due to the impact of inflation on the costs of labor, materials and services and additional operation costs associated with system growth. The lower rate of increase over 1978, as compared with that of 1978 over 1977, reflected the increased emphasis by the Company on productivity improvement.

Maintenance expenses increased \$13,296,000, or 8.1%, resulting primarily from the impact of inflation.

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, or 37.8%, 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 credit.

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 increase in total interest charges of \$22,424,000, or 12.3%, reflected the combined effects of higher short-term interest rates and additional long-term debt outstanding during 1979.

1978 compared with 1977

Primary earnings per share decreased 28¢, or 7.4%, reflecting a decrease in earnings available for common and original preferred stock of \$4,104,000, or 2.0%, principally due to the net effect of the items discussed below.

Operating revenues increased by \$263,884,000, or 12.8%, due largely to higher ECAC revenues, which do not affect earnings but do represent cash flow. Total KWH consumption decreased by 1.2% as sales to special contract customers were down sharply due to the easing of drought conditions and consumption by customers, other than special contract customers, was up by only 2.7%.

Although fuel expense declined \$26,977,000, or 2.4%, and purchased power expense increased \$42,129,000, or 55.0%, each reflecting primarily the greater availability of energy from off-system sources due to easing of drought conditions, energy costs increased by \$199,938,000, or 19.2%, due to the effect of the ECAC. Such provision for 1978 of \$35,280,000 reflected the amount by which ECAC revenues for the year recovered energy costs previously deferred.

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

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

Allowance for debt and equity funds used during construction ("ADC") increased by \$18,183,000, or 30.2%, due to more construction work-in-progress primarily related to the San Onofre Nuclear Generating Station.

The increase in total interest charges of \$21,580,000, or 13.4%, reflected the combined effects of higher short-term interest rates and additional long-term debt outstanding during 1978.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Southern California Edison Company:

We have examined the balance sheets of Southern California Edison Company (a California corporation, hereinafter referred to as the "Company") as of December 31, 1978 and 1979, and the related statements of income, earnings reinvested in the business, additional paid-in capital and changes in financial position for each of the five years in the period ended December 31, 1979, and the supporting schedules listed in the accompanying index. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, and also included similar examinations of the financial statements for each quarter within 1978 and 1979.

In our opinion, the financial statements referred to above present fairly the financial position of the Company as of December 31, 1978 and 1979, and the results of its operations and the changes in its financial position for each of the five years in the period ended December 31, 1979, the quarterly financial data set forth in Note 2 of "Notes to Financial Statements" summarize fairly the results of operations for each quarter within 1978 and 1979, and the supporting schedules referred to above present fairly the information required to be set forth therein, all in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Los Angeles, California
February 8, 1980.

SOUTHERN CALIFORNIA EDISON COMPANY
STATEMENTS OF INCOME

The Statements of Income should be read in conjunction with the other financial statements, related notes and "Management's Discussion and Analysis of Statements of Income" included in this Report. The Statements of Income for the five years ended December 31, 1979 have been examined by Arthur Andersen & Co., independent public accountants, as set forth in their report included herein.

(Thousands of Dollars)

Year Ended December 31,

	1975	1976	1977	1978	1979
Operating Revenues:					
Sales (Notes 1 and 3)	\$1,635,634	\$1,833,012	\$2,050,578	\$2,294,543	\$2,553,126
Other	11,500	13,528	14,336	34,255	10,848
Total operating revenues (Note 2)	<u>1,647,134</u>	<u>1,846,540</u>	<u>2,064,914</u>	<u>2,328,798</u>	<u>2,563,974</u>
Operating Expenses:					
Fuel (Note 3)	768,843	818,932	1,113,028	1,086,051	1,433,658
Purchased power (Note 11)	55,983	84,515	76,569	118,698	99,245
Provision for energy cost adjustments (Notes 1, 3 and 5)	—	12,684	(149,506)	35,280	(188,830)
Subtotal — energy costs	<u>824,826</u>	<u>916,131</u>	<u>1,040,091</u>	<u>1,240,029</u>	<u>1,344,023</u>
Other operation expenses (Notes 3, 6 and 7)	201,385	223,647	241,963	283,622	322,191
Maintenance (Note 1)	93,716	113,188	133,166	164,111	177,407
Provision for depreciation (Note 1)	120,410	124,802	140,520	157,203	178,637
Taxes on income — current and deferred (Notes 1 and 5)	46,623	59,506	68,792	72,803	100,292
Property and other taxes	93,568	102,126	109,660	86,429	56,428
Total operating expenses (Note 10)	<u>1,380,528</u>	<u>1,539,400</u>	<u>1,734,192</u>	<u>2,004,197</u>	<u>2,178,978</u>
Operating Income (Note 2)	<u>266,606</u>	<u>307,140</u>	<u>330,722</u>	<u>324,601</u>	<u>384,996</u>
Other Income and Income Deductions:					
Allowance for equity funds used during construction (Note 1)	20,548	36,541	46,233	58,471	92,019
Other — Net (Notes 1 and 5)	9,587	16,416	22,097	31,319	47,739
Total other income and income deductions	<u>30,135</u>	<u>52,957</u>	<u>68,330</u>	<u>89,790</u>	<u>139,758</u>
Total Income before Interest Charges	<u>296,741</u>	<u>360,097</u>	<u>399,052</u>	<u>414,391</u>	<u>524,754</u>
Interest Charges:					
Interest on long-term debt (Note 8)	124,674	134,423	143,152	154,301	179,626
Other interest and amortization (Notes 1 and 8)	1,511	9,945	17,926	28,357	25,456
Total interest charges	<u>126,185</u>	<u>144,368</u>	<u>161,078</u>	<u>182,658</u>	<u>205,082</u>
Allowance for debt funds used during construction (Note 1)	(6,225)	(11,069)	(14,005)	(19,950)	(26,547)
Net interest charges	<u>119,960</u>	<u>133,299</u>	<u>147,073</u>	<u>162,708</u>	<u>178,535</u>
Net Income (Note 2)	<u>176,781</u>	<u>226,798</u>	<u>251,979</u>	<u>251,683</u>	<u>346,219</u>
Dividends on Cumulative Preferred and Preference Stock	<u>39,604</u>	<u>41,751</u>	<u>45,649</u>	<u>49,457</u>	<u>53,738</u>
Earnings Available for Common and Original Preferred Stock	<u>\$ 137,177</u>	<u>\$ 185,047</u>	<u>\$ 206,330</u>	<u>\$ 202,226</u>	<u>\$ 292,481</u>
Weighted Average Shares of Common and Original Preferred Stock Outstanding and Common Stock Equivalents (000)	<u>47,965</u>	<u>48,678</u>	<u>54,347</u>	<u>57,477</u>	<u>64,202</u>
Earnings Per Share (Notes 1 and 2)					
Primary	\$2.86	\$3.80	\$3.80	\$3.52	\$4.56
Fully Diluted (Exhibit 1)	\$2.75	\$3.61	\$3.63	\$3.38	\$4.39
Dividends Declared per Common Share (Note 9)	\$1.68	\$1.68	\$2.06	\$2.30	\$2.60

The accompanying notes are an integral part of these statements.

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEETS

ASSETS

	(Thousands of Dollars)	
	December 31	
	1978	1979
UTILITY PLANT:		
Utility plant, at original cost less contributions (Notes 1, 3, 10 and Schedule V)	\$5,303,746	\$5,502,984
Less — Accumulated provision for depreciation (Notes 1, 10 and Schedule VI)	1,519,174	1,676,148
Net utility plant	3,784,572	3,826,836
Construction work in progress (Notes 6, 10 and Schedule V)	1,493,573	2,058,958
Nuclear fuel, at amortized cost (Schedules V and VI)	13,572	15,728
Total utility plant	5,291,717	5,901,522
OTHER PROPERTY AND INVESTMENTS:		
Real estate and other, at cost — less accumulated provision for depreciation	7,658	11,110
Subsidiary companies (Note 1)	85,818	93,725
Total other property and investments	93,476	104,835
CURRENT ASSETS:		
Cash (Note 4)	7,458	4,705
Temporary cash investments	80,532	—
Receivables, less reserves of 3,000 and \$8,496,000 for uncollectible accounts at respective dates (Notes 1, 8 and Schedule XII)	211,625	212,728
Fuel stock, at cost (first-in, first-out) (Notes 3 and 4)	163,021	284,827
Materials and supplies, at average cost	28,463	39,388
Deferred energy costs (Notes 1, 3 and 5)	102,369	303,622
Prepayments and other (taxes, insurance, etc.)	42,022	80,266
Total current assets	635,490	925,536
DEFERRED CHARGES:		
Unamortized debt expense (Note 1)	14,709	16,589
Other deferred charges	22,305	28,755
Total deferred charges	37,014	45,344
	<u>\$6,057,697</u>	<u>\$6,977,237</u>

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

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEETS

CAPITALIZATION AND LIABILITIES

	(Thousands of Dollars)	
	December 31,	
	1978	1979
CAPITALIZATION:		
Preferred Stock — Subject to mandatory redemption requirements (Note 9):		
Cumulative preferred stock	\$ 135,000	\$ 262,500
Preference stock	62,000	62,000
Preferred Stock — Other (Note 9):		
Original preferred stock	4,000	4,000
Cumulative preferred stock	458,755	458,755
Preference stock	40,895	27,067
Common stock, including additional stated capital, 90,000,000 shares authorized, 62,536,581 and 64,894,936 shares outstanding at respective dates (Note 9)	547,166	577,259
Other Shareholders' Equity:		
Additional paid-in capital	569,673	601,578
Earnings reinvested in the business	931,217	1,054,296
Long-Term Debt (Notes 1, 4 and 8)	2,477,474	2,746,207
Total capitalization	<u>5,226,180</u>	<u>5,793,662</u>
CURRENT LIABILITIES:		
Accounts payable	154,495	288,897
Commercial paper payable (Note 4)	—	134,340
Notes payable to banks (Note 4)	19,986	19,840
Current maturities of long-term debt (Note 8)	33,737	84,544
Customer refunds — current	52,724	58,139
Taxes accrued (Note 5)	92,550	73,312
Interest accrued	51,069	55,619
Customer deposits	15,601	14,583
Dividends declared	43,205	48,381
Accumulated deferred income taxes — net (Notes 1 and 5)	53,928	88,076
Other	23,612	19,947
Total current liabilities	<u>540,907</u>	<u>885,678</u>
COMMITMENTS AND CONTINGENCIES (Note 3)		
RESERVES AND DEFERRED CREDITS:		
Customer advances and other deferred credits	46,115	51,598
Customer refunds	107,774	58,454
Accumulated deferred income taxes and investment tax credits (Notes 1 and 5)	110,096	155,297
Reserves for pensions, insurance, etc. (Note 7 and Schedule XII)	26,625	32,548
Total reserves and deferred credits	<u>290,610</u>	<u>297,897</u>
	<u>\$6,057,697</u>	<u>\$6,977,237</u>

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

SOUTHERN CALIFORNIA EDISON COMPANY
STATEMENTS OF CHANGES IN FINANCIAL POSITION

(Thousands of Dollars)

Year Ended December 31,

	1975	1976	1977	1978	1979
FUNDS PROVIDED BY:					
Operations —					
Net income (Note 2)	\$ 176,781	\$ 226,798	\$ 251,979	\$ 251,683	\$ 346,219
Non-fund items:					
Depreciation (Note 1)	120,410	124,802	140,520	157,203	178,637
Equity in earnings of unconsolidated subsidiaries (Note 1)	(290)	(968)	(551)	(608)	(3,133)
Allowance for debt and equity funds used during construction (Note 1)	(26,773)	(47,610)	(60,238)	(78,421)	(118,566)
Investment tax credit deferred — net (Notes 1 and 5)	6,624	16,366	26,886	32,568	45,533
Other — net	5,746	15,417	8,152	4,788	9,266
Earnings distributed from unconsolidated subsidiaries	3,500	1,000	1,000	1,000	1,000
Total from operations	285,998	335,805	367,748	368,213	458,959
Long-term financing —					
Preferred stock (Note 9)	50,000	—	60,000	—	127,500
Preference stock (Note 9)	—	—	42,999*	(14,522)*	(13,828)*
Common stock (Note 9)	—	123,951	47,323*	203,364*	62,002*
Long-term debt (Note 8)	161,641	126,263	200,000	200,000	355,000
Total from long-term financing	211,641	250,214	345,742	388,842	530,674
Other sources —					
Construction advances and other	9,404	5,529	9,102	9,258	11,628
Sale of non-current assets	—	—	10,883	—	—
Decrease in working capital	—	140,431	—	13,067	3,918
Total from other sources	9,404	145,960	19,985	22,325	15,546
Total funds provided	\$ 507,043	\$ 731,979	\$ 733,475	\$ 779,386	\$1,005,179
FUNDS APPLIED TO:					
Construction expenditures — net	\$ 407,903	\$ 547,936	\$ 560,507	\$ 646,252	\$ 792,713
Less — allowance for debt and equity funds used during construction (Note 1)	26,773	47,610	60,238	78,421	118,566
Funds used for construction expenditures	381,130	500,326	500,269	567,831	674,147
Advances to unconsolidated subsidiaries	8,375	5,900	(999)	3,630	5,769
Dividends	120,186	125,101	157,561	182,738	221,400
Repayment of long-term debt (Note 8)	—	80,840	—	35,500	33,736
Customer refunds — net	(9,881)	5,076	(4,774)	(36,918)	49,321
Other — net	—	14,736	2,015	26,599	20,806
Increase in working capital	7,233	—	79,403	—	—
Total funds applied	\$ 507,043	\$ 731,979	\$ 733,475	\$ 779,386	\$1,005,179
WORKING CAPITAL CHANGES (Other than current maturities of long-term debt):					
Receivables and temporary cash investments	\$ (66,401)	\$ 3,689	\$ 86,554	\$ 79,155	\$ (79,429)
Fuel stock and materials and supplies (Notes 3 and 4)	42,729	(124,614)	84,672	(114,118)	132,731
Prepayments and other	(35,033)	6,418	9,243	(21,454)	38,244
Deferred energy costs — net (Notes 1, 3, and 5)	—	(10,122)	72,849	(14,286)	167,105
Notes and accounts payable	(10,350)	(2,418)	(145,639)	68,803	(270,346)
Taxes and interest accrued	70,243	(2,107)	(19,918)	(64)	14,688
Other — net	6,045	(11,277)	(8,358)	(11,103)	(6,911)
Increase (Decrease) in working capital	\$ 7,233	\$ (140,431)	\$ 79,403	\$ (13,067)	\$ (3,918)

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

The accompanying notes are an integral part of these statements.

SOUTHERN CALIFORNIA EDISON COMPANY
STATEMENTS OF EARNINGS REINVESTED IN THE BUSINESS

	(Thousands of Dollars)				
	Year Ended December 31,				
	1975	1976	1977	1978	1979
Balance at January 1	\$ 616,562	\$ 671,548	\$ 769,425	\$ 862,956	\$ 931,217
Add:					
Net income (Note 5)	176,731	226,798	251,979	251,683	346,219
Transfer of amortization reserve — Federal (a)	—	—	—	3,801	—
	<u>793,343</u>	<u>898,346</u>	<u>1,021,404</u>	<u>1,118,440</u>	<u>1,277,436</u>
Deduct:					
Dividends declared on capital stock (Note 9):					
Original Preferred	806	806	922	1,075	1,219
Cumulative Preferred Preference	35,705	37,851	38,423	42,532	47,574
Common	3,900	3,900	6,844	6,926	6,164
Capital stock expense	79,775	82,544	111,372	132,205	166,443
	1,609	3,820	887	4,485	1,740
	<u>121,795</u>	<u>128,921</u>	<u>158,448</u>	<u>187,223</u>	<u>223,140</u>
Balance at December 31 (b)	<u>\$ 1,548</u>	<u>\$ 769,425</u>	<u>\$ 862,956</u>	<u>\$ 931,217</u>	<u>\$ 1,054,296</u>

- (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

	(Thousands of Dollars)				
	Year Ended December 31,				
	1975	1976	1977	1978	1979
Balance at January 1	\$ 350,503	\$ 350,503	\$ 427,422	\$ 443,109	\$ 569,673
Premium received on sale of Common Stock	—	76,919	15,690	126,572	31,900
Payments made in lieu of issuing fractional shares of Common Stock	—	—	(3)	(8)	(3)
Balance at December 31	<u>\$ 350,503</u>	<u>\$ 427,422</u>	<u>\$ 443,109</u>	<u>\$ 569,673</u>	<u>\$ 601,578</u>

The accompanying notes are an integral part of these statements.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1 — Summary of Significant Accounting Policies

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.

Depreciation —

Depreciation of utility plant is computed on a straight-line remaining life basis for financial statement purposes, and approximated 2.9% of average depreciable plant for 1975 and 1976, 3.1% for 1977, 3.2% for 1978 and 3.5% for 1979. 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

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 — Summary of Significant Accounting Policies (continued)

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. Although ADC increases net income, it does not represent current cash earnings. Such costs are recovered from customers as a cost of service through provisions for depreciation in future periods. The ADC rate authorized by the CPUC was 8.0% for 1975 and 1976. Effective January 1, 1977, a FERC Order requires the use of a prescribed formula for computing the ADC rate and permits semi-annual compounding. Based upon the formula, an effective annual ADC rate of 6.96% was utilized during the years 1977 and 1978, and an effective annual ADC rate of 7.76% was utilized during 1979. The formula also provides for the separate computation of ADC applicable to debt funds and to equity funds. Prior to 1977, separate rates were not required to be determined. ADC for periods prior to January 1, 1977 have been reclassified to conform to the new presentation. The reclassification was based upon the then current ratio of the debt and equity portions of ADC to total ADC as determined by the application of the formula.

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 3 $\frac{1}{8}$ % Convertible Debentures, Due 1980.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2 — Quarterly Financial Data

Three Months Ended	(Thousands of Dollars)			Earnings Per Share	
	Operating Revenues	Operating Income	Net Income	Primary	Fully Diluted
March 31, 1978	\$547,518	\$ 64,050	\$ 46,470	\$0.62	\$0.59
June 30, 1978	545,444	70,612	50,912	0.69	0.67
September 30, 1978	834,934	90,778	68,846	1.00	0.96
December 31, 1978	600,902	99,162	85,455	1.19	1.15
March 31, 1979	603,733	96,159	83,677	1.13	1.09
June 30, 1979	566,656	81,748	71,183	0.91	0.88
September 30, 1979	684,334	106,738	98,822	1.32	1.27
December 31, 1979	709,252	100,352	92,538	1.19	1.15

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 31, 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 billed 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 subsequent to 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.

An 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.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 3 — Commitments and Contingencies (continued)

At 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 ("ECAC") —

On October 23, 1979, the CPUC granted approximately \$431,600,000 of the Company's requested \$466,600,000 increase pursuant to the 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 the 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 complex issues of law and fact, and, although the Company is unable to predict their final outcome, it has categorically denied the allegations of these resale customers. 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

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 3 — Commitments and Contingencies (continued)

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 \$170,000,000 on December 31, 1978 and \$198,000,000 on December 31, 1979, 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 1978 and 1979.

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

The maximum amount of commercial paper outstanding during 1978 and 1979 was \$165,273,000 and \$184,340,000, respectively. The average daily borrowings for these same periods were \$113,414,000 and \$65,057,000, respectively, with weighted average annual interest rates of 7.23% and 11.08%, 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 1978 and 1979 was \$87,970,000 and \$20,078,000, respectively. The average daily borrowing for these same periods were \$41,402,000 and \$20,052,000, respectively, with weighted average annual interest rates of 8.23% and 11.01%, respectively. These notes are unrelated to the lines of credit referred to above.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5 — Taxes

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 to income tax expense ratably over the service lives of the properties generating such credits.

The Company has reduced its deferred income tax provision for 1979 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.

SOUTHERN CALIFORNIA EDISON COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5 — Taxes (continued)

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

	(Thousands of Dollars)				
	Year Ended December 31,				
	1975	1976	1977	1978	1979
Current:					
Federal	\$ 37,897	\$ 25,165	\$(48,360)	\$(49,219)	\$ 6,717
State	12,481	14,344	1,233	3,567	4,019
	<u>50,378</u>	<u>39,509</u>	<u>(47,127)</u>	<u>(45,652)</u>	<u>10,736</u>
Deferred — Federal and State:					
Investment tax credits — net	6,624	16,366	26,886	32,568	45,533
Deferred energy costs	—	(11,269)	81,101	(15,904)	34,148
Customer refunds	(11,000)	5,651	(5,315)	78,801	—
Other	(2,144)	3,432	1,345	2,208	(13,644)
	<u>(6,520)</u>	<u>14,200</u>	<u>104,017</u>	<u>97,673</u>	<u>66,037</u>
Total taxes on income	<u>\$ 43,858</u>	<u>\$ 53,709</u>	<u>\$ 56,890</u>	<u>\$ 52,021</u>	<u>\$ 76,773</u>
Taxes on income included in operating expenses	\$ 46,623	\$ 50,506	\$ 68,792	\$ 72,803	\$100,292
Taxes on income included in other income	(2,765)	(5,817)	(11,902)	(20,782)	(23,519)
Total taxes on income	<u>\$ 43,858</u>	<u>\$ 53,689</u>	<u>\$ 56,890</u>	<u>\$ 52,021</u>	<u>\$ 76,773</u>
Differences between the federal statutory tax rate and the Company's effective tax rate are reconciled as follows:					
Federal statutory tax rate	48.0%	48.0%	48.0%	48.0%	46.0%
Excess of tax over book depreciation	(11.6)	(9.1)	(6.0)	(3.4)	—
Allowance for debt and equity funds used during construction	(5.8)	(8.1)	(9.4)	(12.4)	(12.9)
Percentage repair allowance	—	(2.1)	(2.9)	(4.7)	(3.3)
Administrative and general expenses capitalized	(3.0)	(2.4)	(2.3)	(2.7)	(2.2)
Investment tax credits — net	(3.1)	(4.9)	(6.6)	(8.4)	(8.1)
Federal deduction for state taxes on income	(4.6)	(1.9)	(2.9)	(2.7)	(2.2)
Ad valorem lien date deduction	(0.6)	(0.7)	(0.5)	4.2	(0.2)
All other differences	(4.0)	(4.7)	(3.5)	(5.5)	(3.7)
State tax provision	4.6	5.0	4.5	4.7	4.7
Effective tax rate	<u>19.9%</u>	<u>19.1%</u>	<u>18.4%</u>	<u>17.1%</u>	<u>18.1%</u>
Property and other taxes included in operating expenses:					
Property	\$ 84,965	\$ 91,601	\$ 98,370	\$ 74,665	\$ 48,300
Payroll and other	8,603	10,525	11,290	11,764	8,128
	<u>\$ 93,568</u>	<u>\$102,126</u>	<u>\$109,660</u>	<u>\$ 86,429</u>	<u>\$ 56,428</u>

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, 1978 and 1979 was \$17,178,000 and \$29,438,000, respectively.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 6 — Research and Development (continued)

	(Thousands of Dollars)				
	Year Ended December 31,				
	1975	1976	1977	1978	1979
R&D expensed	\$ 9,636	\$10,887	\$12,710	\$14,442	\$15,778
R&D charged to CY — net	4,814	5,551	2,407	3,847	12,260
Total R&D expenditures	<u>\$14,450</u>	<u>\$16,438</u>	<u>\$15,117</u>	<u>\$18,289</u>	<u>\$28,038</u>

Note 7 — Retirement Plans

The Company's current pension program is based on a trustee 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 \$23,702,000 for 1975; \$23,417,000 for 1976; \$27,689,000 for 1977; \$32,236,000 for 1978; and \$37,456,000 for 1979. Accumulated pension funds and reserves exceed vested benefits under the program.

Under the Employee Stock Purchase Plan adopted to supplement employees' income after retirement, employees may elect to contribute specified percentages of their compensation to a trustee for the purchase of Company Common Stock and the Company contributes to the Plan an amount equal to one-half of the aggregate contributions of employees, less forfeitures. The Company's contribution amounted to \$2,473,000 for 1975; \$2,461,000 for 1976; \$2,591,000 for 1977; \$2,785,000 for 1978; and \$3,263,000 for 1979. In addition, employees may contribute up to 5% of their regular monthly base pay through supplemental contributions without regard to their years of service. These supplemental contributions are not matched by the Company.

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 that approximately \$3,971,000 will be elected for 1979, both amounts of which 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.

SOUTHERN CALIFORNIA EDISON COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 8 — Long-Term Debt

A summary of long-term debt outstanding follows:

				(Thousands of Dollars)	
				December 31,	
				1978	1979
Series	Maturity	Interest Rate	Principal Amount		
First and Refunding Mortgage Bonds	F	1979	3 %	\$ 30,000	\$ —
	G	1981	3½	40,000	40,000
	H	1982	4¼	37,500	37,500
	I	1982	4¾	40,000	40,000
	J	1982	4¾	40,000	40,000
	K	1983	4½	50,000	50,000
	L	1985	5	30,000	30,000
	M	1985	4¾	60,000	60,000
	N	1986	4½	30,000	30,000
	O	1987	4¼	40,000	40,000
	P	1987	4¼	50,000	50,000
	Q	1988	4¾	60,000	60,000
	R	1989	4¾	60,000	60,000
	S	1990	4½	60,000	60,000
	T	1991	5¼	75,000	75,000
	U	1991	6¼	80,000	80,000
	V	1992	5¾	80,000	80,000
	W	1993	6¾	100,000	100,000
	X	1994	7¼	75,000	75,000
	Y	1994	8¼	100,000	100,000
	Z	1995	7¾	100,000	100,000
	AA	1996	8	100,000	100,000
	BB	1997	7¾	125,000	125,000
	CC	1999	8¼	100,000	100,000
	DDP	1999	7	15,030	15,030
	EE	1981	9	100,000	100,000
FF	2000	8¾	150,000	150,000	
GG	2001	8¾	125,000	125,000	
HH	2002	8¼	125,000	125,000	
II	1984	7¼	75,000	75,000	
JJ	2003	9¾	200,000	200,000	
KK	2004	9.5	—	105,000	
LL	1987	9¼	—	—	
MM	2004	11¼	—	200,000	
			2,352,530	2,627,530	
First Mortgage Bonds (Caletric)	1980-1991	2½-5¼	66,000	66,000	
Convertible Debentures	1980	3¼	74,902	74,902	
Promissory Notes	1979-1983	5½	17,953	14,217	
Short-Term Debt Expected to be Refinanced — Commercial Paper			—	50,000	
Principal Amounts Outstanding			2,511,385	2,832,649	
Current Maturities of Long-Term Debt			(33,737)	(84,544)	
Unamortized Premium or (Discount)—net			(174)	(1,898)	
Total Long-Term Debt			<u>\$2,477,474</u>	<u>\$2,746,207</u>	

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 8 — Long-Term Debt (continued)

The authorized principal amount of each series of First and Refunding Mortgage Bonds is equal to the amount outstanding. The Trust Indenture under which these bonds are issued permits the issuance from time to time of additional bonds, including additional bonds equal in principal amount to bonds retired, pursuant to the restrictions and conditions contained therein. Each of the bond indentures requires semiannual deposits with the Trustees of 1½% of the principal amount of its outstanding First and Refunding Mortgage Bonds and the First Mortgage Bonds of Calelectric. The Calelectric Indenture requires an annual deposit with the Trustee of 1% of the principal amount of First Mortgage Bonds issued less certain bonds retired, plus an amount equivalent to the excess of 15% of gross operating revenues over costs of maintenance of the property subject to the lien of such indenture. These deposit requirements of \$77,780,900 in 1979 were satisfied by property additions and replacements, and by delivery and cancellation of bonds outstanding under the applicable indenture. The Series DDP and KK, First and Refunding Mortgage Bonds, are subject to mandatory sinking fund requirements commencing on July 1, 1990 and June 15, 1985, respectively.

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 the 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 9½% 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.

Current maturities of long-term debt on December 31, 1979 included convertible debentures, due August 15, 1980 (3¼%), in the amount of \$74,902,000; First Mortgage Bonds (Calelectric), 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 long-term debt maturing in the four years subsequent to December 31, 1980 will be: \$143,548,000 in 1981; \$121,025,000 in 1982; \$53,571,000 in 1983; and \$83,000,000 in 1984.

At December 31, 1978 and 1979, the 3¼% Convertible Debentures, due 1980, were convertible at the adjusted rate of one share of Common Stock for each \$37.50 and \$37.00, respectively, of the principal amount of such debentures. Any such debentures which are converted may not be reissued.

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

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 9 — Capital Stock

Transactions in the capital stock accounts for the five years ended December 31, 1979 were as follows:

In 1975, 2,000,000 shares of Cumulative Preferred Stock, 9.20% Series were issued; in 1976, 5,000,000 shares of Common Stock were issued at an initial public offering price of \$22½ per share; in 1977, 2,480,000 shares of Preference Stock, 7.375% Series and 600,000 shares of \$100 Cumulative Preferred Stock, 7.80% Series, were issued; in 1978, 6,000,000 shares of Common Stock were issued at an initial public offering price of \$25.375 per share; and in 1979, 525,000 shares of \$100 Cumulative Preferred Stock, 8.70% Series A, and 750,000 shares of \$100 Cumulative Preferred Stock, 8.54% Series, were issued. Additional shares of Common Stock were issued as follows:

	Shares Issued				
	1975	1976	1977	1978	1979
Dividend Reinvestment and Stock Purchase Plan	—	87,656	323,932	637,014	1,165,073
Employee Stock Purchase Plan	—	556,191	540,081	631,521	756,427
Employee Stock Ownership Plan	—	—	102,262	203,879	30,282
Conversion of 783,226, 580,854, and 553,140 shares in respective years of Preference Stock, 5.20% Convertible Series	—	—	551,452	417,710	406,573

The quarterly dividend rate was increased from 42¢ per share to 50¢ per share effective with the dividend paid on Common Stock on April 30, 1977, and with the dividend paid on Original Preferred Stock on June 30, 1977; to 56¢ per share effective with the dividend paid on Common Stock on January 31, 1978, and with the dividend paid on Original Preferred Stock on March 31, 1978; to 62¢ per share effective with the dividend paid on Common Stock on January 31, 1979, and with the dividend paid on Original Preferred Stock on March 31, 1979; and to 68¢ per share effective with the dividend paid on Common Stock on October 31, 1979, and with the dividend paid on Original Preferred Stock on December 31, 1979.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 9 — Capital Stock (continued)

A summary of the capital stock accounts follows:

	December 31, 1979		(Thousands of Dollars)	
	Shares Outstanding	Redemption Price Per Share	December 31, 1978	1979
Preferred Stock — Subject to Mandatory Redemption Requirements(a) (b):				
\$100 Cumulative Preferred:				
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
			<u>\$135,000</u>	<u>\$262,500</u>
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
			<u>\$458,755</u>	<u>\$458,755</u>
Preference(c):				
5.20% Convertible Series	1,082,600	25.00	\$ 40,895	\$ 27,067
\$100 Preference				
Common Stock — including additional stated capital(a) (c) (d) (e) (f)	64,894,936		\$547,166	\$577,259

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

Class of Stock	Shares Authorized (000)	Par Value Per Share
Original Preferred	480	\$ 8½
Cumulative Preferred	24,000	25
\$100 Cumulative Preferred	6,000	100
Preference	10,000	25
\$100 Preference	2,000	100
Common	90,000	8½

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 9 — Capital Stock (continued)

- (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 purchase 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. At December 31, 1978 and 1979, the shares of Common Stock reserved for the conversion of the Preference Stock, 5.20% Convertible Series amounted to 1,202,809 and 796,088, respectively, at the adjusted conversion price of \$34.00 per share. In addition, 1,997,388 and 2,024,380 shares of Common Stock were reserved at those respective dates for the conversion of 3 $\frac{1}{8}$ % Convertible Debentures, Due 1980, at the adjusted conversion prices of \$37.50 and \$37.00 per share, respectively.
- (d) At December 31, 1979, there were 886,325, 3,315,780 and 663,577 authorized and unissued shares of Common Stock reserved for sale and issuance under provisions of the Company's Dividend Reinvestment and Stock Purchase Plan, Employee Stock Purchase Plan, and Employee Stock Ownership Plan, respectively. On February 14, 1980, the Company issued 378,842 shares of Common Stock under the Employee Stock Ownership Plan, and, on February 19, 1980, issued 415,281 shares of Common Stock under the Dividend Reinvestment and Stock Purchase Plan.
- (e) On February 13, 1980, 7,000,000 shares of Common Stock were issued at an initial public offering price of \$23.125 per share.
- (f) The book value per share of Common Stock, after giving effect to the participating provision of the Original Preferred Stock, was \$32.57 and \$34.22 at December 31, 1978 and 1979, respectively.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 10 — Jointly-Owned Electric Utility Plants

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

Facility	(Thousands of Dollars)			
	December 31, 1979			
	Electric Plant in Service	Estimated Accumulated Provision for Depreciation	Construction Work in Progress	Ownership Interest
Axis Generating Station	\$ 12,155	\$ 6,449	\$ 17	33.3%
800 KV DC System	67,506	14,451	40	50.0
El Dorado System	19,414	4,578	205	60.0(1)
Four Corners Generating Station	97,049	26,978	16,373	48.0
Mohave Generating Station ...	169,043	36,649	8,878	56.0
Palo Verde Generating Station	—	—	243,179	15.8
San Onofre Generating Station	163,453	39,340	1,553,466	80.0
Solar Power Project	—	—	2,128	80.0
Total	\$ 528,620	\$ 128,445	\$1,824,286	

(1) Represents a composite rate.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 11 — Long-Term Contracts for the Purchase of Power

Under certain contracts, the Company has agreed to purchase portions of the generating output of certain facilities. Although the Company has no investment in such facilities, these contracts provide that the Company pay certain minimum amounts (which are based at least in part on the debt service requirements of the supplier) whether or not the plant is operating. None of such contracts provides, or is expected to provide, in excess of five percent of the Company's current or estimated future operating capacity. The cost of power obtained under the contracts, including payments made when a plant is not operating, is included in Purchased Power in the Statements of Income. Information as of December 31, 1979 pertaining to such contracts is summarized in the following table:

	Navajo Layoff Agreement	Hoover Sales Agreement	Oroville-Thermalito Power Sale Agreement
Date of Expiration	September 30, 1989 or upon five years' notice from U.S. Bureau of Reclamation. Current estimated termination date is January 1, 1985.	May 31, 1987**	April 1, 1983
Share of Effective Operating Capacity	327.5 MW*	331 MW	340 MW
Share of Energy Output	14.6%	7.9%	37.6%
Estimated Annual Cost	\$32,596,000	\$1,872,000	\$5,985,000
Portion of Estimated Annual Cost Applicable to Supplier's Annual Minimum Debt Service Requirement	\$ 1,978,000	\$ 456,000	\$5,234,000
Allocable Portion of Interest of Supplier Included in Annual Minimum Debt Service Requirement	\$ 571,000	\$ 96,000	\$4,601,000
Related Long-Term Debt or Lease Obligations Outstanding of Company	None	None	None

* The Company has agreed to certain reductions in its share of effective operating capacity prior to the estimated January 1, 1985 termination date.

** The Company has certain renewal rights under the existing agreement.

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
	<u>2,271,493</u>	<u>2,442,856</u>	<u>2,507,856</u>
Earnings available for common and original preferred stock (excluding reduction of utility plant to net recoverable cost)	<u>\$ 292,481</u>	<u>\$ 121,118</u>	<u>\$ 56,118</u>
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**

Average 1979 Dollars	(In Thousands of Dollars, Except Per Share Data)				
	1975	1976	1977	1978	1979
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.

SOUTHERN CALIFORNIA EDISON COMPANY
SCHEDULE V — PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1978

(Thousands of Dollars)

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

(a) Represents nuclear fuel sold and leased back.

SOUTHERN CALIFORNIA EDISON COMPANY
SCHEDULE V — PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 1979

(Thousands of Dollars)

Classification	Balance at Beginning of Period	Additions at Cost	Add (Deduct)		Balance at End of Period
			Retirements	Other Changes	
Steam Production	\$1,323,603	\$ 18,515	\$ (1,278)	\$ —	\$1,340,840
Nuclear Production	145,565	10,493	(31)	—	156,027
Hydro Production	215,647	1,333	(161)	(10)	216,809
Other Production	350,002	4,678	—	—	354,680
Transmission	1,164,523	30,276	(6,628)	(2,136)	1,186,035
Distribution	1,930,266	158,939	(19,576)	(198)	2,069,431
General	139,374	7,429	(2,999)	2,950	146,821
Plant Held for Future Use	28,373	1,615	(1,636)	(2,283)	26,069
Experimental Electric Plant Unclassified	217	107	—	(217)	107
Other Utility Plant	6,176	1,019	(10)	(1,020)	6,165
Subtotal — Utility Plant	5,303,746	234,471	(32,319)	(2,914)	5,502,984
Construction Work in Progress	1,493,573	564,504	881	—	2,058,958
Nuclear Fuel	36,353	4,263	—	—	40,616
Gross Utility Plant	\$6,833,672	\$ 803,238	\$ (31,438)	\$ (2,914)	\$7,602,558
Nonutility Property	\$ 7,182	\$ 4,438	(2,411)	\$ —	\$ 9,209

SOUTHERN CALIFORNIA EDISON COMPANY

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

FOR THE YEAR ENDED DECEMBER 31, 1978

(Thousands of Dollars)

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

(a) Depletion is not applicable.

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

SOUTHERN CALIFORNIA EDISON COMPANY

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

FOR THE YEAR ENDED DECEMBER 31, 1979

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Add (Deduct)			Balance at End of Period
			Retirements	Other Changes(b)	Salvage	
Steam Production	\$ 540,254	\$ 38,876	\$ (1,140)	\$ 11	\$ 31	\$ 578,032
Nuclear Production	30,205	9,009	(30)	(15)	—	39,169
Hydro Production	84,979	3,322	(172)	(40)	20	88,109
Other Production	42,409	15,250	—	(12)	—	57,647
Transmission	212,944	32,026	(6,265)	(760)	2,943	240,888
Distribution	579,316	76,292	(19,453)	(4,120)	7,228	639,263
General	31,399	6,719	(2,877)	(240)	791	35,792
Experimental Electric Plant Unclassified	1	5	—	—	—	6
Retirement Work in Progress	(3,207)	—	774	(1,560)	227	(3,766)
Other Utility Plant Reserves	874	143	(9)	(1)	1	1,008
Subtotal	1,519,174	181,642	(29,172)	(6,737)	11,241	1,676,148
Nuclear Fuel Amortization	22,781	2,107	—	—	—	24,888
Total Utility Plant Reserves	<u>\$1,541,955</u>	<u>\$ 183,749</u>	<u>\$ (29,172)</u>	<u>\$ (6,737)</u>	<u>\$ 11,241</u>	<u>\$1,701,036</u>
Nonutility Property Reserves	<u>\$ 1,267</u>	<u>\$ 78</u>	<u>\$ (872)</u>	<u>\$ 478</u>	<u>\$ —</u>	<u>\$ 951</u>

(a) Depletion is not applicable.

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

SOUTHERN CALIFORNIA EDISON COMPANY

SCHEDULE XII — RESERVES

FOR THE YEAR ENDED DECEMBER 31, 1978

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

(a) Accounts written off, net.

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

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

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

SOUTHERN CALIFORNIA EDISON COMPANY

SCHEDULE XII — RESERVES

FOR THE YEAR ENDED DECEMBER 31, 1979

(Thousands of Dollars)

Description	Balance at Beginning of Period	Additions			Deductions	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts			
Group A:						
Uncollectible Accounts						
Customers	\$ 2,059	\$ 4,770	\$ —	\$ 4,566	\$ 2,263	
All Other	3,549	3,565	—	881	6,233	
Total	<u>\$ 5,608</u>	<u>\$ 8,335</u>	<u>\$ —</u>	<u>\$ 5,447(a)</u>	<u>\$ 8,496</u>	
Group B:						
Pensions and Benefits	\$15,536	\$ 5,728	\$ 8,705(b)	\$12,230(c)	\$17,739	
Insurance, Casualty and Other	11,089	23,282	—	19,562(d)	14,809	
Total	<u>\$26,625</u>	<u>\$29,010</u>	<u>\$ 8,705</u>	<u>\$31,792</u>	<u>\$32,548</u>	

(a) Accounts written off, net.

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

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

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

12(a) (2) Exhibits Filed

Exhibit 1. — Computation of Fully Diluted Earnings Per Share

Exhibit 2. — Forty-Third Supplemental Indenture, dated as of September 15, 1979

Exhibit 3. — Resolution creating First and Refunding Mortgage Bonds, Series LL, Due 1987, dated August 16, 1979

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

- (a) Trust Indenture, dated as of October 1, 1923 (Form A-2, File Number 2-1369, effective April 19, 1935)
- (b) Third Supplemental Indenture, dated as of June 24, 1935 (Form A-2, File Number 2-1602, effective September 16, 1935)
- (c) Fourth Supplemental Indenture, dated as of September 1, 1935 (Form A-2, File Number 2-4522, effective October 8, 1940)
- (d) Sixth Supplemental Indenture, dated as of September 1, 1940 (Form S-7, File Number 2-59199, effective June 30, 1977)
- (e) Eighth Supplemental Indenture, dated as of August 15, 1948 (Form S-1, File Number 2-7610, effective August 10, 1948)
- (f) Twenty-Fourth Supplemental Indenture, dated as of February 15, 1964 (Form S-9, File Number 2-22056, effective February 17, 1964)
- (g) Forty-Fourth Supplemental Indenture, dated as of October 1, 1979 (Form S-16, File Number 2-65493, effective October 3, 1979)
- (h) Resolution creating First and Refunding Mortgage Bonds, Series MM, Due 2004, dated October 11, 1979 (Form S-16, File Number 2-65493, effective October 3, 1979)

12(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the last quarter of 1979.

Executive Officers of the Registrant

Executive Officer	Age at December 31, 1979	Company Position	Effective Date
Jack K. Horton	63	Chairman of the Board, Chief Executive Officer and Director	April 18, 1968
William R. Gould	60	President and Director	February 1, 1978
Howard P. Allen	54	Executive Vice President	December 20, 1973
H. Fred Christie	46	Senior Vice President and Chief Financial Officer	January 1, 1977
David J. Fogarty	52	Senior Vice President	September 1, 1977
A. Arenal	54	Vice President (Engineering and Construction)	January 1, 1980
Glenn J. Bjorklund	47	Vice President (System Development)	August 1, 1979
Robert Dietch	41	Vice President (Nuclear Engineering and Operations)	January 1, 1980
C. E. Hathaway	45	Vice President (Personnel)	January 1, 1980

Executive Officer	Age at December 31, 1979	Company Position	Effective Date
Joe T. Head, Jr.	58	Vice President (Power Supply)	November 21, 1974
P. L. Martin	50	Vice President (Customer Service)	September 1, 1978
A. L. Maxwell	58	Vice President and Comptroller	July 17, 1975
Edward A. Myers, Jr.	56	Vice President (Conservation, Communications and Revenue Services)	August 19, 1971
Lawrence T. Papay	43	Vice President (Advanced Engineering)	January 1, 1980
William H. Seaman	62	Vice President (Fuel Supply)	July 17, 1969
Robert E. Umbaugh	42	Vice President (Administration)	September 1, 1976
John R. Bury	52	General Counsel	September 1, 1978
Michael L. Noel	38	Treasurer	September 1, 1976
Honor Muller	51	Secretary	November 1, 1979

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

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

William R. Gould	Executive Vice President	December 1973 to January 1978
H. Fred Christie	Senior Vice President	September 1976 to December 1976
	Vice President and Treasurer	July 1975 to August 1976
	Treasurer	March 1970 to July 1975
David J. Logarty	Vice President — Customer Service	September 1976 to August 1977
	Vice President — Power Supply	December 1974 to August 1976
A. Arenal	Vice President — Advanced Engineering	August 1979 to December 1979
	Vice President — System Development	September 1976 to July 1979
	Manager of Engineering and Construction	November 1971 to August 1976
Glenn J. Bjorklund	Division Vice President — Eastern Division	May 1978 to August 1979
	Administrator of Department Operations — Customer Service Staff	May 1975 to May 1978
Robert Dietch	Division Manager — Southeastern Division	August 1979 to December 1979
	Assistant Division Manager — Southeastern Division	October 1978 to July 1979
	Manager of Projects — Project Management Organization	January 1978 to September 1978
	Manager of Engineering — Design Organization	January 1976 to December 1978
	Manager of Construction and Transmission/ Substation Engineering	February 1975 to December 1976

C. E. Hathaway	Division Vice President — Eastern Division	August 1979 to December 1979
	Division Vice President — Southeastern Division	September 1978 to July 1979
	Division Vice President — Central Division	January 1978 to August 1978
	Assistant Division Manager — Central Division	May 1975 to December 1977
Joe T. Head, Jr.	Vice President — System Development	December 1974 to August 1976
P. L. Martin	Division Vice President — Southeastern Division	September 1977 to August 1978
	Manager of Customer Service — Southeastern Division	December 1973 to August 1977
A. L. Maxwell	Comptroller	November 1968 to July 1975
Lawrence T. Papay	General Superintendent — Power Supply	October 1978 to December 1979
	Director of Research and Development	August 1970 to September 1978
Robert E. Umbaugh	Manager of Data Processing	January 1974 to August 1976
John R. Bury	Assistant General Counsel	December 1973 to August 1978
Michael L. Noel	Assistant Treasurer	December 1975 to August 1976
	Manager of Corporate Planning	September 1974 to November 1975
Honor Muller	Assistant Secretary	December 1978 to October 1979
	Executive Secretary	February 1959 to December 1978

PART II

Item 13. Security Ownership of Certain Beneficial Owners and Management

Information responding to Item 13 was included in a proxy statement filed by the Company on or about February 29, 1980 with the Commission pursuant to Regulation 14A and is omitted herein pursuant to General Instruction H.

Item 14. Directors and Officers of the Registrant

Information concerning directors and officers of the Company is set forth after Item 12 in Part I, pursuant to Instruction 4 to Item 3(b) of Regulation S-K. Other information responding to Item 14 was included in a proxy statement filed by the Company on or about February 27, 1980 with the Commission pursuant to Regulation 14A and is omitted herein pursuant to General Instruction H.

Item 15. Management Remuneration and Transactions

Information responding to Item 15 was included in a proxy statement filed by the Company on or about February 29, 1980 with the Commission pursuant to Regulation 14A and is omitted herein pursuant to General Instruction H.

SIGNATURES

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

SOUTHERN CALIFORNIA EDISON COMPANY
(Registrant)

By H. FRED CHRISTIE
H. Fred Christie
Senior Vice President and
Chief Financial Officer

DATE: March 11, 1980

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report appearing in the annual report on Form 10-K for the year ended December 31, 1979 of Southern California Edison Company in the Registration Statement on Form S-16 which became effective on October 19, 1978 (File No. 2-62625).

ARTHUR ANDERSEN & CO.

March 11, 1980

SOUTHERN CALIFORNIA EDISON COMPANY
COMPUTATION OF FULLY DILUTED EARNINGS PER SHARE

	(Thousands of Dollars)				
	Year Ended December 31,				
	1975	1976	1977	1978	1979
Net Income	\$176,781	\$226,798	\$251,979	\$251,683	\$346,219
Less: Preferred and Preference dividend requirements	40,410	42,557	46,571	50,532	54,967
Add: Original Preferred dividends	806	806	922	1,075	1,229
Add: Convertible Preference dividend requirements	3,900	3,900	3,212	2,354	1,592
Add: Interest on 3½% Convertible Debentures	2,341	2,341	2,341	2,341	2,341
Less: Tax effect of interest on 3½% Convertible Debentures(A)	1,233	1,233	1,233	1,233	1,190
Adjusted amount available	<u>\$142,185</u>	<u>\$190,055</u>	<u>\$210,650</u>	<u>\$205,688</u>	<u>\$295,224</u>
Weighted average shares —					
Original Preferred	480,000	480,000	480,000	480,000	480,000
Common(B)	47,484,883	48,198,116	54,136,673	57,199,490	63,887,178
Common shares reserved for conversion of:					
3½% Convertible Debentures	1,804,868	1,896,254	1,920,565	1,997,388	2,024,380
Preference Stock, 5.20% Convertible Series	2,026,960	2,112,606	1,561,039	1,202,809	796,088
Total weighted average shares	<u>51,796,711</u>	<u>52,686,976</u>	<u>58,098,277</u>	<u>60,879,687</u>	<u>67,187,646</u>
Fully diluted earnings per share(C)	\$2.75	\$3.61	\$3.63	\$3.38	\$4.39

Notes:

- (A) Composite tax rate 52.68% 52.68% 52.68% 52.68% 50.86%
- (B) Includes Common Stock equivalents and Common Stock issued due to conversions during 1977, 1978 and 1979, adjusted as if they were outstanding at the beginning of the year.
- (C) Adjusted amount available divided by total weighted average shares.

5.a.

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended September 30, 1980

Commission File Number 1-2313

SOUTHERN CALIFORNIA EDISON COMPANY

(Exact name of registrant as specified in its charter)

CALIFORNIA

(State or other jurisdiction of
incorporation or organization)

95-1240335

(I.R.S. Employer
Identification No.)

2244 Walnut Grove Avenue

(P.O. Box 800)

Rosemead, California 91770

(Address of principal executive offices)

213-572-1212

(Registrant's Telephone Number)

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

Indicate the number of shares of each of the issuer's classes of common stock, as of the close of the period covered by this report.

<u>Class</u>	<u>Outstanding at September 30, 1980</u>
Common Stock, \$8 $\frac{1}{2}$ par value	74,202,726 shares

SOUTHERN CALIFORNIA EDISON COMPANY

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PART I — FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF STATEMENTS OF INCOME

Three Months Ended September 30, 1980 and 1979

Primary earnings per share decreased by 33¢ or 25%. This was due to a decrease in earnings available for Common and Original Preferred Stock of \$11,584,000 which reduced earnings by 18¢ and also a 15¢ per share reduction resulting from the dilutive effect of a higher average number of shares. The lower earnings available for Common and Original Preferred Stock reflected the net effect of the factors discussed below.

Operating revenues increased by \$374,582,000, or 55%; of which revenues from the Company's Energy Cost Adjustment Clause ("ECAC") accounted for 95% of the increase. Such revenues are for the purpose of recovering higher energy costs and do not increase earnings. Furthermore, the increase in revenues was due in part to the effect of the conversion, commencing in March 1980, from bi-monthly billing to monthly billing.

Total energy costs increased by \$362,808,000, or 103%. Fuel expense was up by \$70,047,000, despite a reduction in the volume of oil burned. The reduction in oil-generated energy was made possible largely by a greater availability of energy from off-system sources and through increased gas-generated energy. Of the increase in total energy costs, \$233,645,000 was attributable to ECAC adjustments in the current period related to the recovery of under-collections of energy costs which occurred in prior periods.

Other operation expenses increased by \$16,690,000, or 21%. This was due largely to higher labor costs caused by wage increases, an increase in employees, the impact of inflation on costs of materials and services, and additional costs associated with system growth.

Maintenance expenses, which increased by \$16,105,000, or 37%, are subject to the same inflationary pressures and effects of system growth as are other operation expenses. In addition, charges relating to the \$20,000,000 repair program at the San Onofre Nuclear Generating Station Unit 1 involving "sleeving" of 7,500 tubes in the plant's three steam generators began in September and are expected to run through December.

Taxes on income decreased by \$21,662,000 due in part to lower pre-tax net income and in part to transactions reported for tax purposes in a period different than for financial reporting purposes.

The allowance for debt and equity funds used during construction ("AFUDC") increased \$10,901,000, or 36%, due to more construction work-in-progress related primarily to the San Onofre Nuclear Generating Station. In addition, there was an increase in the AFUDC rate from 7.76% to 7.82% effective January 1, 1980.

The increase in other income-net resulted from a \$3,879,000 increase in taxes on income included in other income (credit).

Total interest charges increased \$20,592,000 which reflected an increase in long-term debt, higher interest rates, and increased short-term debt.

Three Months Ended September 30, 1980 and June 30, 1980

Primary earnings per share increased by 15¢, or 18%. This reflected the combined effect of an increase in earnings available of \$11,518,000, or 19%, which was partially offset by the minor dilution resulting from a higher average number of shares of Common Stock outstanding.

Operating revenues increased by \$230,888,000 or 28%, reflecting increased ECAC revenues of \$185,477,000.

Total energy costs increased by \$194,026,000, or 37%, of which \$134,231,000 was attributable to fuel expense, and \$60,419,000 was attributable to the provisions for ECAC. Maintenance expense increased by \$5,363,000, or 10%, due to the same factors discussed above.

Taxes on income increased by \$18,035,000 due primarily to higher pre-tax net income.

Interest income decreased by \$6,748,000, or 59%, which resulted primarily from reductions in the ECAC balancing account.

Nine Months Ended September 30, 1980 and 1979

Primary earnings per share decreased by 56¢, or 17%. A \$12,219,000 decline in earnings available reduced earnings by 19¢ per share while the remaining 37¢ was due to the dilutive effect of the issuance of additional shares of Common Stock. The lower earnings reflected the increase in dividends on Cumulative Preferred Stock and the net effect of the factors discussed below.

Operating revenues increased by \$837,168,000, or 45%, over the same period in 1979. ECAC revenues were higher by \$729,326,000, due to increases in ECAC billing factors.

Total energy costs increased by \$780,762,000, or 82%, and other operation expenses increased by \$48,737,000, or 21%, while maintenance expense and total interest charges increased by \$43,534,000 and \$60,068,000, respectively. These increases were slightly offset by a decrease in taxes on income of \$46,222,000, or 56%.

Other income-net and interest income increased by \$11,740,000, or 69%, and \$12,878,000, or 83%, respectively.

The factors which combined to cause these fluctuations were the same as those discussed for the comparative three-month periods ended September 30, 1980 and 1979.

Twelve Months Ended September 30, 1980 and 1979

Primary earnings per share decreased by 60¢, or 13%. A \$7,697,000 decline in earnings available reduced earnings by 12¢ per share while the remaining 48¢ was due to the dilutive effect of the issuance of additional shares of Common Stock. The lower earnings reflected the increase in dividends on Cumulative Preferred Stock and the net effect of the factors discussed below.

Operating revenues increased by \$945,518,000, or 39%, over the similar period in 1979. ECAC revenues were higher by \$800,613,000, due to increases in ECAC billing factors.

Total energy costs increased by \$863,662,000, or 68%, and other operation expenses increased by \$63,177,000, or 21%, while maintenance expense and interest charges increased by \$61,021,000 and \$70,153,000, respectively. These increases were slightly offset by a decrease in taxes on income of \$56,543,000, or 51%.

The factors which combined to cause these fluctuations were the same as those discussed for the comparative three-month periods ended September 30, 1980 and 1979.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Southern California Edison Company:

We have examined the balance sheets of Southern California Edison Company (a California corporation, hereinafter referred to as the "Company") as of September 30, 1979 and 1980, and the related statements of income, earnings reinvested in the business, additional paid-in capital and changes in financial position for the three, nine and twelve-month periods then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of the Company as of September 30, 1979 and 1980, and the results of its operations and the changes in its financial position for the three, nine and twelve-month periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

ARTHUR ANDERSEN & CO.

Los Angeles, California
November 7, 1980

FINANCIAL STATEMENTS
SOUTHERN CALIFORNIA EDISON COMPANY
STATEMENTS OF INCOME

(Thousands of Dollars)

	3 Months Ended September 30,		9 Months Ended September 30,		12 Months Ended September 30,	
	1979	1980	1979	1980	1979	1980
Operating Revenues:						
Sales (Notes 1 and 2)	\$680,893	\$1,053,928	\$1,846,708	\$2,671,959	\$2,432,888	\$3,378,378
Other	3,441	4,988	8,014	19,931	22,736	22,764
Total operating revenues	684,334	1,058,916	1,854,722	2,691,890	2,455,624	3,401,142
Operating Expenses:						
Fuel (Note 2)	408,839	478,886	997,470	1,255,737	1,367,570	1,691,925
Purchased power (Note 10)	22,119	81,235	80,706	185,923	91,724	204,462
Provisions for energy cost adjustments (Notes 1, 2 and 4)	(77,704)	155,941	(131,137)	286,141	(198,171)	228,398
Subtotal — energy costs	353,254	716,062	947,039	1,727,801	1,261,123	2,124,785
Other operation expenses (Notes 2, 5 and 6)	80,731	97,421	237,360	286,097	307,750	370,927
Maintenance (Note 1)	43,760	59,865	127,620	171,154	159,920	220,941
Provision for depreciation (Note 1)	44,909	47,387	133,348	139,663	176,682	164,953
Taxes on income — current and deferred (Notes 1 and 4)	39,479	17,817	82,533	36,311	110,613	54,070
Property and other taxes (Note 4)	15,463	17,353	42,178	50,379	55,730	64,628
Total operating expenses (Note 9)	577,596	955,905	1,570,078	2,411,405	2,071,818	3,020,304
Operating income	106,738	103,011	284,644	280,485	383,806	380,838
Other Income and Income Deductions:						
Allowance for equity funds used during construction (Note 1)	23,762	31,081	66,341	88,670	82,550	114,349
Interest income	5,704	4,769	15,458	28,336	19,803	35,738
Other — Net (Notes 1 and 4)	6,628	10,586	16,960	28,700	23,305	36,617
Total other income and income deductions	36,094	46,436	98,759	145,706	125,658	186,704
Total Income Before Interest Charges	142,832	149,447	383,403	426,191	509,464	567,542
Interest Charges:						
Interest on long-term debt (Note 7)	45,032	57,956	130,077	166,276	170,555	215,825
Other interest and amortization (Notes 1 and 7)	5,833	13,501	18,783	42,652	24,442	49,325
Total interest charges	50,865	71,457	148,860	208,928	194,997	265,150
Allowance for debt funds used during construction (Note 1)	(6,855)	(10,437)	(19,139)	(29,778)	(24,670)	(37,186)
Net interest charges	44,010	61,020	129,721	179,150	170,327	227,964
Net Income	98,822	88,427	253,682	247,041	339,137	339,578
Dividends on Cumulative Preferred and Preference Stock						
	13,609	14,798	38,871	44,449	51,178	59,316
Earnings Available for Common and Original Preferred Stock	\$ 85,213	\$ 73,629	\$ 214,811	\$ 202,592	\$ 287,959	\$ 280,262
Weighted Average Shares of Common and Original Preferred Stock Outstanding and Common Stock Equivalents (000)						
	64,488	74,580	63,913	72,394	63,161	70,685
Earnings Per Share (Note 1):						
Primary	\$1.32	\$.99	\$3.36	\$2.80	\$4.56	\$3.96
Fully Diluted (Exhibit A)	\$1.27	\$.98	\$3.24	\$2.78	\$4.39	\$3.94
Dividends Declared per Common Share	\$.68	\$.74	\$1.92	\$2.10	\$2.54	\$2.78

The accompanying notes are an integral part of these statements.

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEETS

ASSETS

	(Thousands of Dollars)	
	September 30,	
	1979	1980
UTILITY PLANT:		
Utility plant, at original cost (Notes 1, 2 and 9)	\$5,467,929	\$5,724,752
Less — Accumulated provision for depreciation (Notes 1 and 9)	1,638,700	1,798,559
Net utility plant	3,829,229	3,926,193
Construction work in progress (Notes 5 and 9)	1,869,328	2,470,222
Nuclear fuel, at amortized cost	15,210	19,276
Total utility plant	<u>5,713,767</u>	<u>6,415,691</u>
 OTHER PROPERTY AND INVESTMENTS:		
Real estate and other, at cost — less accumulated provision for depreciation	9,195	12,445
Subsidiary companies (Note 1)	93,899	96,721
Total other property and investments	<u>103,094</u>	<u>109,166</u>
 CURRENT ASSETS:		
Cash and temporary cash investments (Note 3)	8,157	12,363
Receivables, less reserves of \$7,454,000 and \$7,946,000 for uncollectible accounts at respective dates (Notes 1 and 7)	210,067	291,979
Fuel stock, at cost (first-in, first-out) (Notes 2 and 3)	218,630	593,130
Materials and supplies, at average cost	35,451	47,150
Deferred energy costs (Notes 1, 2 and 4)	241,192	38,415
Prepayments and other (taxes, insurance, etc.)	84,214	78,787
Total current assets	<u>797,711</u>	<u>1,061,824</u>
 DEFERRED CHARGES:		
Unamortized debt expense (Note 1)	14,325	17,947
Other deferred charges	25,236	22,737
Total deferred charges	<u>39,561</u>	<u>40,684</u>
	<u>\$6,654,133</u>	<u>\$7,627,365</u>

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

SOUTHERN CALIFORNIA EDISON COMPANY

BALANCE SHEETS

CAPITALIZATION AND LIABILITIES

	(Thousands of Dollars)	
	September 30,	
	1979	1980
CAPITALIZATION:		
Preferred Stock — Subject to mandatory redemption/repurchase requirements (Note 8):		
Cumulative preferred stock	\$ 262,500	\$ 262,500
Preference stock	62,000	62,000
Preferred Stock — Other (Note 8):		
Original preferred stock	4,000	4,000
Cumulative preferred stock	458,755	458,755
Preference stock	28,927	21,497
Common Stock, including additional stated capital, 140,000,000 shares authorized, 64,068,442 and 74,202,726 shares outstanding at respective dates (Note 8)	568,967	658,971
Other Shareholders' Equity:		
Additional paid-in capital	589,329	738,022
Earnings reinvested in the business	1,022,138	1,095,750
Long-Term Debt (Notes 1, 3 and 7)	2,547,823	2,901,047
Total capitalization	<u>5,544,439</u>	<u>6,202,542</u>
CURRENT LIABILITIES:		
Accounts payable	242,273	315,295
Commercial paper payable (Note 3)	76,345	365,800
Notes payable to banks (Note 3)	19,774	19,783
Current maturities of long-term debt (Note 7)	84,544	43,548
Customer refunds — current	57,205	63,301
Taxes accrued (Note 4)	84,794	156,356
Interest accrued	42,384	68,306
Dividends declared	53,137	66,014
Accumulated deferred income taxes — net (Notes 1 and 4)	124,452	2,577
Other	32,022	33,310
Total current liabilities	<u>816,930</u>	<u>1,134,290</u>
COMMITMENTS AND CONTINGENCIES (Note 2)		
RESERVES AND DEFERRED CREDITS:		
Customer advances and other deferred credits	52,730	57,514
Customer refunds	71,762	17,041
Accumulated investment tax credits and deferred income taxes (Notes 1 and 4)	137,998	175,981
Reserves for pensions, insurance, etc. (Note 6)	30,274	39,997
Total reserves and deferred credits	<u>292,764</u>	<u>290,533</u>
	<u>\$6,654,133</u>	<u>\$7,627,365</u>

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

SOUTHERN CALIFORNIA EDISON COMPANY
STATEMENTS OF CHANGES IN FINANCIAL POSITION

(Thousands of Dollars)

	3 Months Ended September 30,		9 Months Ended September 30,		12 Months Ended September 30,	
	1979	1980	1979	1980	1979	1980
FUNDS PROVIDED BY:						
Operations —						
Net income	\$ 98,822	\$ 88,427	\$ 253,682	\$ 247,041	\$ 339,137	\$ 339,578
Non-fund items:						
Depreciation (Note 1)	44,909	47,387	133,348	139,663	176,682	184,953
Equity in earnings of unconsolidated subsidiaries (Note 1)	(721)	(796)	(1,519)	(1,481)	(1,882)	(3,095)
Allowance for debt and equity funds used during construction (Note 1)	(30,617)	(41,518)	(85,480)	(118,448)	(107,220)	(151,535)
Investment tax credit deferred — net (Notes 1 and 4)	13,580	6,162	28,015	20,094	35,674	38,413
Other — net	1,484	(3,346)	6,022	12,544	(1,762)	17,585
Earnings distributed from unconsolidated subsidiaries	—	—	—	—	1,000	1,000
Total from operations	<u>127,457</u>	<u>96,316</u>	<u>334,068</u>	<u>300,213</u>	<u>441,629</u>	<u>426,899</u>
Long-term financing —						
Preferred stock (Note 8)	75,000	—	127,500	—	127,500	—
Preference stock (Note 8)*	(2,162)	(1,607)	(11,968)	(5,569)	(16,492)	(7,430)
Common stock (Note 8)*	14,312	18,710	41,461	218,160	211,221	238,702
Long-term debt (Note 7)	50,000	—	155,000	200,000	355,000	403,000
Total from long-term financing	<u>137,150</u>	<u>17,103</u>	<u>311,993</u>	<u>412,591</u>	<u>577,229</u>	<u>631,272</u>
Other sources —						
Construction advances and other	4,174	2,725	9,393	4,559	10,149	6,794
Decrease in working capital	10,312	234,809	62,995	153,320	—	94,243
Total from other sources	<u>14,486</u>	<u>237,534</u>	<u>72,388</u>	<u>157,879</u>	<u>10,149</u>	<u>101,037</u>
Total funds provided	<u>\$279,093</u>	<u>\$ 350,953</u>	<u>\$ 718,449</u>	<u>\$ 870,683</u>	<u>\$1,129,007</u>	<u>\$1,159,208</u>
FUNDS APPLIED TO:						
Construction expenditures	\$203,483	\$ 219,458	\$ 557,533	\$ 655,520	\$ 763,737	\$ 890,700
Less — allowance for debt and equity funds used during construction (Note 1)	30,617	41,518	85,480	118,448	107,220	151,535
Funds used for construction expenditures	<u>172,866</u>	<u>177,940</u>	<u>472,053</u>	<u>537,072</u>	<u>656,517</u>	<u>739,165</u>
Advances to unconsolidated subsidiaries	3,363	1,729	6,557	1,367	808	580
Dividends	57,274	70,215	161,623	200,130	213,063	259,908
Repayment of long-term debt (Note 7)	31,838	76,712	33,736	84,544	33,736	84,544
Customer refunds — net	12,912	17,001	36,013	41,413	7,138	54,721
Other — net	820	7,356	8,467	6,157	19,776	20,290
Increase in working capital	—	—	—	—	197,969	—
Total funds applied	<u>\$279,093</u>	<u>\$ 350,953</u>	<u>\$ 718,449</u>	<u>\$ 870,683</u>	<u>\$1,129,007</u>	<u>\$1,159,208</u>
WORKING CAPITAL CHANGES (Other than current maturities of long-term debt):						
Receivables and temporary cash investments	\$ 15,233	\$ 34,668	\$ (82,090)	\$ 80,452	\$ 33,923	\$ 83,113
Fuel stock and materials and supplies (Notes 2 and 3)	(4,969)	(60,657)	62,597	282,984	(74,107)	386,199
Prepayments and other	62,312	42,405	42,192	31,602	41,579	(5,427)
Deferred energy costs — net (Notes 1, 2 and 4)	39,851	(92,375)	68,299	(179,708)	100,525	(80,902)
Notes and accounts payable	(92,341)	(30,960)	(161,950)	(264,967)	15,760	(373,363)
Taxes and interest accrued	(26,585)	(127,223)	16,441	(95,731)	94,948	(97,484)
Other — net	(3,813)	(667)	(8,484)	(7,952)	(14,659)	(6,379)
Increase (Decrease) in working capital	<u>\$ (10,312)</u>	<u>\$ (234,809)</u>	<u>\$ (62,995)</u>	<u>\$ (153,320)</u>	<u>\$ 197,969</u>	<u>\$ (94,243)</u>

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

The accompanying notes are an integral part of these statements.

SOUTHERN CALIFORNIA EDISON COMPANY

STATEMENTS OF EARNINGS REINVESTED IN THE BUSINESS

	(Thousands of Dollars)					
	3 Months Ended September 30,		9 Months Ended September 30,		12 Months Ended September 30,	
	1979	1980	1979	1980	1979	1980
Balance at beginning of period	\$ 981,555	\$1,077,625	\$ 931,217	\$1,054,297	\$ 901,687	\$1,022,138
Add:						
Net income	98,822	88,427	253,682	247,041	339,137	339,578
	<u>1,080,377</u>	<u>1,166,052</u>	<u>1,184,899</u>	<u>1,301,338</u>	<u>1,240,824</u>	<u>1,361,716</u>
Deduct:						
Dividends declared on capital stock (Note 8):						
Original Preferred	298	326	893	979	1,162	1,305
Cumulative Preferred Preference	11,775	13,375	33,878	40,129	44,511	53,826
Common	1,515	1,422	4,673	4,321	6,347	5,812
Capital stock expense	43,666	55,092	122,179	154,701	161,043	198,965
	965	87	1,138	5,458	5,623	6,058
	<u>58,239</u>	<u>70,302</u>	<u>162,761</u>	<u>205,588</u>	<u>218,686</u>	<u>265,966</u>
Balance at end of period*	<u>\$1,022,138</u>	<u>\$1,095,750</u>	<u>\$1,022,138</u>	<u>\$1,095,750</u>	<u>\$1,022,138</u>	<u>\$1,095,750</u>

* Includes undistributed earnings of unconsolidated subsidiaries of \$10,140,000 at September 30, 1979 and \$12,234,000 at September 30, 1980.

STATEMENTS OF ADDITIONAL PAID-IN CAPITAL

	(Thousands of Dollars)					
	3 Months Ended September 30,		9 Months Ended September 30,		12 Months Ended September 30,	
	1979	1980	1979	1980	1979	1980
Balance at beginning of period	\$ 581,230	\$ 726,696	\$ 569,673	\$ 601,578	\$ 458,866	\$ 589,329
Premium received on sale of Common Stock	8,100	11,327	19,659	136,451	130,468	148,698
Payments made in lieu of issuing fractional shares of Common Stock	(1)	(1)	(3)	(7)	(5)	(5)
Balance at end of period	<u>\$ 589,329</u>	<u>\$ 738,022</u>	<u>\$ 589,329</u>	<u>\$ 738,022</u>	<u>\$ 589,329</u>	<u>\$ 738,022</u>

The accompanying notes are an integral part of these statements.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS

Note 1 — Summary of Significant Accounting Policies

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.

Depreciation —

Depreciation of utility plant is computed on a straight-line remaining life basis for financial statement purposes, and approximated 3.5% of average depreciable plant for the three, nine and twelve months ended September 30, 1979 and 1980. 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 4, together with supplementary income tax information.

Debt premium and discount —

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

Revenues —

Revenues are recorded when customers are billed. Customers are billed on a cyclical basis monthly, except for those customers who have not as yet been converted from bi-monthly to monthly billings. The conversion, which began in March 1980, is expected to be completed during 1980.

Deferred energy costs —

Deferred energy costs result primarily 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 and accrued interest thereon. 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 transportation and storage

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 — Summary of Significant Accounting Policies (continued)

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 (AFUDC) —

AFUDC 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. Although AFUDC increases net income, it does not represent current cash earnings. Such costs are recovered from customers as a cost of service through provisions for depreciation in future periods. The effective annual AFUDC rates for the years 1979 and 1980 are 7.76% and 7.82%, respectively, based upon a formula prescribed by the FERC which 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 3½% Convertible Debentures, Due 1980. The latter were redeemed on August 15, 1980 and was not included in the computation of fully diluted earnings per share for the periods ended September 30, 1980.

Note 2 — Commitments and Contingencies

Construction program and fuel supply —

The Company has significant purchase commitments in connection with its continuing construction program. As of October 16, 1980 (the date of the Company's latest approved budget), funds required for construction expenditures are estimated at \$743,374,000 for 1980, \$862,088,000 for 1981 and \$679,727,000 for 1982. Minimum long-term commitments of approximately \$8.5 billion existed on September 30, 1980 under the Company's fuel supply and transportation arrangements.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2 — Commitments and Contingencies (continued)

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 1981 and 2009. They contain numerous restrictions and obligations on the part of the Company, including the power of the United States to acquire Company properties or of 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. A Fuel Clause Adjustment (FCA) was added to the Company's resale rates effective May 2, 1974 and was modified on February 1, 1976 and August 16, 1979. As of September 30, 1980, approximately \$433,000,000 has been billed subject to refund. The Company believes that any amounts which the FERC may require the Company to refund as a result of the proceedings should not have a material financial effect on the Company.

An August 1, 1979 FERC decision affirmed the August 4, 1974 rate increase with respect to cost of service. The decision provided that the rate increase remain subject to refund pending resolution of the "price squeeze" issue raised by the intervenors. On May 23, 1980, the FERC Administrative Law Judge granted the Company's motion for summary disposition in the "price squeeze" proceedings relating to the August 4, 1974, rate increase. The intervenors and the FERC staff have filed exceptions to the Administrative Law Judge's ruling with the FERC.

An 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 increase in revenues. Revenues billed in excess of the revised cost of service had previously been deferred and the related interest accrued. Both the Company and certain intervenors petitioned for a rehearing which was denied on March 20, 1980 by the FERC. In the order denying rehearing, the FERC required the Company to make certain revisions to its working cash requirements and a supplemental compliance was filed reflecting such revisions. Intervenors have challenged both compliance filings on various grounds. Both the Company and intervenors have filed petitions with the Court of Appeals for review of the August 22, 1979 decision. The August 22, 1979 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 to exist, 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 ECAC rate increases of approximately \$431,600,000 annually of the Company's requested \$466,600,000 increase filed pursuant to the ECAC. Such increases 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

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2 — Commitments and Contingencies (continued)

until the results of a consultant's report on such plants could be evaluated. The Company believes that operating practices at its coal-fired power plants have been prudent and reasonable.

On January 29, 1980, the CPUC approved a request, on petition, to reopen the proceeding referred to in the preceding paragraph, to increase the ECAC rates, effective February 1, 1980, to amortize one-half of the ECAC balancing account as of July 31, 1979, excluding the \$35,000,000 previously deferred. The increase, amounting to approximately \$81,000,000 during the period from February 1, 1980 to May 1, 1980, was made effective on February 3, 1980.

On March 5, 1980, the Company filed with the CPUC a request for a further increase in ECAC rates in the amount of approximately \$740,600,000 annually, effective May 1, 1980. By decision issued and effective May 20, 1980, the CPUC approved approximately \$560,000,000 of the increase, the lower level of increase being attributable to the availability of greater quantities of lower-cost gas and purchased power than anticipated in the filing.

On July 23, 1980, the Company made a further filing proposing a reduction in the ECAC rates, effective September 1, 1980, having an annual revenue effect of approximately \$236,300,000. Also, the Company proposed to modify its ECAC tariff provision so as to incorporate a Fuel Oil Inventory Adjustment provision to reflect in the ECAC balancing account carrying costs associated with fuel oil inventory levels in excess of \$50,000,000 above or below the CPUC authorized level of inventory then in effect. A final decision concerning this filing has not yet been rendered although the CPUC issued an interim decision on October 8, 1980 authorizing the full amount of the requested reduction.

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 complex issues of law and fact, and, although the Company is unable to predict their final outcome, it has categorically denied the allegations of these resale customers. The August 22, 1979 FERC decision and the May 23, 1980 Administrative Law Judge's Order discussed above under "Resale revenues" could affect the pending antitrust litigation.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 2 — Commitments and Contingencies (continued)

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 September 23, 1980, the Court entered a consent decree which incorporated by reference the settlement agreement. It is not known at this time whether an appeal will be taken. The appeal period runs 60 days from the date of entry of the order. If the Court's approval were to be reversed on appeal and the cases tried, it is the opinion of Company counsel that, although there are no controlling judicial precedents concerning a number of issues presented, the Company has a number of defenses which should be sustained by a court and which, among other things, have the effect of limiting, eliminating or mitigating claims for 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 3 — Compensating Balances and Short-Term Debt

In order to continue lines of credit with various banks, which amounted to approximately \$170,000,000 on September 30, 1979 and \$555,000,000 on September 30, 1980, 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 the respective periods.

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 the three months ended September 30, 1980. The maximum amount of bankers' acceptances outstanding for the nine and twelve months ended September 30, 1980 was \$30,860,000. The average daily borrowings for these same periods were \$10,316,000 and \$7,723,000, respectively, with weighted average annual interest rates (total interest divided by average daily borrowings) of 17.32% and 17.35%, respectively.

The maximum amount of commercial paper outstanding for the three, nine and twelve months ended September 30, 1980 was \$489,395,000. The average daily borrowings for these same periods were \$401,644,000, \$311,727,000 and \$253,994,000, respectively, with weighted

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 3 — Compensating Balances and Short-Term Debt (continued)

average annual interest rates of 9.22%, 11.63% and 11.77%, respectively. Of the amount outstanding at September 30, 1979, \$50,000,000 was expected to be refinanced and was classified in the balance sheet as long-term debt. The entire amount was refinanced through the issuance of First and Refunding Mortgage Bonds, Series LL, Due 1987 (9 $\frac{1}{8}$ %) on September 18, 1980.

The maximum amount of notes payable outstanding for the three months ended September 30, 1980 was \$23,987,000 and \$45,996,000 for the nine and twelve months then ended. The average daily borrowings for these same periods were \$19,477,000, \$20,413,000 and \$20,262,000, respectively, with weighted average annual interest rates of 9.78%, 12.05% and 12.43%, respectively. These notes are unrelated to the lines of credit referred to above.

Note 4 — Supplementary Income Data

Taxes on income —

As required by the CPUC, no provisions are made for income tax increases or decreases (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 credit (ITC) discussed below, the tax effects of the energy cost balancing accounts 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 2, pending action by the FERC.

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

The Company reduced its deferred income tax provision for 1979 and the balance of accumulated deferred income taxes — net, in the amount of \$68,128,000, representing ITC in excess of those utilized in its federal income tax returns through 1979, pending their utilization in future income tax returns. Such ITC were generated in 1979 and, if not used, would expire in 1986. During the first nine months of 1980, \$51,096,000 of this amount was used to reduce the current liability to reflect its anticipated use in the 1980 federal income tax return.

SOUTHERN CALIFORNIA EDISON COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 4 — Supplementary Income Data (continued)

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

	(Thousands of Dollars)					
	3 Months Ended September 30,		9 Months Ended September 30,		12 Months Ended September 30,	
	1979	1980	1979	1980	1979	1980
Current Taxes on Income:						
Federal	\$(19,980)	\$ 46,668	\$(26,231)	\$ 44,794	\$(115,580)	\$ 77,742
State	697	17,575	5,133	31,474	(9,099)	30,361
	<u>(19,283)</u>	<u>64,243</u>	<u>(21,098)</u>	<u>76,268</u>	<u>(124,679)</u>	<u>108,103</u>
Deferred Taxes on Income — Federal and State:						
Investment tax credits — net	13,580	6,162	28,015	20,894	35,674	38,413
Deferred energy costs	41,247	(60,936)	70,524	(85,505)	106,400	(121,881)
Customer refunds	—	—	—	—	78,801	—
Other	(2,211)	(1,677)	(11,953)	(4,213)	(6,528)	(5,905)
	<u>52,616</u>	<u>(56,451)</u>	<u>86,586</u>	<u>(68,824)</u>	<u>214,347</u>	<u>(89,373)</u>
Total taxes on income	<u>\$ 33,333</u>	<u>\$ 7,792</u>	<u>\$ 65,488</u>	<u>\$ 7,444</u>	<u>\$ 89,668</u>	<u>\$ 18,730</u>
Taxes on income included in operating expenses	\$ 39,479	\$ 17,817	\$ 82,533	\$ 36,311	\$ 110,613	\$ 54,070
Taxes on income included in other income	(6,146)	(10,025)	(17,045)	(28,867)	(20,945)	(35,340)
Total taxes on income	<u>\$ 33,333</u>	<u>\$ 7,792</u>	<u>\$ 65,488</u>	<u>\$ 7,444</u>	<u>\$ 89,668</u>	<u>\$ 18,730</u>
Differences between the federal statutory tax rate and the Company's effective tax rate are reconciled as follows:						
Federal statutory tax rate	46.0%	46.0%	46.0%	46.0%	46.5% *	46.0%
Allowance for debt and equity funds used during construction	(10.7)	(19.8)	(12.3)	(21.4)	(11.6)	(19.4)
Percentage repair allowance	(2.3)	(3.0)	(2.8)	(3.4)	(3.8)	(3.7)
Administrative and general expenses capitalized	(2.0)	(3.1)	(2.1)	(3.4)	(2.1)	(3.2)
Investment tax credits — net	(7.5)	(5.6)	(6.7)	(6.8)	(6.6)	(8.4)
Federal deduction for state taxes on income	(2.6)	(1.2)	(2.2)	(1.0)	(2.4)	(1.2)
Nuclear fuel interest capitalized	(0.8)	(2.9)	(0.8)	(3.3)	(0.8)	(2.7)
All other differences	(0.7)	(4.9)	(3.5)	(5.9)	(3.4)	(4.8)
State tax provision	5.8	2.8	4.9	2.1	5.1	2.6
Effective tax rate	<u>25.2%</u>	<u>8.1%</u>	<u>20.5%</u>	<u>2.9%</u>	<u>20.9%</u>	<u>5.2%</u>
Property and other taxes included in operating expenses:						
Property	\$ 12,514	\$ 13,147	\$ 36,255	\$ 37,924	\$ 48,753	\$ 49,969
Payroll and other	2,949	4,206	5,923	12,455	6,977	14,659
	<u>\$ 15,463</u>	<u>\$ 17,353</u>	<u>\$ 42,178</u>	<u>\$ 50,379</u>	<u>\$ 55,730</u>	<u>\$ 64,628</u>

* Weighted average due to the reduction in the federal statutory tax rate from 48.0% to 46.0% effective January 1, 1979.

Other —

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

SOUTHERN CALIFORNIA ELISON COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 5 — 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 September 30, 1979 and 1980, was \$26,102,000 and \$31,218,000, respectively.

	(Thousands of Dollars)					
	3 Months Ended September 30,		9 Months Ended September 30,		12 Months Ended September 30,	
	1979	1980	1979	1980	1979	1980
R&D expensed	\$ 4,148	\$ 6,328	\$ 9,936	\$13,984	\$14,417	\$19,826
R&D charged to CWIP — net	4,580	5,051	8,924	12,634	9,815	15,970
Total R&D expenditures	<u>\$ 8,728</u>	<u>\$11,379</u>	<u>\$18,860</u>	<u>\$26,618</u>	<u>\$24,232</u>	<u>\$35,796</u>

Note 6 — Retirement Plans

Pension Plan —

The Company's current pension program is based on a trustee 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 \$10,739,000, \$28,208,000, and \$36,980,000 for the three, nine and twelve months ended September 30, 1979, respectively, and \$10,174,000, \$30,178,000 and \$39,426,000 for the three, nine and twelve months ended September 30, 1980, respectively. A comparison of accumulated plan benefits and plan net assets for the Company's pension plans is presented below:

	(Thousands of Dollars)	
	December 31,	
	1978	1979*
Actuarial present value of accumulated plan benefits:		
Vested	\$270,142	\$301,429
Nonvested	25,387	19,965
	<u>\$295,529</u>	<u>\$321,394</u>
Net assets available for benefits	<u>\$316,349</u>	<u>\$371,846</u>

* Latest available benefit information.

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

Employee Stock Purchase Plan —

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 \$822,000, \$2,445,000 and \$3,126,000 for the three, nine

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 6 — Retirement Plans (continued)

and twelve months ended September 30, 1979, respectively, and \$972,000, \$2,776,000 and \$3,768,000 for the three, nine and twelve months ended September 30, 1980, respectively. In addition, employees may contribute up to 5% of their regular monthly base pay through supplemental contributions without regard to their years of service. These supplemental contributions are not matched by the Company.

Employee Stock Ownership Plan —

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 through 1979, and the Company expects to elect the additional 1% for 1980. As of September 30, 1980, 621,311 shares of Common Stock applicable to the 1% portion of 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. Elections to obtain such additional ½% ITC were made with respect to 1978 and 1979. The Company expects to elect the additional ½% for 1980. As of September 30, 1980, 173,832 shares of Common Stock applicable to the ½% portion of the plan have been issued in trust.

The following amounts for which Common Stock had not been issued as of September 30, 1980 were recorded as a liability to ESOP for the periods shown:

	Year Ended December 31, 1979	3 Months Ended September 30, 1980	9 Months Ended September 30, 1980
1% ITC	\$ 7,934,000	\$1,155,000	\$3,810,000
½% ITC	3,971,000	578,000	1,905,000
Total	\$11,905,000	\$1,733,000	\$5,715,000

The 1978 and 1979 amounts are in excess of amounts utilized or to be utilized in the federal income tax returns for those years. If not utilized in future income tax returns, such ITC would expire in 1985 and 1986, respectively, in which event the Company would be allowed a tax deduction for the amounts contributed to the ESOP. Common Stock has been issued for the 1978 1% and ½% ITC.

SOUTHERN CALIFORNIA EDISON COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 7 — Long-Term Debt

A summary of long-term debt outstanding follows:

Series	Maturity	Interest Rate	(Thousands of Dollars)		
			September 30,		
			1979	1980	
First and Refunding Mortgage Bonds	G	1981	3% %	\$ 40,000	\$ 40,000
	H	1982	4¼	37,500	37,500
	I	1982	4¾	40,000	40,000
	J	1982	4¾	40,000	40,000
	K	1983	4% ⁵ / ₈	50,000	50,000
	L	1985	5	30,000	30,000
	M	1985	4¾	60,000	60,000
	N	1986	4½	30,000	30,000
	O	1987	4¼	40,000	40,000
	P	1987	4¼	50,000	50,000
	Q	1988	4¾	60,000	60,000
	R	1989	4¾	60,000	60,000
	S	1990	4½	60,000	60,000
	T	1991	5¼	75,000	75,000
	U	1991	6% ¹ / ₈	80,000	80,000
	V	1992	5% ¹ / ₈	80,000	80,000
	W	1993	6% ¹ / ₈	100,000	100,000
	X	1994	7% ¹ / ₈	75,000	75,000
	Y	1994	8% ¹ / ₈	100,000	100,000
	Z	1995	7% ¹ / ₈	100,000	100,000
	AA	1996	8	100,000	100,000
	BB	1997	7% ¹ / ₈	125,000	125,000
	CC	1999	8¼	100,000	100,000
	JDP	1999	7	15,030	15,030
	EE	1981	9	100,000	100,000
	FF	2000	8% ¹ / ₈	150,000	150,000
	GG	2001	8% ¹ / ₈	125,000	125,000
	HH	2002	8¼	125,000	125,000
	II	1984	7¼	75,000	75,000
	JJ	2003	9% ¹ / ₈	200,000	200,000
	KK	2004	9.95	105,000	105,000
	LL	1987	9% ¹ / ₈	—	50,000
	MM	2004	11¾	—	200,000
	NN	2005	15% ¹ / ₈	—	200,000
				2,427,530	2,877,530
First Mortgage Bonds (Callectic)	1980-1991	27% - 5% ¹ / ₈		66,000	60,000
Convertible Debentures	1980	3% ¹ / ₈		74,902	—
Promissory Notes	1979-1983	5½		14,217	10,576
Short-Term Debt					
Refinanced — Commercial Paper				50,000	—
Principal Amounts Outstanding				2,632,649	2,948,106
Current Maturities of Long-Term Debt				(84,544)	(43,548)
Unamortized Premium or (Discount) — net				(282)	(3,511)
Total Long-Term Debt				\$2,547,823	\$2,901,047

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 7 — Long-Term Debt (continued)

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

In September 1979, the Company entered into a financing agreement with certain foreign banks that permitted 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. There were no outstanding borrowings under the agreement through September 17, 1980. On September 18, 1980, as required by the agreement, the Company borrowed the entire \$50,000,000, bearing interest at a fixed rate of 9% per annum. The borrowings have been 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. Because the Company refinanced \$50,000,000 of short-term obligations through operation of the agreement, such amount was classified as long-term debt in the balance sheet at September 30, 1979.

Current maturities of long-term debt on September 30, 1980, include 5½% Promissory Notes Due February 27, 1981, in the amount of \$1,786,000 and Due August 31, 1981 in the amount of \$1,762,000 and First and Refunding Mortgage Bonds, Series G, Due April 15, 1981 (3%) in the amount of \$40,000,000. The amounts of long-term debt maturing in the four twelve-month periods subsequent to September 30, 1981 will be: \$221,025,000 in 1982; \$53,501,000 in 1983; \$83,000,000 in 1984; and \$96,000,000 in 1985.

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.

During November 1980, the Company plans to sell \$150,000,000 principal amount of First and Refunding Mortgage Bonds, Series OO, Due 2010.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 8 — Capital Stock

A summary of the capital stock accounts follows:

	September 30, 1980		(Thousands of Dollars)	
	Shares Out- standing	Redemp- tion Price Per Share	Stated Value — September 30,	
			1979	1980
Preferred Stock — Subject to Mandatory Redemption/ Repurchase Requirements (a) (b) (e):				
\$100 Cumulative Preferred — par value \$100 per share:				
7.325% Series	750,000	\$110.00	\$ 75,000	\$ 75,000
7.80% Series	600,000	110.00	60,000	60,000
8.54% Series	750,000	108.54	75,000	75,000
8.70% Series A	525,000	110.00	52,500	52,500
			<u>\$262,500</u>	<u>\$262,500</u>
Preference — par value \$25 per share:				
7.375% Series	2,480,000	25.75	\$ 62,000	\$ 62,000
Preferred Stock — Other:				
Original Preferred — 5%, prior, cumulative, partici- pating, not redeemable, authorized 480,000 shares, par value \$8½ per share	480,000		<u>\$ 4,000</u>	<u>\$ 4,000</u>
Cumulative Preferred — authorized 24,000,000 shares, par value \$25 per share (a):				
4.08% Series	1,000,000	\$ 25.50	\$ 25,000	\$ 25,000
4.24% Series	1,200,000	25.80	30,000	30,000
4.32% Series	1,653,429	28.75	41,336	41,336
4.78% Series	1,296,769	25.80	32,419	32,419
5.80% Series	2,200,000	25.65	55,000	55,000
8.85% Series	2,000,000	26.50	50,000	50,000
9.20% Series	2,000,000	27.25	50,000	50,000
\$100 Cumulative Preferred — authorized 6,000,000 shares, par value \$100 per share (a):				
7.58% Series	750,000	105.00	75,000	75,000
8.70% Series	500,000	111.00	50,000	50,000
8.96% Series	500,000	107.00	50,000	50,000
			<u>\$458,755</u>	<u>\$458,755</u>
Preference — authorized 10,000,000 shares, par value \$25 per share (a) (c):				
5.20% Convertible Series	859,890	25.00	\$ 28,927	\$ 21,497
\$100 Preference — authorized 2,000,000 shares, par value \$100 per share	—	—	<u>\$ —</u>	<u>\$ —</u>
Common Stock — authorized 140,000,000 shares, par value \$8½ per share, including additional stated capital (c) (d)	74,202,726		<u>\$568,967</u>	<u>\$658,971</u>

(a) All series of \$100 Cumulative Preferred Stock, Cumulative Preferred Stock and Preference Stock are redeemable at the option of the Company. The various series of the \$100 Cumulative Preferred Stock, 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. Authorized shares of Preferred Stock — Subject to Mandatory Redemption or Repurchase Requirements are included under Preferred Stock — Other.

SOUTHERN CALIFORNIA EDISON COMPANY

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 8 — Capital Stock (continued)

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

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

(1) Based upon 2.5% of shares originally outstanding and increasing to 3.5% by 2003.

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

(3) Commencing September 1, 1984, the Company is contractually obligated to offer to purchase annually 496,000 shares of Preference stock, 7.375% Series.

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

For each of the five 12-month periods subsequent to September 30, 1980, the aggregate mandatory redemption or repurchase requirements will be: none for 1981 through 1982, \$3,000,000 for 1983, \$4,500,000 for 1984 and \$18,212,500 for 1985.

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

	Preference Stock, 5.20% Convertible Series		3 1/2% Convertible Debentures, Due 1980	
	September 30,		September 30,	
	1979	1980	1979	1980*
Shares of Common Stock Reserved	850,791	661,453	2,024,380	—
Adjusted Conversion Price Per Share	\$34.00	\$32.50	\$37.00	—

* Redeemed on August 15, 1980.

- (d) At September 30, 1980, the authorized and unissued shares of Common Stock reserved for sale and issuance under provisions of the Company's stock purchase plans were as follows:

	Number of Shares
Dividend Reinvestment and Stock Purchase Plan	5,673,222 (1)
Employee Stock Purchase Plan	2,850,497 (2)
Employee Stock Ownership Plan	2,204,857 (3)
Total	10,728,576

(1) Includes 536,520 shares issued on November 3, 1980.

(2) Includes 232,510 shares issued on October 1, 1980.

(3) Includes 24,672 shares issued on October 1, 1980, 485,695 shares issued on October 10, 1980, and 22,116 shares issued on November 3, 1980.

- (e) On October 22, 1980, the Company issued and sold 750,000 shares of \$100 Cumulative Preferred Stock, 12% Series, at a price of \$100 per share.

SOUTHERN CALIFORNIA EDISON COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Note 9 — Jointly-Owned Electric Utility Plants

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

(Thousands of Dollars)

Facility	September 30, 1980			
	Electric Plant in Service	Estimated Accumulated Provision for Depreciation	Construction Work in Progress	Ownership Interest
Axis Generating Station	\$ 12,155	\$ 6,720	\$ 107	33.3%
800 KV DC System	67,837	15,969	42	50.0
El Dorado System	19,206	4,657	483	60.0*
Four Corners Generating Station	99,563	29,199	21,042	48.0
Mohave Generating Station	176,966	40,288	8,006	56.0
Palo Verde Nuclear Generating Station	—	—	341,588	15.8
San Onofre Nuclear Generating Station	168,536	46,409	1,840,191	80.0**
Solar Power Generating Station	—	—	4,973	80.0
Total	\$544,263	\$143,242	\$2,216,432	

*Represents a composite rate.

**On November 4, 1980, the Company completed the sale of a portion of San Onofre Units 2 and 3 to the Cities of Riverside and Anaheim, which reduced the Company's ownership interest to 76.55%.

Note 10 — Long-Term Contracts for the Purchase of Power

Under fixed contracts, the Company has agreed to purchase portions of the generating output of certain facilities. Although the Company has no investment in such facilities, these contracts provide that the Company pay certain minimum amounts (which are based at least in part on the debt service requirements of the supplier) whether or not the plant is operating. None of such contracts provides, or is expected to provide, in excess of five percent of the Company's current or estimated future operating capacity. The cost of power obtained under the contracts, including payments made when a plant is not operating, is included in Purchased Power in the Statements of Income. Information as of September 30, 1980 pertaining to such contracts is summarized in the following table:

	Navajo Layoff Agreement	Hoover Sales Agreement	Oroville-Thermalito Power Sale Agreement
Date of Expiration	January 1, 1985(1)	May 31, 1987(3)	April 1, 1983(4)
Share of Effective Operating Capacity	327.5MW(2)	331 MW	340 MW
Share of Energy Output	14.6%	7.9%	37.6%
Estimated Annual Cost	\$32,596,000	\$1,872,000	\$5,985,000
Portion of Estimated Annual Cost Applicable to Supplier's Annual Minimum Debt Service Requirement	\$ 1,976,000	\$ 456,000	\$5,234,000
Allocable Portion of Interest of Supplier Included in Annual Minimum Debt Service Requirement	\$ 535,000	\$ 88,000	\$4,601,000
Related Long-Term Debt or Lease Obligations Outstanding of Company	None	None	None

(1) The United States Bureau of Reclamation has given the Company notice that the Agreement will terminate on January 1, 1985.

(2) The Company has agreed to certain reductions in its share of effective operating capacity prior to the January 1, 1985 termination date.

(3) The Company has certain renewal rights under the existing agreement.

(4) The Company has obtained entitlement of 350 megawatts (MW) from April 1, 1983 through December 31, 2004, subject to termination upon five years' notice from the California Department of Water Resources.

SOUTHERN CALIFORNIA EDISON COMPANY

COMPUTATION OF FULLY DILUTED EARNINGS PER SHARE

(Thousands of Dollars)

	3 Months Ended September 30,		9 Months Ended September 30,		12 Months Ended September 30,	
	1979	1980	1979	1980	1979	1980
Net Income	\$ 98,822	\$ 88,427	\$ 253,682	\$ 247,041	\$ 339,137	\$ 323,578
Less: Preferred and Preference dividend requirements	13,917	15,124	39,773	45,428	52,349	60,622
Add: Original Pre- ferred dividends	308	326	902	979	1,171	1,306
Add: Convertible Preference dividend requirements	372	279	1,244	892	1,774	1,240
Add: Interest on 3½% Convertible Debentures	585	—	1,756	—	2,341	—
Less: Tax effect of interest on 3½% Convertible Debentures (a)	298	—	893	—	1,201	—
Adjusted amount available	<u>\$ 85,872</u>	<u>\$ 73,908</u>	<u>\$ 216,918</u>	<u>\$ 203,484</u>	<u>\$ 290,873</u>	<u>\$ 281,502</u>
Weighted average shares —						
Original Preferred	480,000	480,000	480,000	480,000	480,000	480,000
Common (b)	64,037,044	74,126,434	63,575,913	71,994,063	62,906,556	70,315,253
Common shares reserved for con- version of:						
3½% Convertible Debentures	2,024,380	—	2,024,380	—	2,024,380	—
Preference Stock, 5.20% Con- vertible Series	850,791	661,453	850,791	661,453	850,791	661,453
Total weighted aver- age shares	<u>67,392,215</u>	<u>75,267,887</u>	<u>66,931,084</u>	<u>73,135,516</u>	<u>66,261,727</u>	<u>71,456,706</u>
Fully diluted earnings per share (c)	\$1.27	\$.98	\$3.24	\$2.78	\$4.39	\$3.94
(a) Composite tax rate	50.86%	—	50.86%	—	51.32%*	—

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

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

* Weighted average due to the reduction in the federal statutory tax rate from 48% to 46% effective January 1, 1979.

Exhibit A

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Federal Energy Regulatory Commission ("FERC") Proceedings

For a discussion of FERC proceedings, see "Resale revenues" in Note 2 of "Notes to Financial Statements."

This item was previously reported on Form 10-K for the year ended December 31, 1979 and Form 10-Q for the quarters ended March 31 and June 30, 1980.

California Public Utilities Commission ("CPUC") Rate Proceedings

General Rate Matters

In December 1979, the Company filed with the CPUC a general rate application designed to increase annual revenues by approximately \$340,000,000 which, under various assumptions made at the date of filing, would afford the Company a reasonable opportunity to earn an average rate of return on common equity of 15% and on rate base of 10.78% for the 1981-82 period. General rate relief procedures and the two-year cycle adopted by the CPUC in authorizing general rate increases, called for estimates regarding the level of revenues, sales and expenses during 1981 as well as consideration of increases in costs expected to occur in 1982 for purposes of determining an attrition allowance. A recent Company comparison of the assumptions made in its rate filing submitted in 1979 with its most current projections regarding levels of sales, revenues and certain expense items for the 1981-82 period based on more recent experience, reveals that there is a need for between \$80 and \$100 million of additional revenues in 1981 not requested by the Company's application and which, together with an appropriate attrition allowance would be necessary to achieve the requested rate of return. The Company has urged the CPUC to consider these later projections when acting upon the Company's request for \$340,000,000 of rate relief. Additional hearings have been set to commence November 18, 1980 to receive further evidence on limited issues. The Company presently expects that the CPUC will issue a decision in December 1980, authorizing new rates to go into effect on January 1, 1981.

Energy Cost Adjustment Clause ("ECAC") Filings

The Company's ECAC, adopted by the CPUC in 1976, provides for adjustments in rates, subject to CPUC approval, to reflect changes in energy costs. Under the ECAC procedure, a balancing account has been established in which energy costs above or below those used in establishing rates are accumulated, and the accumulated amount is reflected in succeeding rate adjustments. The balance in the ECAC balancing account, representing accumulated net undercollections and accrued interest, was \$38,100,000 at September 30, 1980.

Effective May 20, 1980, the CPUC authorized an increase in the Company's revenues under ECAC of approximately \$560,000,000 on an annual basis. The Company reduced its original request for a \$740,600,000 increase to \$666,600,000 during public hearings as a result of lower than expected undercollections in the balancing account and the Company's conversion from bi-monthly to monthly billing. The CPUC further reduced the requested increase due to availability of greater quantities of natural gas and purchased power than anticipated in the filing. These hearings also considered the imposition of a system of incentives applicable to the Company's coal-fired plants and whether the Company should be allowed to recover \$35,000,000 included in the ECAC balancing account balance and deferred by an earlier CPUC decision. A CPUC decision concerning these matters has not yet been rendered. The Company and the CPUC staff, the only parties presenting direct evidence, both recommended that the Company be allowed to recover the entire \$35,000,000 previously deferred.

On July 23, 1980, the Company made a filing proposing a reduction in ECAC rates, to be effective September 1, 1980, of approximately \$236,300,000 on an annual basis, which amount gives effect to the \$35,000,000 previously deferred. Also, the Company proposed a modification in the ECAC to reflect in the balancing account carrying costs associated with fuel oil inventory levels in excess of \$50,000,000 above or below the CPUC authorized level of inventory then in effect. A final decision concerning this filing has not yet been rendered although the CPUC issued an interim decision on October 8, 1980 authorizing the full amount of the requested reduction.

On November 10, 1980, the Company made a further filing proposing a reduction in ECAC rates, to be effective January 1, 1981, of approximately \$193,800,000 on an annual basis. Hearings on this filing have not yet been scheduled.

For a discussion of ECAC, see "Energy cost adjustment clause" in Note 2 of "Notes to Financial Statements."

This item was previously reported on Form 10-K for the year ended December 31, 1979 and Form 10-Q for the quarters ended March 31 and June 30, 1980.

Environmental Litigation and Administrative Proceedings

Four Corners Project

The Four Corners Generating Station ("Four Corners") is a coal-fired, steam-electric power plant located in New Mexico, consisting of five generating units operated by Arizona Public Service Company ("APS"). Units 4 and 5, with 1,600 MW of capacity, are jointly owned. The Company's share of these units is 48%, or 768 MW of capacity.

The current New Mexico sulfur dioxide (" SO_2 ") emission rule requires that Units 4 and 5 achieve a 67.5% removal rate by December 1982. This rule has been approved by the Environmental Protection Agency ("EPA") as part of the State Implementation Plan in accordance with the Clean Air Act.

Substantial disagreement between APS and the New Mexico regulatory agencies, along with environmental groups, concerning the interpretation of a 1978 settlement agreement regarding the degree of SO_2 removal required by such rule resulted in litigation. On August 21, 1980, a settlement agreement was entered by the New Mexico state court as final judgment in the litigation. The terms of the settlement agreement contemplate the adoption of a new SO_2 rule which will require that Units 4 and 5 achieve a 72% removal rate by December 1984. The settlement agreement is conditioned on approval of the new rule by the New Mexico Environmental Improvement Board ("Board") and the EPA prior to August 30, 1981. The Board has scheduled a hearing on the new rule for November 20, 1980. Because the December 31, 1982 compliance date in the existing rule and certain interim dates set out in an existing compliance schedule do not allow for an orderly progression of design, procurement, and construction of the equipment needed for compliance, Four Corners will remain subject to the possibility of non-compliance penalties or unit shut down for SO_2 violations until the new regulation is approved by the State and Federal regulatory bodies. The recent settlement agreement does not assure approval of the new rule.

Installation of the SO_2 removal equipment which would be required by the new rule will be in addition to the installation of the equipment now being constructed to meet the requirements of the New Mexico particulate emissions rule. APS has estimated that the cost for control of both pollutants will be \$540,000,000. The Company's share of such estimated costs is approximately \$260,000,000.

This item was previously reported on Form 10-K for the year ended December 31, 1979 and Form 10-Q for the quarters ended March 31 and June 30, 1980.

Oxides of Nitrogen Rules

All of the Company's conventional oil- and gas-fueled generating plants, which are located in the South Coast Air Basin, are subject to oxides of nitrogen rules ("NOx Rules") promulgated by the Air Resources Board ("ARB") for the South Coast Air Quality Management District ("SCAQMD") and the Ventura County Air Pollution Control District. The NOx Rules are designed to achieve a 90% reduction in NOx emissions from conventional generating units by January 1, 1990.

The NOx Rules could require the Company to make substantial expenditures (\$1.3 billion in 1981 dollars) for pollution control equipment designed to effect a 90% reduction in NOx emissions. The ARB conducted a hearing on November 5 and 6, 1980 to reconsider the NOx rules, which hearing is scheduled to reconvene November 13, 1980. In response to a law suit filed by the Company challenging the ARB's adoption process, the technical feasibility of compliance, and the associated environmental impacts, the Los Angeles County Superior Court halted implementation of the rules and ordered the ARB to appear on December 3, 1980 to show cause why its NOx Rules should not be vacated.

This item was previously reported on Form 10-K for the year ended December 31, 1979 and Form 10-Q for the quarters ended March 31 and June 30, 1980.

Alamitos and Redondo Generating Stations

In April 1979, the Company stipulated to an order with the SCAQMD to implement measures designed to prevent further emissions of particulates near the Company's Alamitos and Redondo Generating Stations. Compliance with the order will involve the expeditious refitting of certain of the power plants' machinery and equipment with more corrosion-resistant materials, use of fuel additives and the early implementation of specific stack washing and boiler cleaning techniques. The total estimated cost of compliance for both stations is approximately \$21,000,000.

The Company has undertaken a study to determine the health effects of fuel additives as required by the order. Study results will be used, among other things, as a basis to determine the acceptability of fuel additives as a fallout abatement measure. According to a recent modification of the order, further control requirements could be thereafter required for Redondo, which requirements could be appealed to the SCAQMD Hearing Board.

The Company will conduct a final test of the above particulate reduction measures in the winter of 1981-82 for Alamitos and approximately one year later for Redondo and submit the data to the SCAQMD for consideration. If the implemented measures are acceptable to the SCAQMD, the order will be lifted in April 1982 for Alamitos and in April 1983 for Redondo. The Company would then be required to maintain the effectiveness of such measures.

This item was previously reported on Form 10-K for the year ended December 31, 1979.

Fair Employment Practices Matters

For a discussion of fair employment practices matters, see "Legal Matters" in Note 2 of "Notes to Financial Statements."

This item was previously reported on Form 10-K for the year ended December 31, 1979.

Item 5. Increase in Amount Outstanding of Securities or Indebtedness.

	<u>Number of Shares</u>	<u>Amount (Aggregate Par Value)</u>
\$100 Cumulative Preferred Stock Outstanding as of September 30, 1980	4,375,000	\$437,500,000
Add: \$100 Cumulative Preferred Stock, 12% Series, Issued October 22, 1980	<u>750,000</u>	<u>75,000,000</u>
\$100 Cumulative Preferred Stock Outstanding to Date	<u>5,125,000</u>	<u>\$512,500,000</u>

Pursuant to an Underwriting Agreement dated October 15, 1980 between the Company and Salomon Brothers and E. F. Hutton & Company Inc. as representatives of a group of 78 underwriters (none of whom were affiliates of the Company), the Company, on October 22, 1980, issued and sold 750,000 shares of \$100 Cumulative Preferred Stock, 12% Series ("New Stock") at a price of \$100 per share to such underwriters. The net proceeds to the Company before the deduction of expenses payable by the Company, estimated at \$200,000, were \$74,175,000.

The net proceeds were used by the Company:

(a) to reimburse the Company for a portion of its construction program, exclusive of maintenance of service and replacements. The amounts so reimbursed became a part of the general treasury funds of the Company. The Company used a portion of such treasury funds to repay a portion of its outstanding short-term debt, which aggregated approximately \$355,000,000 at the time of the receipt of the proceeds from the sale of the New Stock.

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

A Registration Statement covering the New Stock was filed under the Securities Act of 1933 on Form S-16 under File No. 2-69271 on September 25, 1980, and a First Amendment to said Registration Statement was filed on October 15, 1980, and became effective on October 15, 1980.

The gross proceeds of \$75,000,000 were credited to the appropriate capital share account.

Item 8. Other Materially Important Events.

Nuclear power developments

As a result of evaluations of the accident at Three Mile Island Nuclear Power Plant ("TMI"), the Nuclear Regulatory Commission ("NRC") required a review of the design and operating procedures of all operating nuclear power plants.

San Onofre Unit 1 has been operating under a provisional operating license since 1968. Although Unit 1 is different in design from TMI, the Company has been ordered to implement certain design and operating procedure changes to allow continued operations. Pursuant to NRC order, the Company removed Unit 1 from service from January 26, 1980 to February 10, 1980 to perform certain required design changes. Additional design changes have been and are being implemented during an outage which began on April 9, 1980. The Company presently expects to remove Unit 1 from service again in early 1981 to perform remaining currently required design changes. The Company's share of the total cost of TMI related modifications to Unit 1 is currently estimated at \$20,000,000, which cost was included in the funds required for construction expenditures appearing in its Form 10-K for the year ended December 31, 1979 estimated as of February 22, 1980.

Inspection of the steam generators during this shutdown revealed deterioration of a number of the steam generator tubes. A proposed remedy is being developed with the steam generator manufacturer which employs insertion of sleeves into affected tubes. The Company presently expects that Unit 1 will return to service in December 1980; however, the return of Unit 1 to service is subject to successful completion and NRC approval of the remedial modification being made. The Company's cost of such modification is expected to be approximately \$20,000,000. The Company anticipates adequate generating capacity will be available from other generating resources during the Unit 1 shutdowns.

San Onofre Units 2 and 3, which are currently under construction, will also require certain design modifications as a result of the TMI accident. The Company's cost of such modifications is currently estimated at \$24,000,000, which cost was included in the funds required for construction expenditures appearing in its Form 10-K for the year ended December 31, 1979, estimated as of February 22, 1980. The Company believes that currently required modifications can be accomplished without delaying the construction of such Units. However, because of slowed administrative procedures in processing licenses by the NRC staff, the completion and operation dates of the Units have been rescheduled to the second and fourth quarters of 1981, respectively, for Unit 2 and to the third quarter of 1982 and the first quarter of 1983, respectively, for Unit 3. The Company estimates that the delays have increased its share of the total project cost for the Units by approximately \$112,000,000, resulting primarily from the cost of carrying money invested in the project for the longer period. Construction of Units 2 and 3 was temporarily halted from October 8, 1980 to October 31, 1980 by a work stoppage involving a dispute with the International Brotherhood of Boilermakers. A tentative settlement with the boilermakers has resulted in removal of the picket lines, allowing construction work to resume. The boilermakers will not return to work until the settlement has been ratified; such ratification is expected by mid-November. The Company cannot predict what effect, if any, this strike or a further work stoppage will have on its scheduled completion of such Units.

The Company expects to receive approximately \$90,000,000 in November 1980 from the sale of an undivided 3.45% interest in San Onofre Units 2 and 3 to two of its resale customers. The Company will retain a 76.55% interest in such Units.

Although higher energy costs will be incurred for alternative generating capacity during the periods that these units are not in operation, such costs will be included in future ECAC filings. The Company cannot predict what other effects, if any, including legislative or regulatory actions, the TMI accident may have upon it or upon the construction, licensing or future operation of its San Onofre Units or the extent of any additional costs it may incur as a result thereof.

Capital requirements and generation mix

The Company's projection of funds needed for construction expenditures appearing in its Form 10-K for the year ended December 31, 1979, has been modified to reflect the Company's plans to obtain increased quantities of purchased power, the deferral of two generation projects and the addition of \$174,000,000 of expenditures for the reduction of sulfur dioxide emissions from the coal-fired Four Corners Generating Station.

The Company presently anticipates that it will need approximately 6,000 megawatts ("MW") of additional energy resources to serve its projected customer needs through 1990. Approximately 2,300 MW of new nuclear generating facilities are under construction (San Onofre Units 2 and 3 and Palo Verde Units 1, 2 and 3), and the Company plans to purchase approximately 1,400 MW of energy from sources outside its service territory. On October 17, 1980, the Company announced its intent to pursue the accelerated development of alternative and renewable energy resources (i.e. wind, geothermal, solar, fuel cells, hydroelectric and

co-generation) to meet a portion of its future energy resource requirements. The Company's present goal is to obtain substantially all of its remaining energy resource requirements from alternative and renewable energy resources. However, because the Company cannot presently predict with certainty its rate of growth of megawatt demand and the timeliness of the development of new technologies, it is continuing to pursue conventional coal-fueled energy generation resources.

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

Item 9. Exhibits and Reports on Form 8-K.

(a) Exhibits

4. The following exhibit has heretofore been physically filed with the Securities and Exchange Commission (specified document and file number noted) and is incorporated herein by reference pursuant to Rule 12b-23:
 - (a) Certificate of Determination of Preferences of the \$100 Cumulative Preferred Stock, 12% Series (Form S-16, File No. 2-69271, effective October 15, 1980)
11. Statement re: Computation of Fully Diluted Earnings Per Share (see Exhibit A to Part I on Page 25).

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SOUTHERN CALIFORNIA EDISON COMPANY
(Registrant)

By H. FRED CHRISTIE
H. Fred Christie
Executive Vice President
and Chief Financial Officer

By R. W. SCOFIELD
R. W. Scofield
Assistant Comptroller

November 10, 1980

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report appearing in the Quarterly Report on Form 10-Q for the period ended September 30, 1980 of Southern California Edison Company in the Registration Statement on Form S-16 which became effective on April 7, 1980 (File No. 2-66939).

ARTHUR ANDERSEN & CO.

November 10, 1980

PROSPECTUS



8,000,000 Shares

Southern California Edison Company
Common Stock
(\$8 $\frac{1}{3}$ par value)

The outstanding shares of Common Stock are, and the shares offered hereby will be, listed on the New York and Pacific Stock Exchanges. The reported last sale price of the Common Stock on the New York Stock Exchange on January 22, 1981, was \$24 $\frac{3}{8}$ per share.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions (1)	Proceeds to Company (2)
Per Share	\$24.375	\$0.83	\$23.545
Total	\$195,000,000	\$6,640,000	\$188,360,000

- (1) The Company has agreed to indemnify the several Underwriters against certain civil liabilities, including liabilities under the Securities Act of 1933.
- (2) Before deduction of expenses payable by the Company estimated at \$280,000.

The Common Stock is offered by the several Underwriters named herein when, as and if received and accepted by them, subject to their right to reject orders in whole or in part and subject to certain other conditions. It is expected that delivery of the shares will be made in Los Angeles, California, on or about January 29, 1981.

Dean Witter Reynolds Inc.

Blyth Eastman Paine Webber
Incorporated

E. F. Hutton & Company Inc.

Merrill Lynch White Weld Capital Markets Group

Merrill Lynch, Pierce, Fenner & Smith Incorporated

January 22, 1981

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK AND PACIFIC STOCK EXCHANGES, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

AVAILABLE INFORMATION

Southern California Edison Company ("Company") is subject to the informational requirements of the Securities Exchange Act of 1934 ("Exchange Act") and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission ("Commission"). Such reports, proxy statements and other information on file can be inspected and copied at the offices of the Commission at Room 6101, 1100 L Street, N.W., Washington, D.C.; Room 1204, Everett McKinley Dirksen Building, 219 South Dearborn Street, Chicago, Illinois; Room 1102, Federal Building, 26 Federal Plaza, New York, New York; and Suite 1710, Tishman Building, 10960 Wilshire Boulevard, Los Angeles, California. Copies of this material can also be obtained at prescribed rates from the Commission at its principal office at 500 North Capitol Street, N.W., Washington, D.C. 20549. Certain securities of the Company are listed on the New York, American and Pacific Stock Exchanges. Reports, proxy statements and other information concerning the Company can be inspected at the respective offices of these exchanges at Room 401, 20 Broad Street, New York, New York; 86 Trinity Place, New York, New York; and 115 Sansome Street, San Francisco, California.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed with the Commission by the Company are incorporated by reference in this Prospectus:

1. Annual Report on Form 10-K for the year ended December 31, 1979.
2. Quarterly Report on Form 10-Q for the period ended March 31, 1980.
3. Quarterly Report on Form 10-Q for the period ended June 30, 1980.
4. Quarterly Report on Form 10-Q for the period ended September 30, 1980.
5. Definitive Proxy Statement dated March 5, 1980 for the Company's Annual Meeting of Shareholders held on April 17, 1980.

All documents filed by the Company pursuant to Sections 13, 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the New Common Stock covered by this Prospectus shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the date of filing such documents.

The Company hereby undertakes to provide without charge to each person to whom a copy of this Prospectus has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference in this Prospectus other than exhibits to such documents. Written requests for such copies should be directed to: Southern California Edison Company, P.O. Box 800, Rosemead, California 91770, Attention: Vice President and Treasurer.

No dealer, salesman or other person has been authorized to give any information or to make any representation other than as contained herein and, if given or made, such information or representation must not be relied upon as having been authorized by the Company or any Underwriter. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstance create any implication that there have been no changes in the affairs of the Company since the date hereof. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the New Common Stock in any state to any person to whom it is unlawful to make such offer or solicitation in such state.

SELECTED INFORMATION

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Prospectus, including the documents incorporated by reference in this Prospectus.

THE OFFERING

Issuer	Southern California Edison Company
Issue	8,000,000 Shares of Common Stock
Estimated Number of Shares of Common and Original Preferred Stock Outstanding after the Offering	84,000,000
Listed (Symbol: SCE)	New York and Pacific Stock Exchanges
Price Range (composite) from January 1, 1980 through January 21, 1981	\$27 $\frac{3}{4}$ — \$20 $\frac{1}{4}$

THE COMPANY

Customers (December 31, 1980)	3,164,000
Total Area Operating Capacity — Summer Rating (Kilowatts) (December 31, 1980)	15,504,000
Kilowatt-Hour Sales (1980)	59,915,187,000
Funds Required for Construction Expenditures (1981-1985)	\$4,135,000,000
Energy Sources (1980)	Natural Gas 30% ; Oil 28% ; Coal 12% ; Hydroelectric 9% ; Nuclear 1% ; Pur- chased Power 20%

FINANCIAL INFORMATION

(Dollars in Thousands Except Per Share Data)

	Year Ended December 31,				
	1976	1977	1978	1979	1980
					(Unaudited)
Income Statement Data:					
Total Operating Revenues	\$1,846,540	\$2,064,914	\$2,328,798	\$2,563,974	\$3,661,117
Operating Income	307,140	330,722	324,601	384,996	372,134
Net Income	226,798	251,979	251,683	346,219	317,536
Earnings Available for Common and Original Preferred Stock	185,047	206,330	202,226	292,481	256,586
Primary Earnings Per Share	\$3.80	\$3.80	\$3.52	\$4.56	\$3.50
Fully Diluted Earnings Per Share	\$3.61	\$3.63	\$3.38	\$4.39	\$3.48
Dividends Declared Per Common Share	\$1.68	\$2.06	\$2.30	\$2.60	\$2.84

Current Indicated Annual Dividend Rate Per Common Share — \$2.96

Book Value Per Common Share at December 31, 1980 — \$33.19

	Outstanding December 31, 1980	As Adjusted*	
		Amount	Percent
Capitalization (Unaudited):			
Long-Term Debt	\$3,089,372	\$3,089,372	46.1%
Preferred and Preference Stock	882,152	882,152	13.2
Common Equity	2,529,577	2,724,577	40.7
Total Capitalization	\$6,501,101	\$6,696,101	100.0%

* Gives effect to the proposed issuance of the New Common Stock.

THE COMPANY

The Company, incorporated in 1909 under California law, 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 mailing address and telephone number of the Company are, respectively, P.O. Box 800, Rosemead, California 91770 and (213) 572-1212.

USE OF PROCEEDS AND CONSTRUCTION PROGRAM

The net proceeds from the sale of 8,000,000 shares of Common Stock (the "New Common Stock") will be used to reimburse the Company for a portion of its construction expenditures. The amounts so reimbursed will become a part of the general treasury funds of the Company and will be used to repay its outstanding short-term debt expected to aggregate approximately \$205,000,000 at the time of receipt of the proceeds from the sale of the New Common Stock.

Funds used by the Company for construction expenditures totaled \$567,831,000 in 1978, \$674,147,000 in 1979 and \$781,510,000 in 1980. Construction expenditures for the 1981-1985 period are currently estimated as follows:

	(Dollars in Millions)					
	1981	1982	1983	1984	1985	Total
Electric generating plants	\$ 831	\$ 629	\$ 478	\$ 360	\$ 475	\$2,773
Electric transmission lines and substations	103	60	141	189	129	622
Electric distribution lines and substations	213	239	258	287	319	1,316
Other expenditures	42	20	29	23	16	130
Total construction additions	1,189	948	906	859	939	4,841
Less allowance for funds used during construction	236	180	100	90	100	706
Funds required for construction expenditures	<u>\$ 953</u>	<u>\$ 768</u>	<u>\$ 806</u>	<u>\$ 769</u>	<u>\$ 839</u>	<u>\$4,135</u>

Approximately 50% of the total electric generating plant expenditures for the years 1981 through 1985 are related to the construction of new nuclear units at San Onofre and Palo Verde. The Company's share of the total cost of construction for these units is estimated to be \$2.6 billion and \$1.0 billion, respectively, of which \$1,835,000,000 and \$367,000,000, respectively, had been expended through December 31, 1980.

The above estimates of funds required for construction expenditures include increases over the Company's previous estimates resulting from the impact of inflation, higher costs for distribution lines and related equipment, delays in the projected operation dates of the new nuclear units at San Onofre, the Company's plans to obtain increased quantities of purchased power, the deferral of two generation projects and the addition of \$174,000,000 of expenditures for the reduction of sulfur dioxide emissions from the coal-fired Four Corners Generating Station.

The Company presently anticipates that it will need approximately 6,000 megawatts ("MW") of additional energy resources to serve its projected customer needs through 1990. Approximately 2,300 MW of new nuclear generating facilities are under construction (San Onofre Units 2 and 3 and Palo Verde Units 1, 2 and 3), and the Company plans to purchase approximately 1,400 MW from sources outside its service territory. In October 1980, the Company announced its intent to pursue the accelerated development of alternative and renewable energy resources (i.e. wind, geothermal, solar, fuel cells, hydroelectric and co-generation) to meet a portion of its future energy resource requirements. The Company's present goal is to obtain substantially all of its remaining energy resource requirements from alternative and renewable energy resources. However, because the Company cannot presently predict with certainty its rate of growth of megawatt demand and the timeliness of the develop-

ment of new technologies, it is continuing to pursue conventional coal-fueled energy generation resources.

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

FINANCING PROGRAM

To finance its construction program as shown in the preceding table for the five years through 1985, and to meet long-term debt maturities and preferred stock sinking fund requirements aggregating \$529,536,000 during such years, the Company estimates that approximately \$2.8 billion will be required from external sources. The balance of funds required for those purposes is expected to be obtained from internal sources.

The Company's estimates of funds available from internal sources assume the receipt of adequate and timely general rate relief, the timely inclusion of the new San Onofre Units and the Palo Verde Units in its rate base and the realization of its assumptions regarding cost increases, including the cost of capital. The Company's estimates and underlying assumptions are subject to continuous review and periodic revision.

COMMON STOCK DIVIDENDS AND PRICE RANGE

The Company has paid dividends on its Common Stock in each year since its incorporation in 1909 and cash dividends have been paid quarterly since 1910. The 1980 fourth quarter dividend of \$.74 per common share payable to shareholders of record as of January 5, 1981 will not be received by purchasers of the New Common Stock. The following rates have been paid quarterly on January 31, April 30, July 31 and October 31 for each of the periods set forth below:

	Quarterly Rate Per Share
April 30, 1974 through January 31, 1977	\$.42
April 30, 1977 through October 31, 1977	.50
January 31, 1978 through October 31, 1978	.56
January 31, 1979 through July 31, 1979	.62
October 31, 1979 through July 31, 1980	.68
October 31, 1980 (current rate)	.74

The Company advised its shareholders that 76% of the dividends paid on its Common Stock in 1979 constituted a return of capital for federal income tax purposes. This resulted primarily from the recognition of certain income and expense items, especially fuel, in different periods for financial accounting and income tax purposes. During 1978 and 1979 significant amounts of fuel costs were deferred for financial statement purposes under the Company's energy cost adjustment clause ("ECAC"), but were deducted for tax purposes. Recent modifications of the ECAC procedures should alleviate the impact of these timing differences. No portion of the Company's 1980 dividend paid on its Common Stock is expected to constitute a return of capital for federal income tax purposes. Because of the many uncertainties pertaining to 1981, it is not possible at this time to make a reasonable estimate of the return of capital portion, if any, of the 1981 Common Stock dividend.

The Company has a Dividend Reinvestment and Stock Purchase Plan that permits common stockholders to reinvest their dividends, and to invest optional cash payments up to \$5,000 per quarter, in newly-issued shares of Common Stock. Under such Plan, the purchase price of the shares is 95% in the case of reinvested dividends, and 100% in the case of optional payments, of the average of the high and low sales prices on the New York Stock Exchange on the dividend payment date.

The Common Stock of the Company is listed on the New York and Pacific Stock Exchanges. The reported high and low sale prices per share for the periods indicated were as follows (prices are as reported on a composite basis in the Western Edition of The Wall Street Journal):

	1979		1980		1981*	
	High	Low	High	Low	High	Low
First Quarter	\$27 ³ / ₈	\$25 ⁵ / ₈	\$24 ⁷ / ₈	\$20 ¹ / ₄	\$26 ¹ / ₄	\$24 ¹ / ₈
Second Quarter	27 ¹ / ₄	24 ¹ / ₄	27 ³ / ₄	21 ⁵ / ₈		
Third Quarter	26 ⁷ / ₈	25 ¹ / ₄	26 ¹ / ₄	24 ¹ / ₈		
Fourth Quarter	26 ¹ / ₂	23 ¹ / ₂	26 ⁷ / ₈	23 ¹ / ₈		

* Through January 21, 1981.

For a recent price of the Common Stock, see the cover page.

FINANCIAL INFORMATION

Unaudited results for the year ended December 31, 1980 reflect total operating revenues of \$3,661,117,000, earnings available for common and original preferred stock of \$256,586,000 and primary earnings per share of \$3.50 as compared with total operating revenues of \$2,563,974,000, earnings available for common and original preferred stock of \$292,481,000 and primary earnings per share of \$4.56 for the year ended December 31, 1979. Unaudited results for the fourth quarter of 1980 reflect earnings available for common and original preferred stock of \$53,994,000 and primary earnings per share of \$.71 as compared with earnings available for common and original preferred stock of \$77,671,000 and primary earnings per share of \$1.19 for the fourth quarter of 1979.

Although operating revenues for the year ended December 31, 1980 increased by \$1,097,143,000 over 1979 (primarily as a result of higher ECAC revenues which were offset by increased energy costs), earnings available for common and original preferred stock declined by \$35,895,000. This decrease, which occurred in a year between general rate cases, was primarily attributable to increases in operation expenses, maintenance expenses and interest charges, which more than offset an increase of \$43,721,000 in the non-cash allowance for funds used during construction, an increase of \$11,193,000 in other income (primarily non-cash interest income related to undercollections in the ECAC balancing account) and a decrease of \$68,448,000 in taxes on income. Of the \$1.06 decrease in primary earnings per share for the year ended December 31, 1980, approximately \$.56 was attributable to the decline in earnings available for common and original preferred stock and approximately \$.50 was attributable to the dilutive effect of the issuance of additional shares of Common Stock.

RECENT DEVELOPMENTS

California Public Utilities Commission ("CPUC") Rate Proceedings

General Rate Matters

In December 1979, the Company filed with the CPUC a general rate application designed to increase annual revenues by approximately \$340,000,000 based on a 1981 test year which, under various assumptions made at the date of filing, would have afforded the Company a reasonable opportunity to earn an average rate of return on common equity of 15% for the 1981-82 period. On December 30, 1980, the CPUC issued a general rate decision which authorized new rates effective January 1, 1981 designed to increase the Company's revenues

by approximately \$294,000,000 annually. The CPUC decision also authorized a general rate increase effective January 1, 1982 designed to produce additional annual revenues of approximately \$92,000,000 to offset higher operating and capital costs expected to be incurred in the year following the 1981 test year. The CPUC decision is designed to enable the Company to earn a 14.95% rate of return on common equity. The decision also provides that, should actual base rate revenues exceed authorized base rate revenues, the excess revenues will be subject to refund.

Energy cost adjustment clause

The Company's ECAC, adopted by the CPUC in 1976, provides for adjustments in rates, subject to CPUC approval, to reflect changes in energy costs. Under the ECAC procedure, a balancing account has been established in which energy costs above or below those used in establishing rates have been accumulated, and the accumulated amount has been reflected in succeeding rate adjustments.

Effective May 20, 1980, the CPUC authorized an increase in the Company's revenues under ECAC of approximately \$560,000,000 on an annual basis. As a result, ECAC undercollections experienced in 1978 and 1979, together with interest, were fully recovered in 1980. On December 31, 1980, the balance in the ECAC balancing account, representing net overcollections and accrued interest, was \$38,076,000.

On October 8, 1980, the CPUC issued an interim decision approving a Company filing providing for a reduction in revenues under the ECAC of approximately \$236,300,000 on an annual basis, including recovery of \$35,000,000 in the ECAC balancing account which had been deferred by an earlier CPUC decision. A final decision on this matter has not yet been rendered. On December 30, 1980, the CPUC approved a further annual reduction in ECAC revenues of approximately \$194,000,000.

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

Resale Rates

Pursuant to Federal Energy Regulatory Commission ("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.

An August 1, 1979 FERC decision affirmed the August 4, 1974 rate increase with respect to cost of service. The decision provided that the rate increase remain subject to refund pending resolution of an anti-competitive "price squeeze" issue raised by intervenors. On May 23, 1980, the FERC Administrative Law Judge granted the Company's motion for summary disposition in the "price squeeze" proceedings relating to the August 4, 1974 rate increase. The intervenors and the FERC staff have filed exceptions to the Administrative Law Judge's ruling with the FERC.

An 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 increase in revenues. Revenues billed in excess of the revised cost of service had previously been deferred and the related interest accrued. Both the Company and certain intervenors petitioned for a rehearing which was denied on March 20, 1980 by the FERC. The August 22, 1979 decision also found

that the Company's resale customers had established a prima facie case of a "price squeeze" and provided that the case would be remanded to an Administrative Law Judge for hearings to determine the extent of such "price squeeze," if any, with respect to the filed revised rates. If a "price squeeze" is determined to exist, a further rate reduction may be imposed which could result in additional refunds. Both the Company and intervenors have filed petitions with the Court of Appeals for review of the August 22, 1979 decision.

At December 31, 1980, approximately \$473,100,000 had been billed subject to refund. The Company believes that any amounts which the FERC may require the Company to refund as a result of the above proceedings should not have a material financial effect on the Company.

The FERC decisions could adversely affect the pending antitrust litigation instituted in federal district court on March 2, 1978 by five of the Company's resale customers. Plaintiffs seek, among other relief, damages in excess of \$23,000,000, consequential damages and a trebling of such damages. However, these proceedings involve complex issues of law and fact, and the Company is unable to predict their final outcome or the possible effect of the FERC decisions on the district court case. Although the Company categorically denies the allegations of these resale customers, a judicial decision awarding substantially the relief requested could have a material adverse effect on the Company.

In December 1980, the Company filed an application with the FERC requesting an increase in resale rates designed to generate \$18,600,000 in revenues. This increase is expected to become effective, subject to refund, by mid-year 1981.

Nuclear Power Developments

As a result of evaluations of the accident at Three Mile Island Nuclear Power Plant ("TMI"), the Nuclear Regulatory Commission ("NRC") required a review of the design and operating procedures of all operating or planned nuclear power plants.

San Onofre Unit 1 has been operating under a provisional operating license since 1968 and the Company's share of its capacity is 349 MW. Although Unit 1 is different in design and manufacture from TMI, the Company has been ordered to implement certain design and operating procedure changes to allow continued operations. Pursuant to NRC order, the Company removed Unit 1 from service from January 26, 1980 to February 10, 1980 to perform certain required design changes. Additional design changes have been and are being implemented during an outage which began on April 9, 1980. The Company presently expects these design changes to be completed concurrently with the steam generator sleeving work described below. The Company's share of the total cost of TMI-related modifications to Unit 1 is currently estimated at \$20,000,000.

Inspection of the steam generators during the current shutdown revealed deterioration of a number of the steam generator tubes. A remedy has been developed with the steam generator manufacturer which employs insertion and welding of sleeves into affected tubes. The remedy has received tentative approval by the NRC subject to final inspection. Although implementation of the sleeve insertion and welding process has encountered some technical problems, the Company presently anticipates that the Unit can be returned to service in the second quarter of 1981. The Company's share of the cost of the sleeving work is expected to be approximately \$32,000,000. If the current sleeving remedy is unsuccessful, the implementation of alternative remedies could involve significant additional expenditures. The Company anticipates adequate generating capacity will be available from other generating resources during the Unit 1 shutdown.

San Onofre Units 2 and 3, which are currently under construction, will also require certain design modifications as a result of the TMI accident. The Company's cost of such modifications is currently estimated at \$24,000,000. The Company believes that currently required modifications could be accomplished without delaying the construction of such Units. However,

because of slowed administrative processing of license applications by the NRC subsequent to TMI, the Company now projects a further delay in the operation date of Unit 2 from the fourth quarter of 1981 to the second quarter of 1982, and of Unit 3 from the first quarter of 1983 to the third quarter of 1983. Because of these further delays, the Company's share of the total project cost has increased by approximately \$140,000,000, primarily as a result of increased costs of carrying money invested in the project. An amount corresponding to such carrying costs will be reflected in the Company's statements of income as a part of the allowance for funds used during construction.

Although higher energy costs will be incurred for alternative generating capacity during the periods that these units are not in operation, such costs will be included in future ECAC filings. The Company cannot predict what other effects, if any, including legislative or regulatory actions, the TMI accident may have upon it or upon the construction, licensing or future operation of its San Onofre Units or the extent of any additional costs it may incur as a result thereof.

Environmental Matters

Oxides of Nitrogen Rules

All of the Company's conventional oil- and gas-fueled generating plants which are located in the South Coast Air Basin are subject to oxides of nitrogen rules ("NOx rules") promulgated by the Air Resources Board ("ARB") for the South Coast Air Quality Management District and the Ventura County Air Pollution Control District on December 18, 1980. The NOx rules are designed to achieve an 80% reduction in oxides of nitrogen emissions from conventional generating units by December 31, 1989.

The NOx rules could require the Company to make substantial expenditures (up to \$500 million in 1981 dollars) for pollution control equipment designed to effect an 80% reduction in oxides of nitrogen emissions. Unless a stay or variance is obtained by the Company, the NOx rules would require the submission of a final compliance plan on or before March 1, 1981. A suit against the ARB is already on file regarding a prior version of the NOx rules and the Company is continuing its challenges to the most recent version of the NOx rules.

Four Corners Project

The Four Corners Generating Station ("Four Corners") is a coal-fired, steam-electric power plant located in New Mexico, consisting of five generating units operated by Arizona Public Service Company ("APS"). Units 4 and 5, with 1,600 MW of capacity, are jointly owned. The Company's share of these units is 48%, or 768 MW of capacity.

A prior New Mexico sulfur dioxide ("SO₂") emission rule required that Units 4 and 5 achieve a 67.5% removal rate by December 31, 1982. This rule has been approved by the Environmental Protection Agency ("EPA") as part of the State Implementation Plan in accordance with the Clean Air Act.

Substantial disagreement between APS and the New Mexico regulatory agencies, along with environmental groups, concerning the interpretation of a 1978 settlement agreement regarding the degree of SO₂ removal required by such rule resulted in litigation. On August 21, 1980, a settlement in the form of a stipulated termination of litigation was entered into by the parties before the New Mexico state court. The terms of the settlement agreement contemplate the adoption of a new SO₂ rule which will require that Units 4 and 5 achieve a 72% removal rate by December 31, 1984. The settlement agreement is conditioned on approval of the new rule by the New Mexico Environmental Improvement Board and the EPA prior to August 30, 1981. The New Mexico Environmental Improvement Board on November 20, 1980 adopted a new rule (together with a new compliance schedule) consistent with the settlement agreement. This new rule and schedule of compliance were submitted by the Governor of New Mexico to the EPA for approval on November 24, 1980. No action thereon has as yet been taken by the

EPA. Because the December 31, 1982 compliance date in the prior rule (which remains part of the EPA approved State Implementation Plan) and certain interim dates set out in the related compliance schedule do not allow for an orderly progression of design, procurement and construction of the equipment needed for compliance, Four Corners may remain subject to the possibility of non-compliance penalties or unit shutdown for SO₂ violations unless and until the new rule is approved by the EPA. The settlement agreement does not assure approval of the new rule by the EPA.

Installation of the SO₂ removal equipment which would be required by the new rule will be in addition to the installation of the equipment now being constructed to meet the requirements of the New Mexico particulate emissions rule. APS has estimated that the cost for control of both pollutants will be \$540,000,000. The Company's share of such estimated costs is approximately \$260,000,000.

Other

The Company has recently been contacted by, and is holding discussions with, the Los Angeles County District Attorney's office regarding alleged violation of certain regulations regarding the storage, disposal and clean-up of polychlorinated biphenyls, a substance utilized in certain electrical equipment. It is not anticipated that this matter, which may result in litigation, will have a material adverse effect on the Company.

DESCRIPTION OF CAPITAL STOCK

General

The following information is, except as otherwise indicated, a brief summary of pertinent provisions of the Articles of Incorporation. Parenthetical references are to sections of such Articles. The authorized capital stock of the Company consists of the following classes, listed in order of preferential rank:

- (1) Original Preferred Stock (\$8½ par value);
- (2) Cumulative Preferred Stock (\$25 par value) and \$100 Cumulative Preferred Stock (\$100 par value);
- (3) Preference Stock (\$25 par value) and \$100 Preference Stock (\$100 par value);
and
- (4) Common Stock (\$8½ par value).

There is no \$100 Preference Stock outstanding at the present time.

All classes other than the Original Preferred Stock and the Common Stock may be authorized by the Board of Directors to be issued from time to time in series and the Board is authorized, as to any wholly unissued series, to fix the number of shares thereof and the dividend rights, dividend rate, conversion rights, voting rights (in addition to the voting rights provided in the Articles), rights and terms of redemption (including sinking fund provisions), redemption price or prices and/or voluntary liquidation preferences thereof.

Transfers of the Common Stock are effected by the Company at Rosemead, California. The registrar for such stock is Security Pacific National Bank, Los Angeles, California. The Common Stock is listed on the New York and Pacific Stock Exchanges and the shares offered by this Prospectus have been authorized for listing on such Exchanges upon official notice of issuance.

Dividend Rights

The Original Preferred Stock is entitled to cumulative quarterly dividends, as declared, at the rate of 5% (of the par value thereof) per annum in preference to all other classes of stock

and, in addition, has certain participating rights with each other class, including the Common Stock. Subject to the prior dividend rights of all senior classes of securities and the participating rights of the Original Preferred Stock, the Common Stock is entitled to receive such dividends as may be lawfully declared by the Board of Directors. (Article Sixth, Section 3(a)) The payment of dividends on the Common Stock and certain classes of Preference Stock would be restricted if the Company fails to make sinking fund payments or meet repurchase obligations on certain classes of its \$100 Cumulative Preferred Stock and Preference Stock. For a discussion of sinking fund provisions of certain series of Cumulative Preferred Stock, repurchase obligations with respect to the Company's Preference Stock, 7.375% Series, and the dividend rates of senior classes of securities, see Note 8 of "Notes to Financial Statements" contained in the Quarterly Report on Form 10-Q for the quarter ended September 30, 1980.

The Trust Indenture securing the Company's First and Refunding Mortgage Bonds provides, in substance, that the Company shall not pay any cash dividends except out of its surplus at December 31, 1921, and out of earnings (as defined) subsequent thereto. None of the Company's present earnings reinvested in the business are restricted by this provision.

Voting Rights

Shares of all outstanding classes except the Cumulative Preferred Stock are entitled to one vote per share. Shares of Cumulative Preferred Stock are entitled to three votes per share. Votes may be cumulated in electing directors. (Article Sixth) The preferred capital stock may be increased or diminished by a vote of the holders of at least two-thirds of the entire subscribed or issued capital stock. (Article Fifth)

The affirmative vote of the holders of various specified percentages, voting as a class or series, of Cumulative Preferred Stock and \$100 Cumulative Preferred Stock is required to effect certain changes in the capitalization of the Company or the rights, preferences and privileges of such class or series, and to authorize certain other transactions (including the consolidation or merger of the Company or the sale, lease, conveyance or parting with control of substantially all of the Company's property or business) which might affect their rights. (Article Sixth, Section 3(c)) If six or more quarterly dividends, whether consecutive or not, payable with respect to any one or more series of Cumulative Preferred Stock, \$100 Cumulative Preferred Stock, Preference Stock or \$100 Preference Stock shall be in default, holders of all such classes, voting together, shall have the additional right to elect two directors until such dividends have been paid. (Article Fifth, Section 2)

Under the California General Corporation Law, the authorized number of shares of Common Stock may be increased by resolution of the Board of Directors and the vote or written consent of a majority of the outstanding shares of Common Stock and a majority of the voting power of the Company.

Liquidation Rights

On any liquidation of the Company, the Original Preferred Stock is entitled to be paid its par value, plus unpaid accrued dividends, before payment to any classes junior thereto. Subject to the prior rights of the class or classes senior thereto, the other classes of preferred stock, in order of preferential rank as set out under "General" in this "Description of Capital Stock," are entitled to be paid upon involuntary liquidation their respective par values per share, together with unpaid accrued dividends, and upon voluntary liquidation, the liquidation preference fixed by the Board of Directors for each series, such preference, in the case of the series now outstanding, being an amount corresponding to their respective then current redemption prices, including unpaid accrued dividends. Subject to the prior rights of the other classes of stock, upon any liquidation of the Company, the Common Stock is entitled to its par value. Any assets and funds of the Company remaining after such distribution are to be distributed ratably to the Original Preferred Stock and Common Stock. (Article Sixth, Sections 2(b), 3(b), 4(b) and 5(b))

Other Provisions

The Original Preferred Stock is not redeemable. Outstanding series of other classes of preferred stock were redeemable as of September 30, 1980 under certain circumstances at prices set forth in Note 8 of "Notes to Financial Statements" contained in the Quarterly Report on Form 10-Q for the quarter ended September 30, 1980.

Neither the Original Preferred Stock nor any outstanding series of Cumulative Preferred Stock or \$100 Cumulative Preferred Stock has any conversion rights.

The Preference Stock, 5.20% Convertible Series, is convertible at the option of its holders into shares of Common Stock at any time prior to redemption at the conversion price of \$32.50 per share (as of December 31, 1980). The conversion price is subject to adjustment upon the happening of certain events, including but not limited to, certain issuances of Common Stock for consideration less than the conversion price. In view of the probability that additional issues of Common Stock will be made at market prices substantially below the conversion price of the Preference Stock, it is likely that further downward adjustments in the conversion price will occur.

None of the classes of stock of the Company has any preemptive rights. All of the shares now outstanding are, and the New Common Stock offered by this Prospectus, when issued, will be, fully paid and nonassessable.

EXPERTS

The financial statements and schedules incorporated by reference in this Prospectus for the periods indicated in their reports have been examined by Arthur Andersen & Co., independent public accountants, and are included in this Prospectus in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

LEGAL OPINIONS

O'Melveny & Myers, 611 West Sixth Street, Los Angeles, California 90017, special counsel for the Company, John R. Bury, General Counsel, or Charles R. Kocher, Assistant General Counsel, of the Company, and Sullivan & Cromwell, 125 Broad Street, New York, New York 10004, counsel for the Underwriters, are to deliver opinions to the effect that the securities offered hereby will be, under California law, validly issued, fully paid and nonassessable. As to matters governed by Arizona and Nevada law, such counsel will rely upon opinions of Snell & Wilmer, 3100 Valley Center, Phoenix, Arizona 85073, and Woodburn, Wedge, Blakey and Jeppson, a Nevada professional corporation, First National Bank Building, One East First Street, Reno, Nevada 89505, respectively; and as to matters governed by New Mexico law and (with regard to matters affecting the interest of the Company in the Four Corners Generating Station in New Mexico and the easement and lease therefor) federal and Navajo Tribal law, such counsel will rely upon the opinion of Rodey, Dickason, Sloan, Akin & Robb, P.A., a New Mexico professional corporation, 20 First Plaza, Suite 700, Albuquerque, New Mexico 87103. As to the incorporation of the Company and all other matters governed by California law, Sullivan & Cromwell will rely upon the opinions, to the extent applicable, of O'Melveny & Myers and Mr. Bury or Mr. Kocher.

The statements of law and legal conclusions under the following captions of the Company's Annual Report on Form 10-K for the year ended December 31, 1979, which is incorporated by reference in this Prospectus have, to the extent indicated, been reviewed by the counsel indicated and have been included in this Prospectus upon the authority of such counsel: under

"Regulation" by O'Melveny & Myers, Mr. Bury and Mr. Kocher; and under "Fair employment practices matters" in the first sentence of the third paragraph by Mr. Kocher.

Mr. Bury and Mr. Kocher are employees of the Company and as such are salaried and share in the benefits accruing to such employees. As of December 31, 1980, Mr. Bury and Mr. Kocher had a direct or indirect interest in 3,796 and 408 shares of the Company's Common Stock, respectively. These shares include those credited and conditionally credited to their respective accounts as of December 31, 1980 with the trustees of the Company's Employee Stock Ownership Plan and Employee Stock Purchase Plan and with the agent for the Company's Dividend Reinvestment and Stock Purchase Plan.

UNDERWRITING

Upon the terms and subject to the conditions in the Underwriting Agreement (a copy of which is filed as an exhibit to the Registration Statement), the Underwriters named below have severally agreed to purchase from the Company the following respective numbers of shares of the New Common Stock:

<u>Name</u>	<u>Number of Shares</u>	<u>Name</u>	<u>Number of Shares</u>
Dean Witter Reynolds Inc.	713,000	Daiwa Securities America Inc.	30,000
Blyth Eastman Paine Webber Incorporated	713,000	D. A. Davidson & Co. Incorporated	7,000
E. F. Hutton & Company Inc.	713,000	Davis, Skaggs & Co., Inc.	30,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	713,000	R. G. Dickinson & Co.	14,500
Advest, Inc.	30,000	Dillon, Read & Co. Inc.	140,000
Arnhold and S. Bleichroeder, Inc.	30,000	Doft & Co., Inc.	14,500
Atlantic Capital Corporation	80,000	Donaldson, Lufkin & Jenrette Securities Corporation	140,000
Bache Halsey Stuart Shields Incorporated	140,000	Drexel Burnham Lambert Incorporated	140,000
Bacon, Whipple & Co.	30,000	Edelstein, Campbell & Co., Inc.	14,500
Robert W. Baird & Co. Incorporated	30,000	A. G. Edwards & Sons, Inc.	80,000
Basle Securities Corporation	80,000	Elkins & Co.	7,000
Bateman Eichler, Hill Richards Incorporated	140,000	Eppler, Guerin & Turner, Inc.	30,000
George K. Baum & Company	7,000	Fahnestock & Co.	30,000
Bear, Stearns & Co.	140,000	Ferris & Company, Incorporated	7,000
Belford, Hammerbeck, Inc.	7,000	First Affiliated Securities, Inc.	7,000
Sanford C. Bernstein & Co., Inc.	30,000	First Albany Corporation	14,500
Birr, Wilson & Co., Inc.	30,000	The First Boston Corporation	140,000
William Blair & Company	30,000	First Manhattan Co.	7,000
Blunt Ellis & Lowi Incorporated	30,000	First of Michigan Corporation	30,000
Boettcher & Company	30,000	Foster & Marshall Inc.	30,000
J. C. Bradford & Co., Incorporated	30,000	Fraser, Wilks & Darnall, Inc.	7,000
Alex. Brown & Sons	80,000	Goldman, Sachs & Co.	140,000
Bruns, Nordeman, Rea & Co.	14,500	Gruntal & Co.	14,500
Burgess & Leitch Incorporated	7,000	Hambrecht & Quist	30,000
Butcher & Singer Inc.	14,500	Hanifen, Imhoff Inc.	7,000
The Chicago Corporation	14,500	Bernard Herold & Co., Inc.	7,000
B. C. Christopher & Co.	14,500	Herzfeld & Stern	14,500
Craigie Incorporated	14,500	J. J. B. Hilliard, W. L. Lyons, Inc.	30,000
Crowell, Weedon & Co.	140,000	Holt & Collins	7,000
Dain Bosworth Incorporated	30,000	Howe, Barnes & Johnson, Inc.	7,000
		The Illinois Company Incorporated	7,000

Name	Number of Shares	Name	Number of Shares
Interstate Securities Corporation	14,500	Quinn & Co., Inc.	7,000
Janney Montgomery Scott Inc.	30,000	Rauscher Pierce Refsnes, Inc.	30,000
Jesup & Lamont Securities Co., Inc.	14,500	W. H. Reaves & Co., Inc.	30,000
Johnson, Lane, Space, Smith & Co., Inc.	14,500	Robertson, Colman, Stephens & Woodman	30,000
Johnston, Lemch & Co. Incorporated	7,000	The Robinson-Humphrey Company, Inc.	30,000
Edward D. Jones & Co.	30,000	Rodman & Renshaw, Inc.	14,500
Josephthal & Co. Incorporated	14,500	Wm. C. Roney & Co.	14,500
Kidder, Peabody & Co. Incorporated	140,000	Rotan Mosle Inc.	30,000
Kirkpatrick, Pettis, Smith, Polian Inc.	7,000	L. F. Rothschild, Unterberg, Towbin	140,000
Ladenburg, Thalmann & Co. Inc.	30,000	R. Rowland & Co., Incorporated	14,500
Emmett A. Larkin Company, Inc.	14,500	Salomon Brothers	140,000
Cyrus J. Lawrence Incorporated	30,000	San Diego Securities Incorporated	7,000
Lazard Frères & Co.	140,000	Sanyo Securities America Inc.	7,000
Legg Mason Wood Walker, Incorporated	30,000	Scott & Stringfellow, Inc.	7,000
Lehman Brothers Kuhn Loeb Incorporated	140,000	Shearson Loeb Rhoades Inc.	140,000
Manley, Bennett, McDonald & Co.	14,500	Smith Barney, Harris Upham & Co. Incorporated	40,000
Mason Brothers	7,000	Smith, Moore & Co.	7,000
A. E. Masten & Co. Incorporated	7,000	Stern Brothers & Co.	4,500
McDonald & Company	30,000	Stifel, Nicolaus & Company Incorporated	1,000
The Milwaukee Company	14,500	Stix & Co. Inc.	7,000
Montgomery Securities	30,000	Stone & Youngberg	4,500
Moore & Schley, Cameron & Co.	14,500	Sutro & Co. Incorporated	80,000
Morgan, Dimstead, Kennedy & Gardner Incorporated	30,000	Henry F. Swift & Co.	14,500
Moseley, Hallgarten, Estabrook & Weeden Inc.	30,000	Thomson McKinnon Securities Inc.	80,000
Neuberger & Berman	14,500	Tucker, Anthony & R. L. Day, Inc.	30,000
New Court Securities Corporation	80,000	Underwood, Neuhaus & Co. Incorporated	14,500
Newhard, Cook & Co. Incorporated	30,000	Van Kasper & Company, Incorporated	7,000
The Nikko Securities Co. International, Inc.	30,000	Edward A. Viner & Co., Inc.	7,000
Nippon Kangyo Kakumaru International Inc.	7,000	Wagenseller & Durst, Inc.	30,000
Nomura Securities International, Inc.	30,000	Warburg Paribas Becker Incorporated	140,000
The Ohio Company	30,000	Wedbush, Noble, Cooke, Inc.	30,000
Oppenheimer & Co., Inc.	80,000	Wheat, First Securities, Inc.	30,000
Parker/Hunter Incorporated	14,500	Wertheim & Co., Inc.	140,000
Pfueger & Baerwald Inc.	7,000	Wulff, Hansen & Co.	14,500
Philips, Appel & Walden, Inc.	14,500	Yamaichi International (America), Inc.	30,000
Piper, Jaffray & Hopwood Incorporated	30,000	Young, Smith & Peacock, Inc.	7,000
Prescott, Ball & Turben	30,000	Total	8,000,000

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent, and that the Underwriters will not be obligated to purchase any of the shares of the New Common Stock to be purchased by them unless all such shares are purchased, except that under certain circumstances involving the default of some but not all of the Underwriters, the Company may elect to proceed with the sale of less than all of the New Common Stock.

Dean Witter Reynolds Inc., Blyth Eastman Paine Webber Incorporated, E. F. Hutton & Company Inc., and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Representatives of the Underwriters, have advised the Company that as such Representatives they have been authorized

1979

5.0

Annual Report



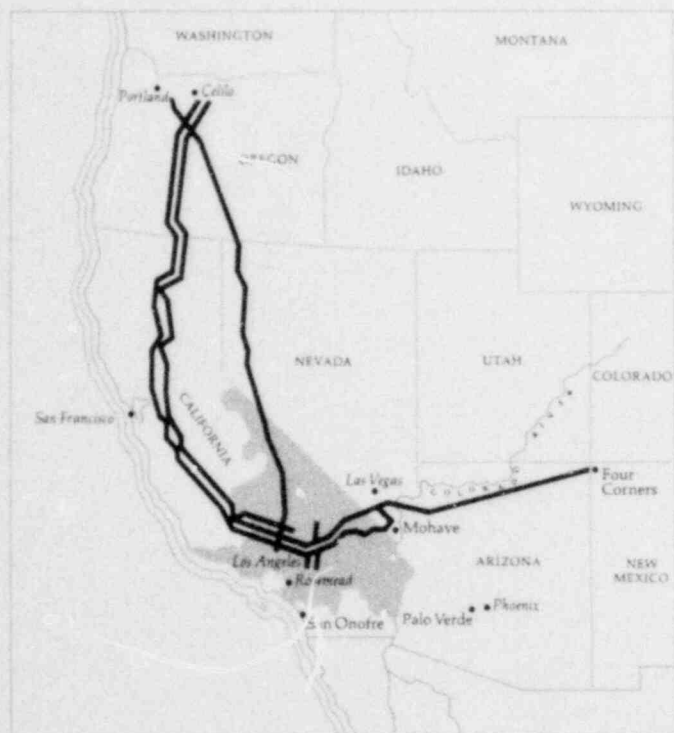
Southern
California
Edison
Company

DUPLICATE

35 pp.

DUPLICATE

Southern California Edison Company



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

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

Edison's gross investment in utility plant totals nearly \$7.6 billion. The installed Company-owned generating capacity at the end of 1979 was 13,263 megawatts of which 79% is composed of oil and gas-fired generating units. SCE's interest in coal-fired generating units accounts for another 12%, and 6% is in hydroelectric plants. The Company's 80% interest in a nuclear plant accounts for the remaining 3%. In addition, Edison had 1,670 megawatts of capacity under contract from other utility sources at year-end.

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

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

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

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2:	Letter to Shareholders
4:	Review of 1979
12:	Financial Review
14:	Capital Stock — Dividend and Price Information
15:	Reports of Management and Independent Public Accountants
16:	Financial Statements
29:	Commentary on Summary of Operations
30:	Summary of Operations and Comparative Statistics of Progress 1969-1979

for the accounts of the several Underwriters to offer such part of the New Common Stock as the Representatives may determine to selected dealers (among whom any of the Underwriters may be included) at a concession of 63¢ per share and that the Underwriters and such dealers may reallow a concession of 20¢ per share to certain other dealers. After the initial public offering, the public offering price and concessions and discounts to dealers may be changed by the Representatives.

REGISTRATION STATEMENT

This Prospectus contains information concerning the Company and its New Common Stock, but does not contain all of the information set forth in the Registration Statement, and the exhibits relating thereto, which the Company has filed with the Securities and Exchange Commission, Washington, D.C., under the Securities Act of 1933, as amended, and to which reference is hereby made.

**Southern California
Edison Company**



**8,000,000 Shares
Common Stock**
(\$8 $\frac{1}{3}$ par value)

PROSPECTUS

Dean Witter Reynolds Inc.
Blyth Eastman Paine Webber
Incorporated
E. F. Hutton & Company Inc.
Merrill Lynch White Weld
Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

January 22, 1981



Application No. 59351
Exhibit No. (SCE-1)
Witness: _____
Date: _____

POOR ORIGINAL

SOUTHERN CALIFORNIA EDISON COMPANY

FINANCIAL CHARACTERISTICS
COST OF MONEY AND REQUIRED RETURN

Before the
PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Rosemead, California
December 1979

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SCE FUNDS REQUIRED FOR
CONSTRUCTION EXPENDITURES AND REFUNDINGS

Line No.	Year	Funds Required (Millions)			Millions		Percent	
		Refundings	Construction Expenditures	Total	Internal	External	Internal	External
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. <u>Recorded Period</u>								
1.	1974	\$ --	\$ 320.7	\$ 320.7	140.2	\$ 180.5	43.7%	56.3%
2.	1975	--	381.1	381.1	52.8	328.3	13.8	86.2
3.	1976	80.8	500.3	581.1	344.9	236.2	59.4	40.6
4.	1977	--	500.3	500.3	55.2	445.1	11.0	89.0
5.	1978	35.5	567.8	603.3	410.4	192.9	68.0	32.0
6.	Total	\$116.3	\$2,270.2	\$2,386.5	\$1,003.5	\$1,383.0	--	--
7.	Average	23.3	454.0	477.3	200.7	276.6	39.2%	60.8%
8.	Percent	4.9%	95.1%	100.0%	42.0%	58.0%	--	--
B. <u>Forecast Period Without Rate Relief</u>								
9.	1979	\$ 33.8	\$ 695.2	\$ 729.0	\$ 50.6	\$ 678.4	6.9%	93.1%
10.	1980	84.6	670.2	754.8	22.8	732.0	3.0	97.0
11.	1981	143.7	516.2	659.9	63.2	596.7	9.6	90.4
12.	1982	121.0	478.2	599.2	145.6	453.6	24.3	75.7
13.	1983	53.2	581.7	634.9	157.7	477.2	24.8	75.2
14.	Total	\$436.3	\$2,941.5	\$3,377.8	\$ 439.9	\$2,937.9	--	--
15.	Average	87.3	588.3	675.6	88.0	587.6	13.7%	86.3%
16.	Percent	12.9%	87.1%	100.0%	13.0%	87.0%	--	--
C. <u>Forecast Period With Rate Relief</u>								
17.	1979	\$ 33.8	\$ 695.2	\$ 729.0	\$ 50.6	\$ 678.4	6.9%	93.1%
18.	1980	84.6	670.2	754.8	22.8	732.0	3.0	97.0
19.	1981	143.7	516.2	659.9	263.8	396.1	40.0	60.0
20.	1982	121.0	478.2	599.2	257.4	341.8	43.0	57.0
21.	1983	53.2	581.7	634.9	412.5	222.4	65.0	35.0
22.	Total	\$436.3	\$2,941.5	\$3,377.8	\$1,007.1	\$2,370.7	--	--
23.	Average	87.3	588.3	675.6	201.5	474.1	31.6%	68.4%
24.	Percent	12.9%	87.1%	100.0%	29.8%	70.2%	--	--

Sources: Annual Reports
Plant Construction Budget and Forecast, Second Quarter, 1979

SCE FINANCINGS
 (Millions)

Line No.	Year (1)	Long-Term			Subtotal (5)	Investment (6)	Short-Term		Total Financings (9)
		Long-Term Debt (2)	Preferred Stock (3)	Common Stock (4)			Borrowings (7)	Change (8)	
A. Recorded Period									
1.	1973	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 92.5	\$ --	\$ --
2.	1974	222.5	50.0	67.2	339.7	66.7	--	(159.2)	180.5
3.	1975	161.6	50.0	--	211.6	--	50.0	116.7	328.3
4.	1976	126.3	--	123.9 ^(a)	250.2	--	36.0	(14.0)	236.2
5.	1977	200.0	102.4 ^(a)	43.3 ^(a)	345.7	--	135.4	99.4	445.1
6.	1978	200.0	(14.5) ^(a)	203.3 ^(a)	388.8	80.5	20.0	(195.9)	192.9
7.	Total	\$ 910.4	\$187.9	\$437.7	\$1,536.0	--	--	\$ (153.0)	\$1,383.0
8.	Average	182.1	37.6	87.5	307.2	--	--	(30.6)	276.6
9.	Percent	65.8%	13.6%	31.7%	111.1%	--	--	(11.1)%	100.0%
B. Forecast Period Without Rate Relief									
10.	1979	\$ 305.0	\$115.5 ^(b)	\$ 56.3	\$ 476.8	--	\$141.1	\$ 201.6	\$ 678.4
11.	1980	400.0	63.0 ^(b)	231.0	694.0	--	179.1	38.0	732.0
12.	1981	300.0	63.0 ^(b)	220.8	583.8	--	192.0	12.9	596.7
13.	1982	300.0	45.1 ^(b)	155.0	500.1	--	145.5	(46.5)	453.6
14.	1983	300.0	50.0	120.0	470.0	--	152.7	7.2	477.2
15.	Total	\$1,605.0	\$336.6	\$783.1	\$2,724.7	--	--	\$ 213.2	\$2,937.9
16.	Average	321.0	67.3	156.6	545.0	--	--	42.6	587.6
17.	Percent	54.6%	11.5%	26.6%	92.7%	--	--	7.3%	100.0%
C. Forecast Period With Rate Relief									
18.	1979	\$ 305.0	\$115.5 ^(b)	56.3	\$ 476.8	--	\$141.1	\$ 201.6	\$ 678.4
19.	1980	400.0	63.0 ^(b)	231.0	694.0	--	179.1	38.0	732.0
20.	1981	300.0	63.0 ^(b)	80.5	443.5	--	132.5	(47.4)	396.1
21.	1982	300.0	45.1 ^(b)	85.3	430.4	--	43.9	(88.6)	341.8
22.	1983	250.0	50.0	94.3	394.3	\$128.0	--	(171.9)	222.4
23.	Total	\$1,555.0	\$336.6	\$547.4	\$2,439.0	--	--	\$ (68.3)	\$2,370.7
24.	Average	311.0	67.3	109.5	487.8	--	--	(13.7)	474.1
25.	Percent	65.6%	14.2%	23.1%	102.9%	--	--	(2.9)%	100.0%

(a) Convertible preference stock was converted to common stock; \$19.6 million in 1977, and \$14.5 million in 1978.

(b) Convertible preference stock is projected to be converted to common stock through 1982; \$12 million in 1979, 1980, and 1981; and \$4.9 million in 1982.

Source: Financial & Statistical Report, 1978
 Financial Simulation, July 1979

PRICE INDICES

Line No.	Year	GNP	Percent Change	Consumer	Percent Change	Producer	Percent Change
		Implicit Price Deflator (1969 = 100)		Price Index United States (1969 = 100)		Price Index (1969 = 100)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	1969	100.00	--	100.00	--	100.00	--
2.	1970	107.35	5.35%	105.92	5.92%	103.66	3.66%
3.	1971	110.72	5.10	110.47	4.30	106.95	3.17
4.	1972	115.31	4.15	114.12	3.30	111.85	4.56
5.	1973	122.00	5.80	121.22	6.22	126.48	13.10
6.	1974	133.79	9.6	134.52	10.97	150.33	18.86
7.	1975	146.62	9.59	146.81	9.14	164.23	9.25
8.	1976	154.24	5.20	155.28	5.77	171.83	4.63
9.	1977	163.30	5.87	165.30	6.45	182.35	6.12
10.	1978	175.38	7.40	177.87 ^(a)	7.60	196.53	7.78

Average Annual Trend Rate^(b)

11.	1969-1978	6.63%	6.80%	8.68%
12.	1969-1973	5.00	4.70	5.61
13.	1974-1978	6.71	7.01	6.67

(a) CPI revised in 1978; hence not directly comparable to prior years.

(b) Exponential Curve Fit ($y = ae^{bx}$)

Sources: Col. 2, lines 1-10: Survey of Current Business
 Cols. 4 and 6, lines 1-10: Monthly Labor Review, Bureau of Labor Statistics

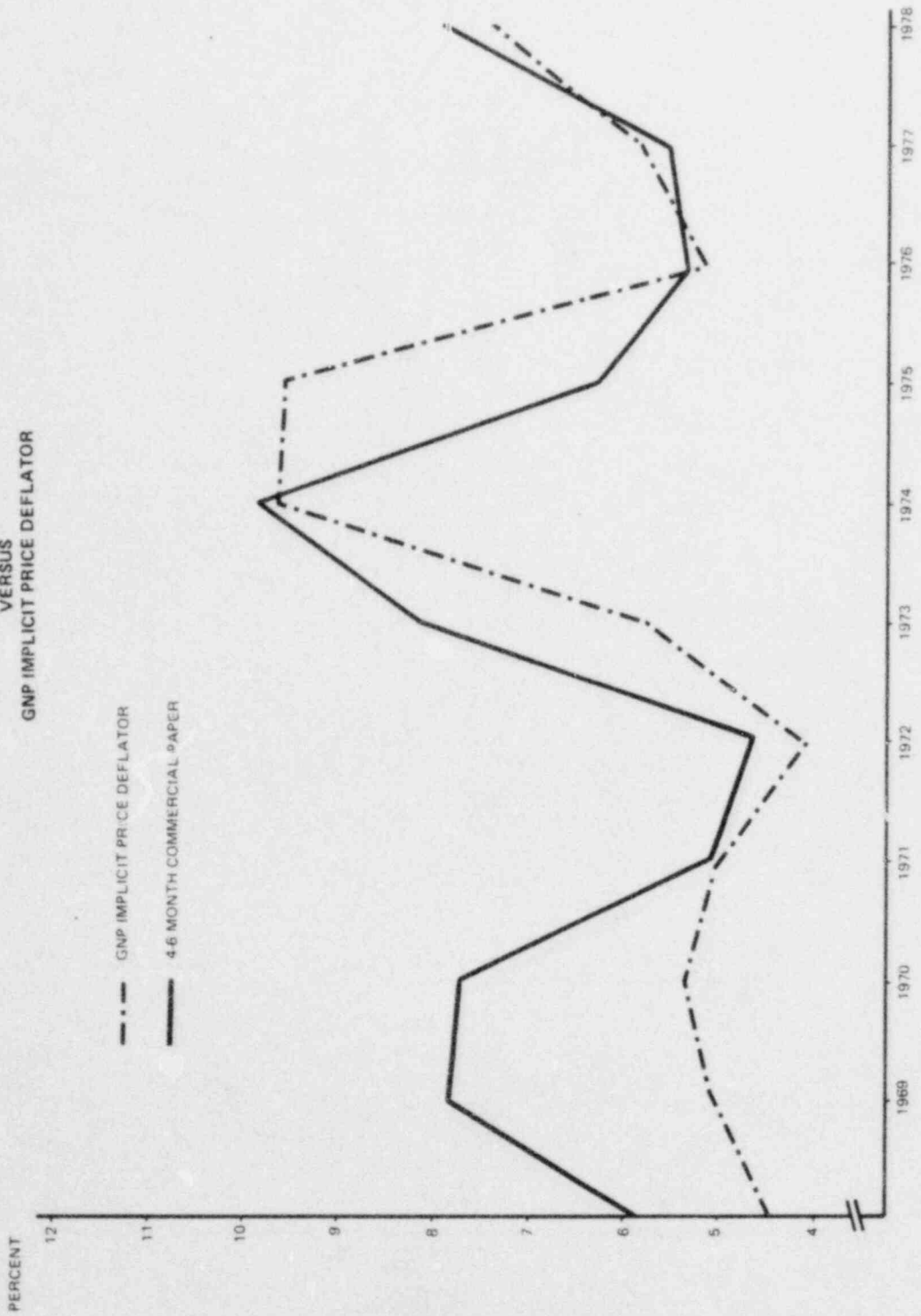
SHORT-TERM MONEY RATES ^(a)

Line No.	Year	Prime	Commercial Paper	Banker's Acceptance	Treasury Bills
			4-6 Months	90 Day	90 Day
	(1)	(2)	(3)	(4)	(5)
1.	1969	7.96%	7.83%	7.61%	6.67%
2.	1970	7.91	7.72	7.31	6.39
3.	1971	5.72	5.11	4.85	4.33
4.	1972	5.25	4.69	4.47	4.07
5.	1973	8.03	8.15	8.08	7.03
6.	1974	10.81	9.87	9.92	7.84
7.	1975	7.86	6.33	6.30	5.80
8.	1976	6.84	5.35	5.19	4.98
9.	1977	6.83	5.60	5.59	5.27
10.	1978	9.06	7.99	8.11	7.19
11.	Average	7.63%	6.86%	6.74%	5.96%
1978 Monthly					
12.	January	7.93%	6.79%	6.86%	6.44%
13.	February	8.00	6.50	6.82	6.45
14.	March	8.00	6.80	6.79	6.29
15.	April	8.00	6.86	6.92	6.29
16.	May	8.27	7.11	7.32	6.41
17.	June	8.63	7.63	7.75	6.73
18.	July	9.00	7.91	8.02	7.01
19.	August	9.01	7.90	7.98	7.08
20.	September	9.41	8.44	8.54	7.85
21.	October	9.94	9.03	9.32	7.99
22.	November	10.94	10.23	10.53	8.64
23.	December	11.55	10.43	10.55	9.08
1979 Monthly					
24.	January	11.75%	10.32%	10.29%	9.35%
25.	February	11.75	10.01	10.01	9.32
26.	March	11.75	9.96	9.94	9.48
27.	April	11.75	9.87	9.90	9.46
28.	May	11.75	9.98	9.98	9.61
29.	June	11.65	9.71	9.79	9.06

(a) Average Yields

Sources: Federal Reserve Bulletins and Federal Reserve Statistical Release G-13

COMMERCIAL PAPER RATE
VERSUS
GNP IMPLICIT PRICE DEFLATOR



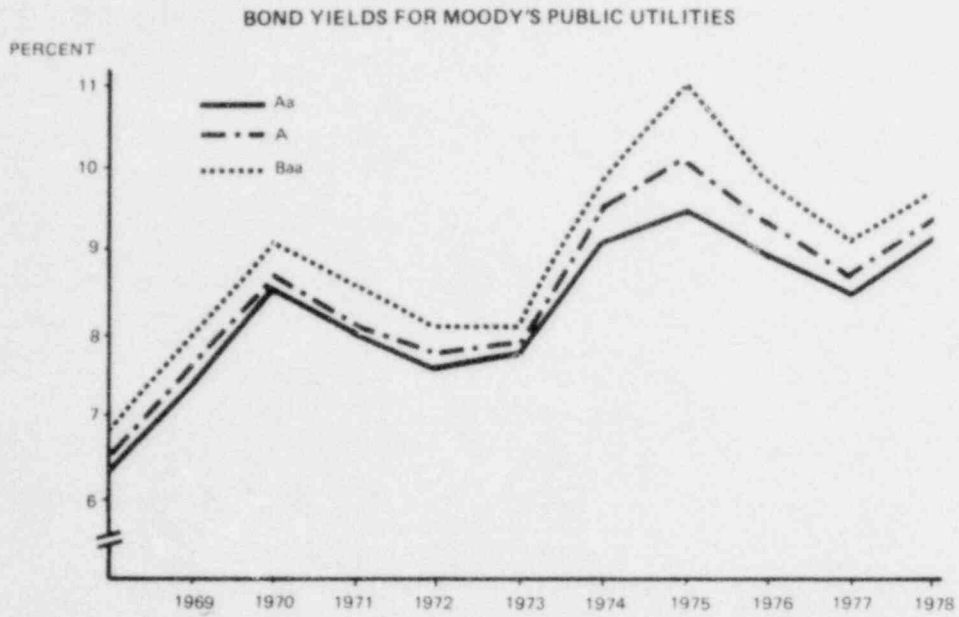
LONG-TERM BOND YIELDS

Line No.	Year	Moody's Public Utilities ^(a)					U.S. Government Long-term	
		Yields			Difference from Aa		Yield	Difference From Aa
	(1)	Aa (2)	A (3)	Baa (4)	A (5)	Baa (6)		
1.	1969	7.34%	7.54%	7.93%	0.20%	0.59%	6.33%	(1.01)%
2.	1970	8.52	8.69	9.18	0.17	0.66	6.86	(1.66)
3.	1971	8.00	8.16	8.63	0.16	0.63	6.12	(1.88)
4.	1972	7.60	7.72	8.17	0.12	0.57	6.01	(1.59)
5.	1973	7.72	7.84	8.17	0.12	0.45	7.12	(0.60)
6.	1974	9.04	9.57	9.84	0.46	0.80	8.05	(0.99)
7.	1975	9.44	10.09	10.96	0.65	1.52	8.19	(1.25)
8.	1976	8.92	9.29	9.82	0.37	0.90	7.86	(1.06)
9.	1977	8.43	8.61	9.06	0.18	0.63	7.67	(0.76)
10.	1978	9.10	9.29	9.62	0.19	0.52	8.48	(0.62)
11.	Average	8.41%	8.67%	9.14%	0.26%	0.73%	7.27%	(1.14)%
1978 Monthly								
12.	January	8.76%	8.92%	9.27%	0.16%	0.51%	8.14%	(0.62)%
13.	February	8.79	8.97	9.29	0.18	0.50	8.22	(0.57)
14.	March	8.79	8.98	9.37	0.19	0.58	8.21	(0.58)
15.	April	8.86	9.09	9.54	0.23	0.68	8.32	(0.54)
16.	May	9.02	9.22	9.70	0.20	0.68	8.44	(0.58)
17.	June	9.19	9.40	9.78	0.21	0.59	8.53	(0.66)
18.	July	9.26	9.51	9.73	0.25	0.47	8.60	(0.57)
19.	August	9.11	9.32	9.53	0.21	0.42	8.45	(0.66)
20.	September	9.09	9.28	9.47	0.19	0.38	8.47	(0.62)
21.	October	9.28	9.46	9.69	0.18	0.41	8.69	(0.59)
22.	November	9.46	9.68	9.99	0.22	0.53	8.75	(0.71)
23.	December	9.56	9.70	10.08	0.14	0.52	8.90	(0.66)
1979 Monthly								
24.	January	9.70%	9.90%	10.29%	0.20%	0.59%	8.98%	(0.72)%
25.	February	9.74	9.84	10.27	0.10	0.53	9.03	(0.71)
26.	March	9.89	10.04	10.53	0.15	0.64	9.08	(0.81)
27.	April	9.92	10.10	10.56	0.18	0.64	9.12	(0.80)
28.	May	10.19	10.30	10.70	0.11	0.51	9.21	(0.98)
29.	June	9.95	10.14	10.56	0.19	0.42	8.91	(1.04)

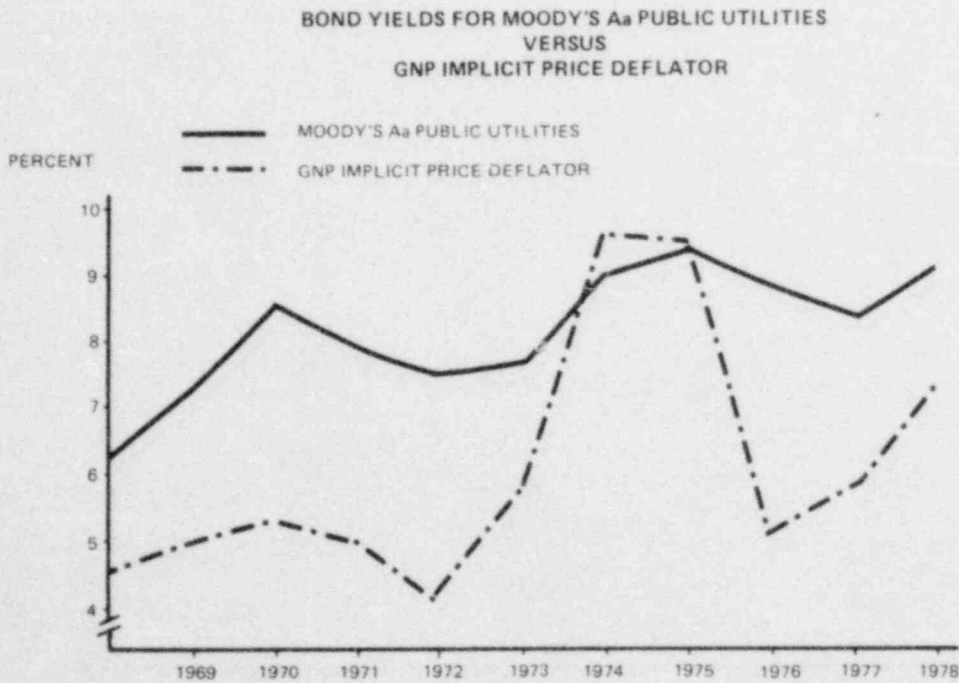
(a) Seasoned issue average

Sources: Moody's Public Utility Manual, 1978 and Moody's Bond Survey
Federal Reserve Bulletin and Press Release G-13

2A



2B



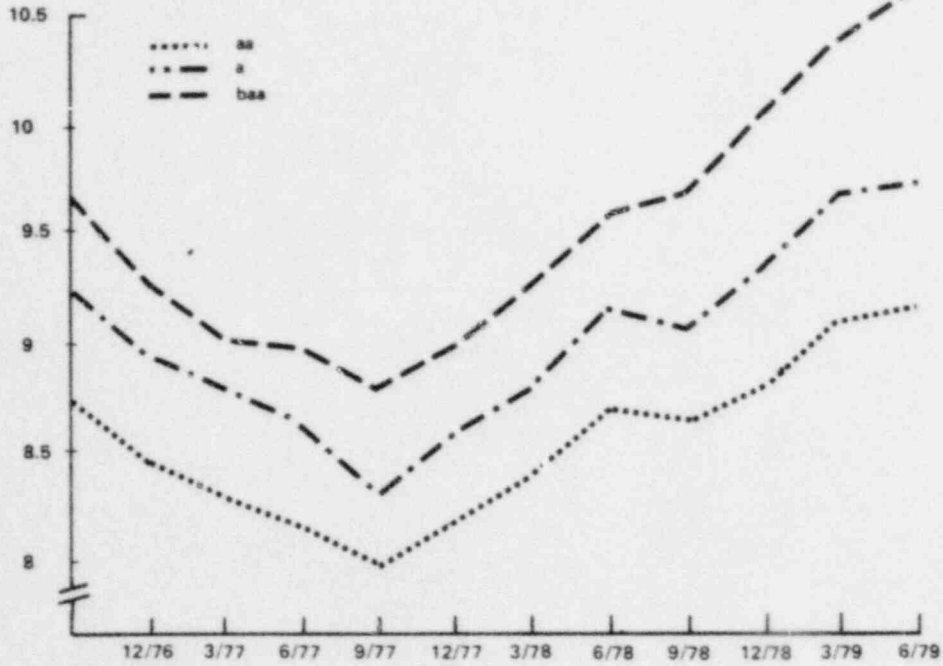
PREFERRED STOCK YIELDS

Line No.	Quarter (1)	Moody's Rating			Difference from aa	
		aa (2)	a (3)	baa (4)	a (5)	baa (6)
<u>1975</u>						
1.	September	9.64%	10.72%	11.11%	1.08%	1.47%
2.	December	9.33	10.25	10.67	0.92	1.34
<u>1976</u>						
3.	March	8.92%	9.52%	9.73%	0.60%	0.81%
4.	June	8.92	9.46	9.79	0.54	0.87
5.	September	8.58	9.04	9.45	0.46	0.87
6.	December	8.28	8.80	9.15	0.52	0.87
<u>1977</u>						
7.	March	8.21%	8.75%	9.01%	0.58%	0.80%
8.	June	8.03	8.47	8.92	0.44	0.89
9.	September	7.95	8.32	8.87	0.37	0.92
10.	December	8.14	8.59	9.03	0.45	0.89
<u>1978 - Monthly</u>						
11.	January	8.31%	8.70%	9.17%	0.39%	0.86%
12.	February	8.38	8.74	9.17	0.36	0.79
13.	March	8.35	8.79	9.34	0.44	0.99
14.	April	8.51	8.88	9.34	0.37	0.83
15.	May	8.61	9.07	9.54	0.46	0.93
16.	June	8.84	9.39	9.81	0.55	0.97
17.	July	8.80	9.33	9.76	0.53	0.96
18.	August	8.56	8.97	9.54	0.41	0.98
19.	September	8.43	8.82	9.62	0.39	1.19
20.	October	8.61	9.07	9.66	0.46	1.05
21.	November	8.75	9.27	9.89	0.52	1.14
22.	December	8.94	9.65	10.48	0.71	1.54
<u>1979 - Monthly</u>						
23.	January	9.05%	9.61%	10.42%	0.56%	1.37%
24.	February	9.11	9.66	10.37	0.55	1.26
25.	March	9.10	9.63	10.33	0.53	1.23
26.	April	9.15	9.71	10.43	0.56	1.26
27.	May	9.21	9.91	10.82	0.70	1.61
28.	June	9.03	9.55	10.49	0.52	1.46

Sources: Moody's Public Utility Manual
Moody's Bond Record

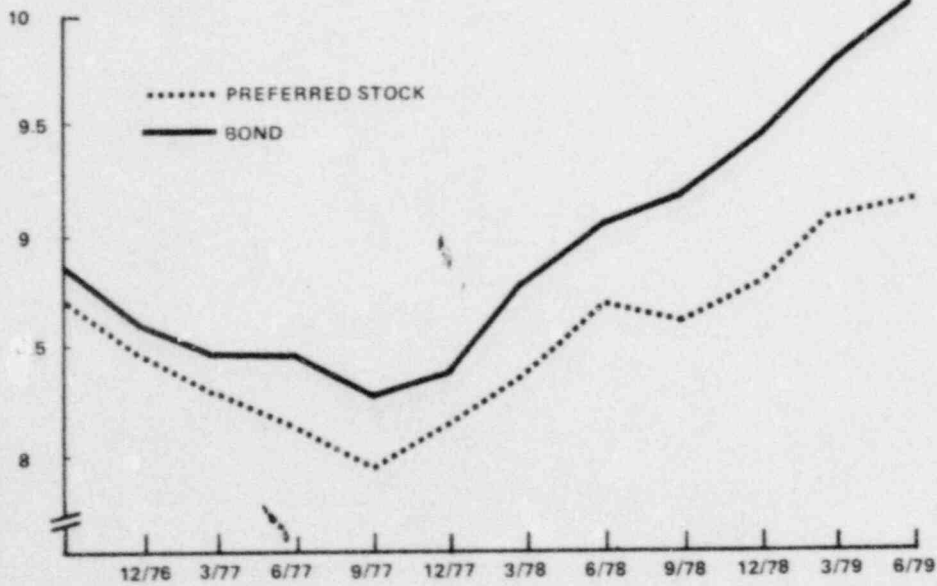
3A

PREFERRED STOCK YIELDS FOR MOODY'S PUBLIC UTILITIES



3B

MOODY'S aa PUBLIC UTILITY PREFERRED STOCK YIELDS
VERSUS
Aa PUBLIC UTILITY BOND YIELDS



SCE IMBEDDED COST
OF
DEBT AND PREFERRED STOCK

Line No.	Year	Long-Term Debt			Preferred and Preference Stock		
		Proceeds (000)	Annual Cost (000)	Effective Rate	Proceeds (000)	Annual Dividends (000)	Effective Rate
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
A. <u>Recorded Period</u>							
1.	1974	\$1,932,960	\$114,145	5.91%	\$553,506	\$37,151	6.71%
2.	1975	2,088,218	128,030	6.13	602,106	41,751	6.93
3.	1976	2,130,512	136,899	6.43	602,106	41,751	6.93
4.	1977	2,328,243	152,795	6.56	704,431	49,985	7.10
5.	1978	2,490,007	171,067	6.87	690,257	49,230	7.13
6.	1979 (June)	2,592,695	181,394	7.00	735,622	53,423	7.26
B. <u>Forecast Period</u> (a)							
7.	1979	\$2,757,186	\$204,003	7.40%	\$805,062	\$59,879	7.40%
8.	1980	3,068,058	240,432	7.84	867,675	66,080	7.62
9.	1981	3,224,270	258,822	8.03	930,288	72,581	7.80
10.	1982	3,401,248	282,449	8.30	975,060	77,076	7.90

(a) Financings per Table 2

SOUTHERN CALIFORNIA EDISON
CAPITAL EXPENDITURE, KILOWATT-HOUR
AND KILOWATT DEMAND REDUCTIONS

Line No.	Year	Construction Expenditures			Kilowatt-Hour Sales ^(a)			Kilowatt Demand ^(b)		
		1974	1979	Difference (2 - 3)	1974	1979	Difference (5 - 6)	1974	1979	Difference (8 - 9)
		Forecast (millions)	Forecast (millions)		Forecast (millions)	Forecast (millions)		Forecast (MW)	Forecast (MW)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
1.	1979	\$1,132.0	\$ 695.2	\$ 436.8	64,014	59,182	4,467	13,410	12,130 ^(d)	1,280
2.	1980	1,077.0	670.2	406.8	68,362	61,435	7,071	14,080	12,400	1,680
3.	1981	947.0	516.2	430.8	73,006	63,165	9,909	14,780	12,870	1,910
4.	1982	980.0	478.2	501.8	77,936	65,525	12,411	15,520	13,350	2,170
5.	1983	892.0	581.7	310.3	83,319	67,433	15,886	16,300	13,860	2,440
		Total			Annual Trend Rate ^(c)					
6.	1979-1983	\$5,028.0	\$2,941.5	\$2,086.5	6.80%	3.31%		5.00%	3.46%	

(a) Total Edison System

(b) Main System Edison Net Annual Peak Demand

(c) Exponential Trend Rate ($y = ae^{bx}$)

(d) Recorded peak demand of 12,221 MW on June 12, 1979, exceeded the 1979 forecast. If recorded were used, the annual trend rate would be 3.31.

Sources: Annual Reports

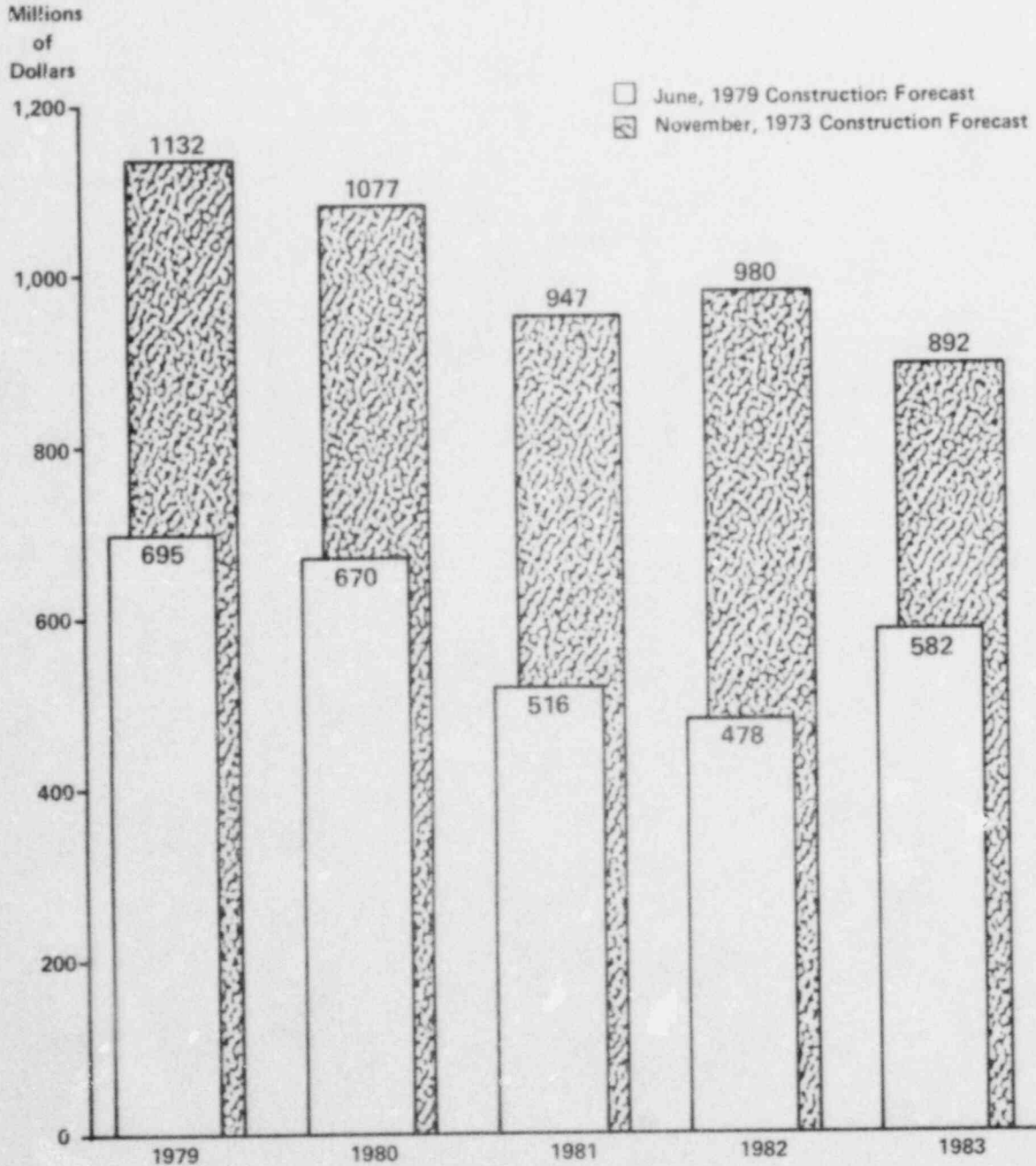
Column 2: Electric System Planning, "Financial Alternatives Study", November 12, 1973.

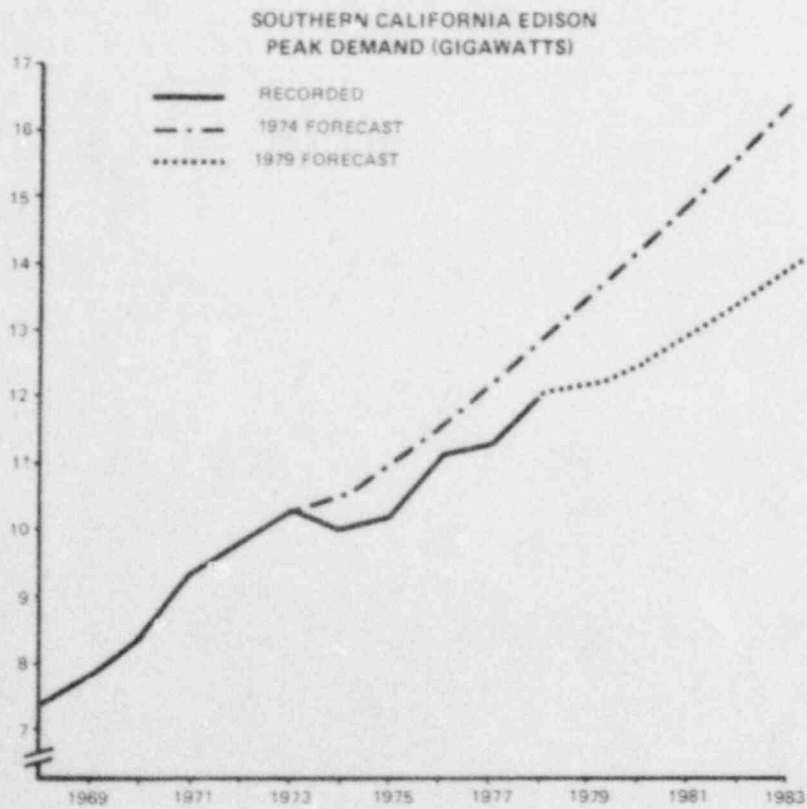
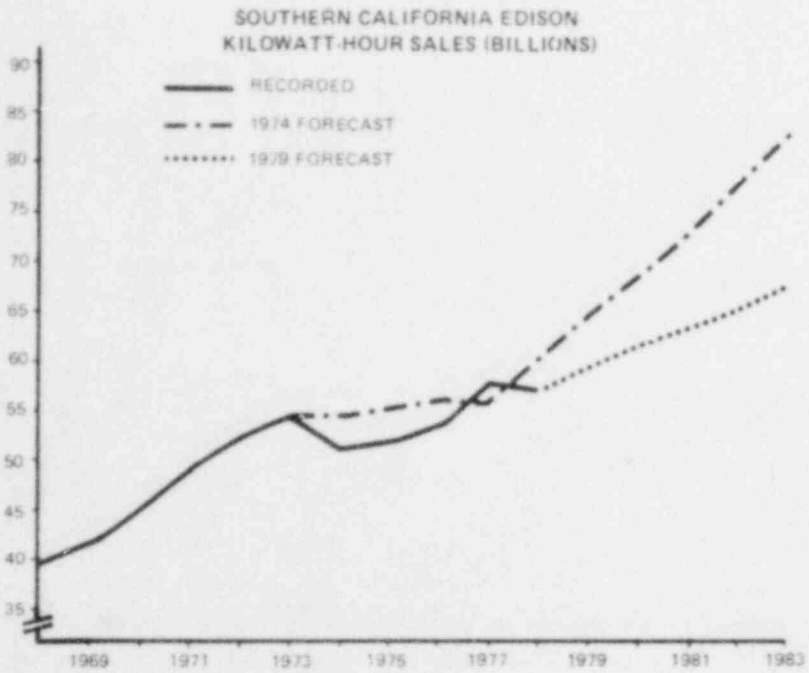
Column 3: Plant Construction Budget and Forecast, Second Quarter, 1979.
Columns 5 and 8: Electric System Planning, "System Forecast 1974-2000", March 1974.

Column 6: Electric System Planning, Short Run Forecast found in Chapter 7, Table 7A of "Results of Operation".

Columns 6 and 9: Electric System Planning, "System Forecasts 1978-2000", December 1978 Update.

SOUTHERN CALIFORNIA EDISON COMPANY FUNDS REQUIRED FOR CONSTRUCTION





20 LARGEST ELECTRIC UTILITIES' ELECTRIC PLANT,
KILOWATT-HOUR SALES, EMPLOYEES, AND CUSTOMER GROWTH

Line No.	Year (1)	Average Electric Plant ^(a) (millions)		Kilowatt-Hour Sales (millions)		Average Total Employees ^(b)		Average Electric Customers ^(a) (thousands)	
		So. Calif. Edison	20 Largest Electric	So. Calif. Edison	20 Largest Electric	So. Calif. Edison	20 Largest Electric	So. Calif. Edison	20 Largest Electric
		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1.	1969	\$3,321.8	\$1,011.1	42,602	14,692	11,603	4,566	2,357	653
2.	1970	3,596.4	1,136.7	45,881	15,831	12,249	4,782	2,411	669
3.	1971	3,864.8	1,283.3	48,856	16,872	12,687	4,962	2,468	687
4.	1972	4,114.1	1,446.9	52,310	18,396	13,106	5,138	2,532	708
5.	1973	4,390.1	1,630.0	54,093	20,166	13,711	5,361	2,596	732
6.	1974	4,659.1	1,838.1	51,090	20,264	13,598	5,484	2,659	752
7.	1975	4,963.8	2,061.8	51,528	20,808	13,452	5,468	2,721	768
8.	1976	5,414.0	2,306.8	53,685	22,024	12,971	5,554	2,782	784
9.	1977	5,938.5	2,580.9	57,726	23,378	13,182	5,717	2,858	804
10.	1978	6,516.2	2,896.0	57,027	24,575	13,476	6,007	2,944	827

Indicated Trends (1969 = 100)

11.	1969	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
12.	1970	108.3	112.4	107.7	107.8	105.6	104.7	102.3	102.5
13.	1971	116.3	126.9	114.7	114.8	109.3	108.7	104.7	105.2
14.	1972	123.9	143.1	122.8	125.2	113.0	112.5	107.4	108.5
15.	1973	132.2	161.2	127.0	137.3	118.2	117.4	110.2	112.2
16.	1974	140.3	181.8	119.9	137.9	117.2	120.1	112.8	115.2
17.	1975	149.4	203.9	120.5	141.6	115.9	119.8	115.4	117.6
18.	1976	163.0	228.1	126.0	149.9	111.8	121.6	118.0	120.0
19.	1977	178.8	255.3	135.5	159.1	113.6	125.2	121.2	123.1
20.	1978	196.2	286.4	133.9	167.3	116.1	131.6	124.9	126.6

Average Annual Trend Rates^(c)

21.	1969-1978	7.47%	12.43%	2.82%	5.65%	1.24%	2.76%	2.47%	2.66%
22.	1969-1973	7.17	12.71	6.28	8.15	4.10	4.01	2.45	2.90
23.	1974-1978	8.87	12.00	3.43	5.15	(.38)	2.29	2.56	2.38

(a) Year-end average

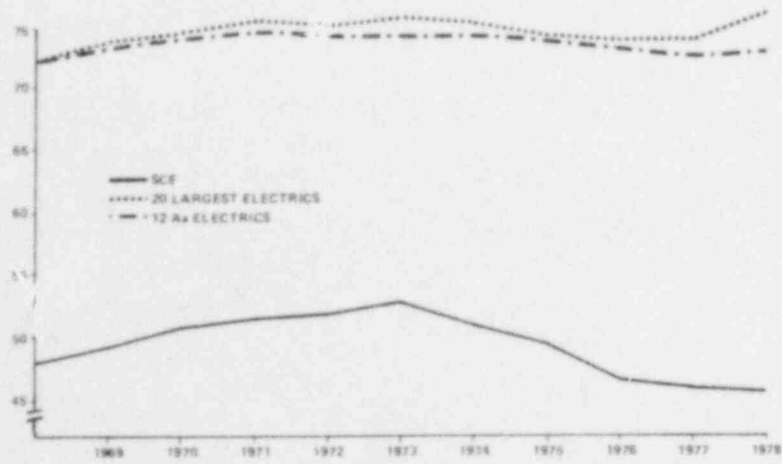
(b) 12-month average

(c) Exponential Curve Fit ($y = ae^{bx}$)

Source: Uniform Statistical Reports

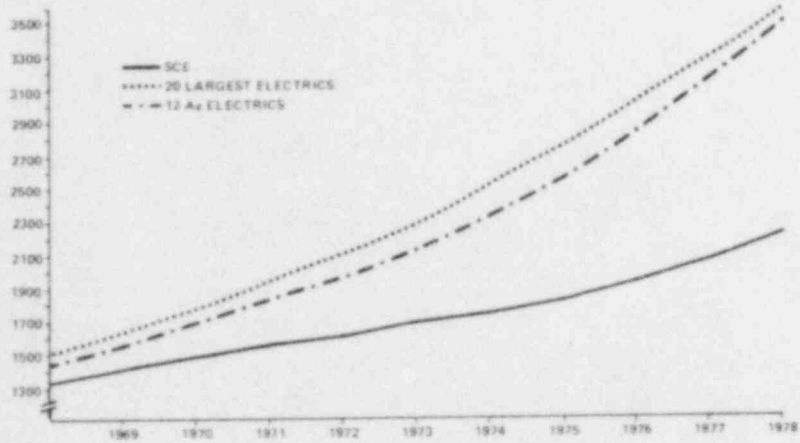
EMPLOYEES PER 10,000 CUSTOMERS

5A



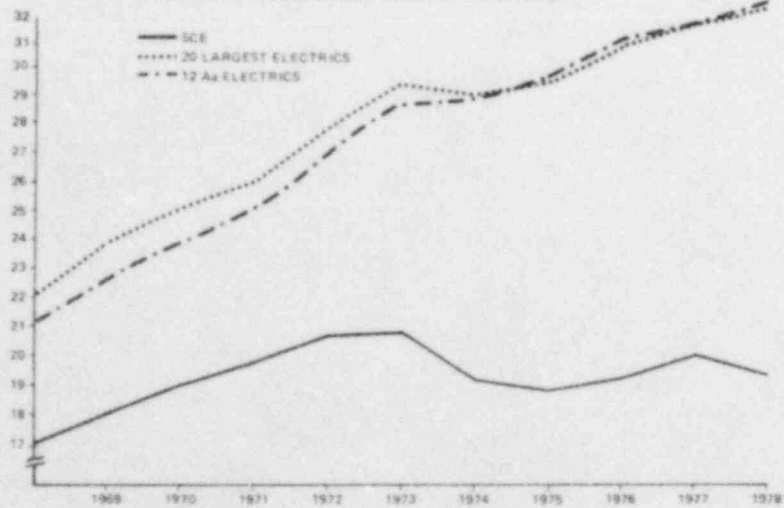
ELECTRIC PLANT PER CUSTOMER

5B



KILOWATT HOUR SALES (000) PER CUSTOMER

5C



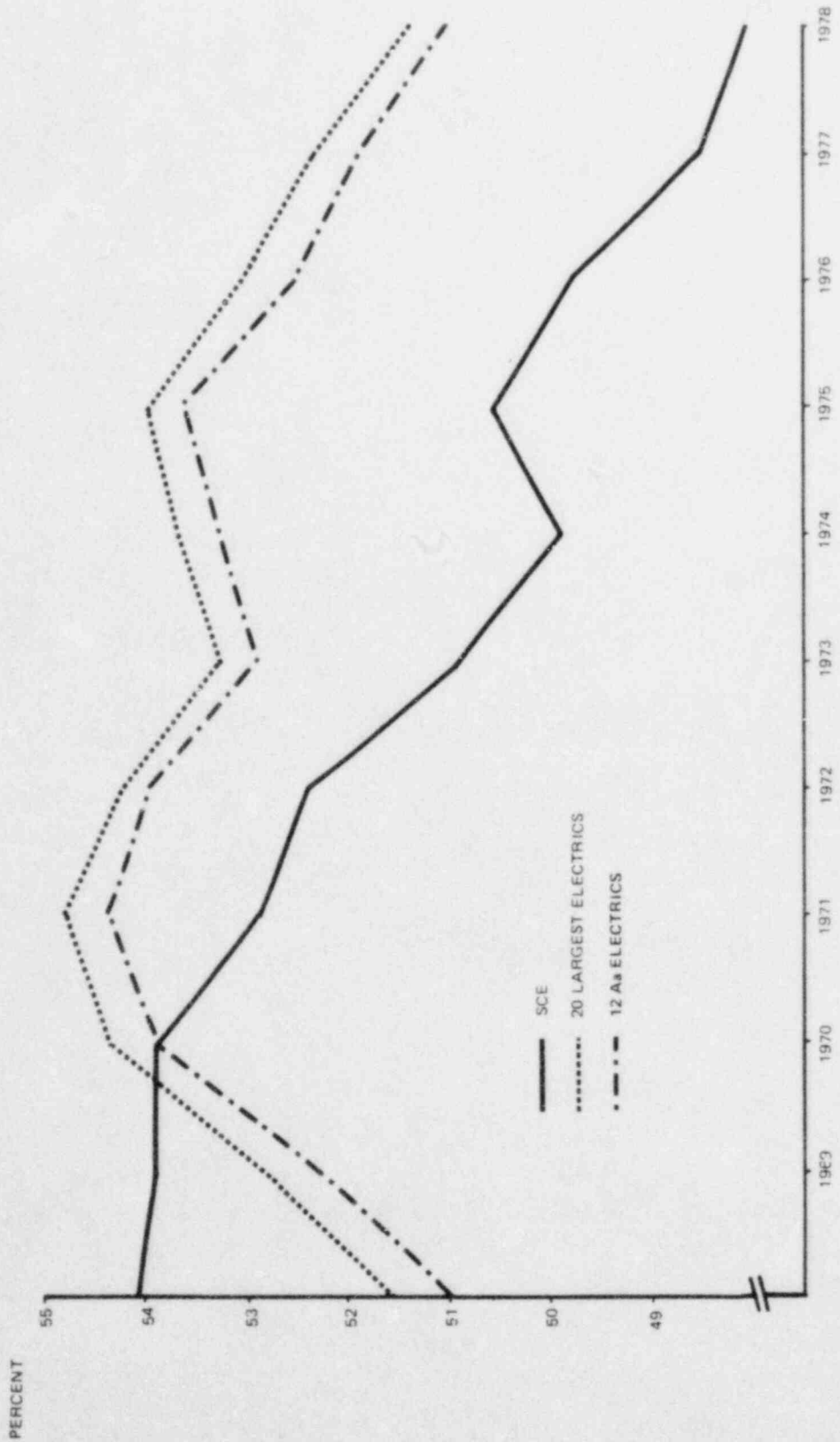
AVERAGE CAPITAL RATIO COMPARISONS

Line No.	Year	Percent Debt ^(a)			Percent Preferred			Percent Common		
		20			20			20		
		So. Calif. Edison	Largest Electric		So. Calif. Edison	Largest Electric		So. Calif. Edison	Largest Electric	
(1)	(2)	Aa Only	Total Group	(5)	Aa Only	Total Group	(8)	Aa Only	Total Group	
		(3)	(4)	(6)	(7)	(9)	(10)			
1.	1969	53.84%	52.26%	52.82%	10.31%	9.97%	9.81%	35.85%	38.60%	37.87%
2.	1970	53.80	53.78	54.28	11.14	9.95	9.94	35.06	37.10	36.28
3.	1971	52.83	54.37	54.77	11.87	9.63	9.83	35.30	36.00	35.40
4.	1972	52.43	53.95	54.20	12.13	10.47	10.76	35.44	35.58	35.04
5.	1973	50.94	52.89	53.23	13.76	10.97	11.50	35.30	36.13	35.27
6.	1974	49.93	53.27	53.72	14.61	11.25	11.81	35.46	35.48	34.47
7.	1975	50.65	53.63	53.96	14.66	11.88	12.34	34.69	34.49	33.71
8.	1976	49.85	52.59	53.09	14.35	12.47	12.71	35.80	34.94	34.21
9.	1977	48.65	51.96	52.38	14.38	12.35	12.51	36.98	35.70	35.12
10.	1978	48.11	51.18	51.44	14.02	12.80	12.71	37.87	36.09	35.89
Averages										
11.	1969-1978	51.10%	52.99%	53.39%	13.12%	11.17%	11.39%	35.78%	36.91%	35.33%
12.	1969-1973	52.77	53.45	53.86	11.84	10.20	10.37	35.39	36.68	35.97
13.	1974-1978	49.44	52.53	52.92	14.40	12.15	12.42	36.16	35.34	34.68
Indicated Trends (1969 = 100)										
14.	1969	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15.	1970	99.9	102.9	102.8	108.1	99.8	101.3	97.8	96.1	95.8
16.	1971	98.1	104.0	103.7	115.1	96.6	100.2	98.5	93.3	93.5
17.	1972	97.4	103.2	102.6	117.7	105.0	109.7	98.9	92.2	92.5
18.	1973	94.6	101.2	100.8	133.5	110.0	117.2	98.5	93.6	93.1
19.	1974	92.7	101.9	101.7	141.7	112.8	120.4	98.9	91.9	91.0
20.	1975	94.1	102.6	102.2	142.2	119.2	125.8	96.8	89.4	89.0
21.	1976	92.6	100.6	100.5	139.2	125.1	129.6	99.9	90.5	90.3
22.	1977	90.4	99.4	99.2	139.5	123.9	127.5	103.2	92.5	92.7
23.	1978	89.4	97.9	97.4	136.0	128.4	129.6	105.6	93.5	94.8

(a) Debt includes debt maturing within one year and excludes net unamortized discounts and premiums.

Sources: Annual Reports & Statistical Supplements
Moody's Public Utility Manual

AVERAGE DEBT RATIOS



LONG-TERM DEBT AND PREFERRED STOCK
NOMINAL COST COMPARISON

Line No.	Year	Nominal Cost						Cost Difference			
		Long-Term Debt			Preferred Stock			Long-Term Debt		Preferred Stock	
		SCE	20 Largest Electric		SCE	20 Largest Electric		(SCE Minus		(SCE Minus	
		(2)	Aa Only	Total Group	(5)	Aa Only	Total Group	Aa Only	Total Group	Aa Only	Total Group
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(12)	
1.	1969	5.06%	5.68%	5.64%	3.60%	4.67%	4.47%	(.62)	(.58)	(1.07)	(.87)
2.	1970	5.24	5.81	5.90	4.79	4.63	4.69	(.57)	(.66)	.16	.10
3.	1971	5.27	5.42	5.59	5.06	5.69	5.72	(.15)	(.32)	(.63)	(.66)
4.	1972	5.42	5.59	5.76	5.49	5.70	5.96	(.17)	(.34)	(.21)	(.47)
5.	1973	5.51	5.60	5.85	6.52	6.08	6.26	(.09)	(.34)	.44	.26
6.	1974	5.85	6.05	6.37	6.59	6.54	6.71	(.20)	(.52)	.05	(.12)
7.	1975	6.04	6.50	6.75	6.93	7.12	7.24	(.46)	(.71)	(.19)	(.31)
8.	1976	6.34	7.01	7.11	6.93	7.59	7.54	(.67)	(.77)	(.66)	(.61)
9.	1977	6.46	7.17	7.25	7.13	7.62	7.60	(.71)	(.79)	(.49)	(.47)
10.	1978	6.76	7.19	7.32	7.17	7.63	7.63	(.43)	(.56)	(.46)	(.46)

Sources: Uniform Statistical Reports, 1971-1978
Moody's Public Utility Manuals, 1969-1971

BOND PRICE CHANGE FROM YIELD DIFFERENTIAL
As of June 30, 1979

Line No.	Series	Years to Maturity	Yield-to-Maturity per Share			Price Change Per Share		Bonds Outstanding	Total Change		
			9%	10%	11%	9-10%	10-11%		9-10%	10-11%	
	So. Calif. Edison Bonds	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	G 3 5/8%	2.0	\$ 903.59	\$886.97	\$870.75	16.62	16.22	40,000	\$ 664,800	\$ 648,800	
2.	H 4 1/8	2.5	895.74	875.53	855.88	20.21	19.65	37,500	757,875	756,875	
3.	I 4 3/4	3.0	890.40	866.76	845.89	23.64	22.87	40,000	945,600	914,800	
4.	J 4 7/8	3.0	893.62	869.94	847.01	23.68	22.95	40,000	947,200	917,200	
5.	K 4 5/8	4.0	855.71	826.30	798.09	29.41	28.21	50,000	1,470,500	1,410,500	
6.	L 5	5.5	829.42	792.34	757.22	37.08	35.12	30,000	1,112,400	1,053,600	
7.	M 4 3/8	6.0	789.13	750.72	714.51	38.41	36.21	60,000	2,304,600	2,172,600	
8.	N 4 1/2	6.5	782.14	741.68	703.69	40.46	37.99	30,000	1,213,800	1,139,700	
9.	O 4 1/4	7.5	744.94	701.58	661.23	43.36	40.35	40,000	1,754,400	1,614,000	
10.	P 4 1/4	8.5	721.95	675.87	633.52	46.08	42.55	50,000	2,304,000	2,127,500	
11.	Q 4 3/8	9.0	718.80	671.23	627.47	47.57	43.76	60,000	2,854,200	2,625,600	
12.	R 4 3/8	9.5	708.78	660.10	615.50	48.68	44.60	60,000	2,920,800	2,676,000	
13.	S 4 1/2	10.5	698.39	647.42	601.05	50.97	46.37	60,000	3,058,200	2,782,200	
14.	T 5 1/4	12.0	728.21	672.28	621.89	55.93	50.39	75,000	4,194,750	3,779,250	
15.	U 6 1/8	12.0	791.63	732.65	679.43	58.98	53.22	80,000	4,718,400	4,257,600	
16.	V 5 7/8	13.0	763.33	703.51	649.90	59.82	53.61	80,000	4,785,600	4,288,800	
17.	W 6 3/8	13.5	797.20	734.60	678.61	62.60	55.99	100,000	6,260,000	5,595,000	
18.	X 7 1/8	14.5	849.79	782.35	722.30	67.44	60.05	75,000	5,058,000	4,503,750	
19.	Y 8 1/8	15.5	927.62	853.82	788.34	73.80	65.48	100,000	7,380,000	6,548,000	
20.	Z 7 7/8	16.5	904.25	829.97	764.45	74.28	65.52	100,000	7,428,000	6,552,000	
21.	AA 8	17.0	913.77	838.07	771.44	75.70	66.63	100,000	7,570,000	6,663,000	
22.	BB 7 3/8	18.0	856.46	782.82	718.41	73.64	64.41	125,000	9,205,000	8,051,250	
23.	CC 8 1/4	19.5	931.64	851.10	780.98	70.54	70.12	100,000	8,054,000	7,012,000	
24.	DDP 7										
25.	EE 9	2.0	1,000.00	982.27	964.95	17.73	17.32	100,000	1,773,000	1,732,000	
26.	FF 8 7/8	20.5	988.40	902.72	828.33	85.68	74.39	150,000	12,852,000	11,158,500	
27.	GG 8 1/8	21.5	988.20	901.30	826.14	86.90	75.16	125,000	10,862,500	9,395,000	
28.	HH 8 1/4	23.0	927.67	843.55	771.30	84.12	72.25	125,000	10,515,000	9,031,250	
29.	II 7 1/4	5.0	930.76	893.83	858.67	36.93	35.16	15,000	2,769,750	2,637,000	
30.	JJ 9 5/8	24.0	1,085.47	988.70	905.56	96.77	83.14	200,000	19,354,000	16,628,000	
31.	Subtotal								\$145,068,375	\$128,655,775	
Cal Electric Bonds											
32.	2 7/8%	1.0	\$ 942.65	\$933.76	\$924.99	8.89	8.77	2,000	17,780	17,540	
33.	2 7/8	1.0	942.65	933.76	924.99	8.89	8.77	4,000	35,560	35,080	
34.	3 1/4	5.0	772.51	739.39	707.92	33.12	31.47	8,000	264,960	251,760	
35.	3 5/8	6.0	754.94	717.48	682.19	37.46	35.29	6,000	224,760	211,740	
36.	4 1/2	7.0	757.21	715.41	676.35	41.80	39.06	8,000	334,400	312,480	
37.	4 3/8	8.0	754.26	708.73	666.52	45.53	42.21	6,000	273,180	253,260	
38.	4 1/2	8.5	736.59	689.96	646.90	46.63	43.06	12,000	559,560	516,720	
39.	3 1/8	11.0	732.93	679.15	630.37	53.78	48.78	12,000	645,360	585,360	
40.	5	12.0	710.09	655.03	605.45	55.06	49.58	8,000	440,480	396,640	
41.	Subtotal								\$ 2,696,740	\$2,580,580	
42.	Total								\$147,764,415	\$131,236,355	

PREFERRED & PREFERENCE PRICE CHANGE
FROM
YIELD DIFFERENTIAL

Line No.	Series (1)	Annual Market Yield			Price Change		Number of Stock Outstanding (7)	Total Change (000)	
		9% (2)	10% (3)	11% (4)	9-10% (5)	10-11% (6)		9-10% (8)	10-11% (9)
<u>Cumulative Preferred (\$25 par)</u>									
1.	4.08%	\$11.33	\$10.20	\$ 9.27	\$1.13	\$0.93	1,000,000	\$1,130.0	\$ 930.0
2.	4.24	11.78	10.60	9.64	1.18	0.96	1,200,000	1,416.0	1,152.0
3.	4.32	12.00	10.80	9.82	1.20	0.98	1,653,429	1,984.1	1,620.4
4.	4.78	13.28	11.95	10.86	1.33	1.09	1,296,769	1,724.7	1,413.5
5.	5.80	16.11	14.50	13.18	1.61	1.32	2,200,000	3,542.0	2,904.0
6.	8.85	24.56	22.10	20.09	2.46	2.01	2,000,000	4,920.0	4,020.0
7.	9.20	25.56	23.00	20.91	2.56	2.09	2,000,000	5,120.0	4,180.0
<u>Cumulative Preferred (\$100 par)</u>									
8.	7.325% ^(a)	\$86.77	\$80.19	\$74.39	\$6.58	\$5.80	750,000	\$4,935.0	\$4,350.0
9.	7.58	84.22	75.80	68.91	8.42	6.89	750,000	6,315.0	5,167.5
10.	7.80 ^(a)	90.26	82.97	76.60	7.29	6.37	600,000	4,374.0	3,822.0
11.	8.70	96.67	87.00	79.09	9.67	7.91	500,000	4,835.0	3,955.0
12.	8.70A ^(a)	97.15	89.25	82.33	7.90	6.92	525,000	4,147.5	3,633.0
13.	8.96	99.56	89.60	81.45	9.96	8.15	500,000	4,980.0	4,075.0
<u>Preference (\$25 par)</u>									
14.	5.20% ^(a)	\$14.44	\$13.00	\$11.82	\$1.44	\$1.18	1,635,820	\$2,355.6	\$1,930.3
15.	7.375 ^(a)	22.73	21.49	20.33	1.24	1.16	2,480,000	3,075.2	2,876.8
16.	Total							<u>\$54,854.1</u>	<u>\$46,022.5</u>

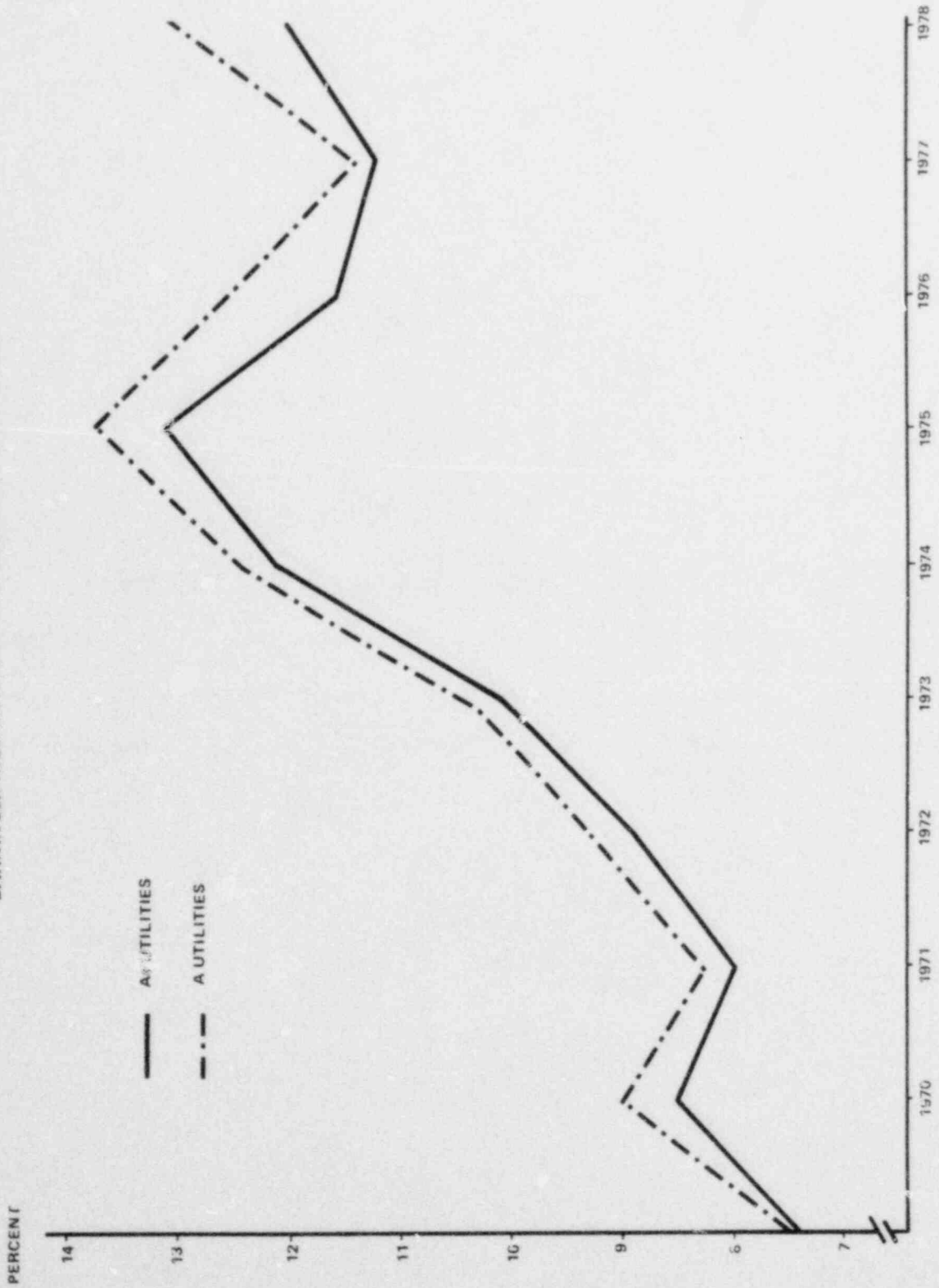
(a) Sinking fund stocks.

DILUTION OF SCE STOCK
FROM COMMON STOCK ISSUES

Line No.	Year (1)	Recorded Year-End			Adjusted Year-End		
		Common Equity (000) (2)	Shares Outstanding (000) (3)	Book Value (2:3) (4)	Shares Outstanding (000) (5)	Book Value (2:5) (6)	Percent Dilution Caused by Issues (7)
1.	1974	\$1,366,744	47,965	\$28.50	46,238	\$29.56	3.59%
2.	1975	1,421,760	47,965	29.64	46,238	30.75	3.61
3.	1976	1,643,588	53,609	30.66	49,899	32.94	6.92
4.	1977	1,780,439	55,126	32.30	51,144	34.81	7.21
5.	1978	2,052,056	63,017	32.56	56,639	36.23	10.13

Source: Annual Reports and Statistical Supplements

EARNINGS/PRICE RATIOS FOR SELECTED A_B & A UTILITIES



1978 OPERATING CHARACTERISTICS OF THE 20 LARGEST ELECTRIC UTILITIES WITH SINGLE A OR BETTER BOND RATING

Line No.	20 Largest Electrics (1)	Operating Revenues ^(a)		Fuel & Purchased Power		Labor Expense ^(b)		Percent of Revenue for Capital Needs ^(c) (8)
		Amount (millions) (2)	Percent Electric (3)	Amount (millions) (4)	Percent of Revenues (5)	Amount (millions) (6)	Percent of Revenues (7)	
<u>Double A Rated</u>								
1.	Commonwealth Edison	\$2442.8	100.0%	\$ 804.6	32.9%	\$ 428.6	17.5%	49.6%
2.	Houston Industries	1303.6	100.0	687.1	52.7	126.5	9.7	37.6
3.	Pennsylvania Power & Light	798.3	99.5	235.0	29.4	161.9	20.3	50.3
4.	Cleveland Electric Illum.	717.1	98.6	298.1	41.6	119.2	16.6	41.8
5.	Duquesne Light	575.1	98.1	207.7	35.2	96.5	16.8	48.0
6.	Oklahoma Gas & Electric	541.0	100.0	286.5	52.9	61.7	11.4	35.7
7.	Public Service Co. of Indiana	538.4	100.0	188.8	35.1	75.4	14.0	50.9
8.	Utah Power & Light	421.6	99.9	130.2	30.9	76.3	18.1	51.0
9.	Tampa Electric	395.9	100.0	181.6	45.9	52.7	13.3	40.8
10.	Southwestern Public Service	365.4	100.0	206.1	56.4	45.9	12.6	31.0
11.	Kansas City Power & Light	318.7	98.5	85.4	26.8	61.6	19.3	53.9
12.	Kentucky Utilities	306.1	100.0	156.8	51.2	52.8	10.7	38.1
13.	Double A Average	\$ 726.8	99.6%	\$ 288.5	40.9%	\$ 111.6	15.0%	44.1%
<u>Single A Rated</u>								
14.	Florida Power & Light	\$1647.2	100.0%	\$ 532.8	32.3%	\$ 254.9	15.5%	52.2%
15.	Virginia Electric & Power	1464.9	96.5	595.0	40.6	162.9	11.1	48.3
16.	Duke Power	1400.4	99.7	560.6	39.3	317.7	22.7	38.0
17.	Union Electric	904.0	93.4	255.3	28.2	157.5	17.4	54.4
18.	Ohio Edison	863.0	99.4	364.8	42.3	151.4	17.5	40.2
19.	Florida Power Corp.	751.2	100.0	331.0	44.1	81.5	10.8	45.1
20.	Gulf States Utilities	747.0	98.3	368.9	49.4	71.1	9.5	41.1
21.	Potomac Elec. Power	714.7	100.0	255.2	35.7	104.0	14.6	49.7
22.	Single A Average	\$1061.6	97.4%	\$ 408.0	39.0%	\$ 162.6	14.9%	46.1%
23.	20 Largest Average	\$ 860.7	98.7%	\$ 336.3	40.1%	\$ 132.0	15.0%	44.9%
24.	Standard Deviation	542.5	2.6	198.1	9.0	99.7	3.8	6.8
25.	High	\$2442.8	100.0%	\$ 804.6	56.4%	\$ 428.6	22.7%	54.4%
26.	Low	\$ 306.1	90.3%	\$ 85.4	26.8%	\$ 32.8	9.5%	31.0%
27.	Southern Calif. Edison	\$2329.3	100.0%	\$1204.8	51.7%	\$ 369.6	15.9%	32.4%

(a) Total Operations

(b) Wages & Salaries plus Pensions & Benefits for Total Operations

(c) Column 8 = 100% - (Column 5 + Column 7)

Source: Uniform Statistical Reports

1978 FINANCIAL CHARACTERISTICS
OF
THE 20 LARGEST ELECTRIC UTILITIES

Line No.	Company Name	Bond Ratings				Common Stock				1977 Net Utility Plant ^(a) (millions)	1978 Construction ^(a)	
		Moody's		Standard & Poor's		Year-end Shares Outstanding (000)	Number of Shareholders	Shares Per Shareholder (6 : 7)	Percent Institution (19)		Utility Plant ^(a) (millions)	Percent of Plant (11 : 10)
		1979	Derated (3)	1979	Derated (5)							
<u>Double A Rated</u>												
1.	Cleveland Electric Illum.	Aa	1975 Aaa-Aa	Aa-	1974 Aaa-AA	35,985.4	27,330	412	19.9%	\$1,803	\$ 299	16.6%
2.	Commonwealth Edison	Aa	1979 Aaa-Aa	AA-	1973 Aaa-AA	78,950.3	229,082	341	18.0	5,894	1,316	22.3
3.	Duquesne Light	A	1979 Aa-A	AA-		31,750.0	100,261	244	2.3	1,697	200	11.8
4.	Houston Industries	Aa	1975 Aaa-Aa	AA	1975 Aaa-AA	31,089.1 ^(b)	30,369 ^(c)	1,024	38.2	2,437	454	18.6
5.	Kansas City Power & Light	Aa	1971 Aaa-Aa	A+	1973 Aaa-AA	9,961.8	33,283	299	12.1	897	186	20.7
6.	Kentucky Utilities	Aa		AA		8,661.1	31,300	277	6.8	652	89	13.7
7.	Oklahoma Gas & Electric	Aa		A-		26,994.0	37,247	722	24.2	1,230	181	15.0
8.	Pennsylvania Power & Light	Aa		A+	1971 AA-A	39,073.8	149,889 ^(b)	261	3.2	2,652	434	16.4
9.	Public Service of Indiana	Aa		AA		26,957.7	35,117	768	33.1	1,519	298	19.6
10.	Southwestern Public Service	Aa		AA		25,938.1	40,744	637	11.4	650	159	24.5
11.	Tampa Electric	Aa		AA		15,251.1	15,547	981	35.8	744	46	6.2
12.	Utah Power & Light	A		AA-		32,712.7	61,224	534	11.7	1,342	262	19.5
13.	Double A Average		5 of 12		5 of 12	30,195.4	73,449	542	17.3	1,793	327	17.1
<u>Single A Rated</u>												
14.	Duke Power	A	1970 Aaa-Aa	A	1970 Aaa-AA	72,132.2	107,987 ^(b)	674	16.7	3,993	629	15.8
15.	Florida Power Corporation	A	1974 Aa-A	A+	1974 Aa-A	14,426.1	31,309	161	28.2	1,491	108	7.2
16.	Florida Power & Light	A	1974 Aa-A	A+	1970 Aa-A	40,314.6	32,089	1,256	38.6	3,655	451	12.3
17.	Gulf States Utilities	A	1979 Aa-A	A+	1979 Aa-A	38,302.4	54,684	700	17.8	1,587	271	17.3
18.	Ohio Edison	A	1974 Aaa-Aa	A-	1970 Aaa-AA	52,120.2	157,644	331	9.0	2,394	394	16.5
19.	Potomac Electric Power	A	1970 Aa-A	A+	1975 Aa-A	40,664.7	122,759	331	8.6	1,693	175	10.3
20.	Union Electric	A	1975 Aa-A	A	1974 Aa-A	51,909.3	157,956	329	3.3	2,249	316	14.1
21.	Virginia Electric & Power	A	1974 Aa-A	A	1974 Aa-A	85,241.1	155,320	549	13.5	4,146	505	12.2
22.	Single A Average		8 of 8		7 of 8	49,388.8	102,356	579	17.0	2,651	357	13.25
23.	20 Largest Average		13 of 20		12 of 20	37,872.9	85,012	557	17.2	2,136	339	15.5
24.	Standard Deviation					21,320.2	61,449	287	11.9	1,363	276	4.7
25.	High					85,241.1	229,082	1,256	38.6	5,894	1,316	21.5
26.	Low					8,661.1	15,547	244	2.3	650	46	6.2
27.	Southern California Edison	Aa		AA		63,017 ^(d)	138,032	457	22.8	4,791	642	13.4

(a) Excludes Nuclear Fuel

(b) 1978 Annual Reports or Statistical Supplements

(c) Per Telephone Conversation

(d) Includes 480,000 shares of Original Preferred Stock

Sources: Col. 6, 7, & 10: Uniform Statistical Reports

Col. 9: Standard & Poor's Stock Guide, January 1979

EARNINGS AND DIVIDENDS PER SHARE COMPARISONS

Line No.	Year	Earnings Per Share			Dividends Per Share			GNP Implicit Price Deflator (1969 = 100)	Payout Ratios		
		So. Calif. Edison	20 Largest Electric	Standard & Poor's 400 Industrials	So. Calif. Edison	20 Largest Electric	Standard & Poor's 400 Industrials		So. Calif. Edison	20 Largest Electric	Standard & Poor's 400 Industrials
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
1.	1969	\$2.35	\$1.94	\$ 6.13	\$1.40	\$ 1.26	\$ 3.25	100.00	59.65	64.9%	53.0%
2.	1970	2.70	1.99	5.41	1.48	1.32	3.20	105.35	54.8	66.3	59.1
3.	1971	2.46	2.05	5.97	1.50	1.37	3.16	110.72	61.0	66.8	52.9
4.	1972	2.51	2.19	6.83	1.56	1.39	3.22	115.31	62.2	63.5	47.1
5.	1973	2.67	2.27	8.89	1.56	1.44	3.46	122.09	58.4	43.4	38.9
6.	1974	2.80	2.10	9.61	1.65	1.49	3.71	133.79	58.9	71.0	38.6
7.	1975	2.86	2.33	8.58	1.68	1.53	3.72	146.62	58.7	65.7	43.4
8.	1976	3.80	2.41	10.69	1.68	1.59	4.22	154.24	44.2	66.0	39.5
9.	1977	3.80	2.57	11.54	1.92	1.68	4.95	163.30	50.5	65.4	42.9
10.	1978	3.52	2.54	13.17	2.24	1.78	5.35	175.38	63.6	70.1	40.6
Average Annual Trend Rates ^(a)											
		Average Annual Trend Rates ^(a)						Averages			
11.	1969-1978	5.38	3.16	10.09	4.27	3.62	5.92	6.63	57.19	66.31	45.60
12.	1969-1973	1.84	4.18	19.26	2.73	3.24	1.32	5.00	59.20	64.98	50.20
13.	1974-1978	7.70	4.90	9.71	7.73	4.59	10.71	6.71	55.18	67.61	41.00
Indicated Trends (1969 = 100)											
14.	1969	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
15.	1970	114.9	102.6	88.3	105.7	104.8	98.5	91.9	102.7	111.5	
16.	1971	104.7	105.7	97.4	107.1	108.7	97.2	102.5	102.9	99.8	
17.	1972	106.8	112.9	111.4	111.4	104.8	99.1	104.4	97.8	88.9	
18.	1973	113.6	117.0	145.0	111.4	114.3	106.5	98.0	97.7	73.4	
19.	1974	119.1	108.2	156.8	117.9	118.3	114.2	98.8	105.4	72.8	
20.	1975	121.7	120.1	140.0	120.0	121.4	114.5	98.5	101.2	61.9	
21.	1976	161.7	124.2	174.4	120.0	126.2	129.8	74.2	101.7	14.5	
22.	1977	161.7	132.5	188.3	137.1	133.3	152.3	81.7	109.8	80.9	
23.	1978	149.8	130.9	214.8	160.0	141.3	164.6	106.7	108.0	76.6	

(a) Exponential Trend Rate ($y = ae^{bx}$)

Sources: Standard & Poor's Stock Guides
 Annual Reports and Statistical Supplements
 Standard & Poor's Analyst's Handbook 1970-1978
 Survey of Current Business

RETURN ON AVERAGE COMMON EQUITY

Line No.	Year (1)	So. Calif. Edison (2)	20 Largest Electricians			
			Averages		Deficiencies	
			Aa Only (3)	Total Group (4)	Aa Only (5)	Total Group (6)
1.	1969	10.37%	13.99%	13.54%	3.62%	3.17%
2.	1970	11.18	13.84	13.35	2.66	2.17
3.	1971	9.77	13.14	12.73	3.37	2.96
4.	1972	9.42	13.44	12.75	4.02	3.33
5.	1973	9.59	12.83	12.47	3.24	2.88
6.	1974	9.52	12.26	11.34	2.74	1.82
7.	1975	9.84	12.54	12.01	2.70	2.17
8.	1976	12.07	13.15	12.43	1.08	.36
9.	1977	12.05	12.94	12.59	.89	.54
10.	1978	10.55	11.85	11.69	1.30	1.14
<u>Averages</u>						
11.	1969-78	10.44%	13.00%	12.49%	2.56%	2.05%
12.	1969-73	10.07	13.45	12.97	3.38	2.90
13.	1974-78	10.81	12.55	12.01	1.74	1.21

Sources: Annual Reports and Statistical Supplements

YEAR-END
COMMON STOCK
PRICE COMPARISONS

Line No.	Year (1)	So. Calif. Edison (2)	20 Largest Electrics		Standard & Poor's 400 Industrials (5)
			Aa Only (3)	Total (4)	
1.	1969	\$30.13	\$25.46	\$25.92	101.49
2.	1970	32.13	28.28	28.27	100.90
3.	1971	29.50	27.70	26.97	112.72
4.	1972	27.75	27.36	27.16	131.87
5.	1973	28.50	21.03	19.85	109.14
6.	1974	17.50	16.09	14.14	76.47
7.	1975	19.63	20.67	19.66	100.88
8.	1976	22.88	24.24	22.67	119.46
9.	1977	26.38	23.19	21.94	104.71
10.	1978	25.75	19.77	19.08	107.21

Indicated Trends (1969 = 100)

11.	1969	100.0	100.0	100.0	100.0
12.	1970	106.6	111.1	109.1	99.4
13.	1971	97.9	108.8	104.1	111.1
14.	1972	92.1	107.5	104.8	129.9
15.	1973	61.4	82.6	70.6	107.5
16.	1974	58.1	63.2	54.6	75.3
17.	1975	65.1	81.2	75.8	99.4
18.	1976	75.9	95.2	87.5	117.7
19.	1977	87.6	91.1	84.6	103.2
20.	1978	85.5	77.7	73.6	105.6

Sources: Standard & Poor's Stock Guide
Standard & Poor's Analyst's Handbook

YEAR-END
EARNINGS/PRICE RATIOS

Line No.	Year	So. Calif. Edison	20 Largest Electric				Standard & Poor's 400 Industrials			
			Ratio		SCE Cost Difference		Cost Difference			
			Aa Only	Total Group	Aa Only	Total	So. Calif. Edison	Aa Only	Total Group	Total Group
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
1.	1969	7.80%	7.99%	7.66%	(.19)%	.14%	6.04%	1.76%	1.95%	1.62%
2.	1970	8.40	7.63	7.36	.77	1.04	5.36	3.04	2.27	2.00
3.	1971	8.34	7.74	7.75	.60	.60	5.30	3.04	2.44	2.45
4.	1972	9.04	8.67	8.36	.37	.68	5.18	3.86	3.49	3.18
5.	1973	14.43	10.99	11.49	3.44	2.94	8.15	6.28	2.84	3.34
6.	1974	16.00	14.03	15.28	1.97	.72	12.67	3.33	1.36	2.61
7.	1975	14.57	11.76	11.82	2.81	2.75	8.48	6.09	3.28	3.34
8.	1976	16.61	10.78	10.77	5.83	5.82	8.94	7.67	1.84	1.83
9.	1977	14.41	11.19	11.61	3.22	2.80	11.05	3.36	.14	.56
10.	1978	13.67	12.20	12.80	1.47	.87	12.28	1.39	(.08)	.52
Averages										
11.	1969-1978	12.33	10.30	10.49	2.03	1.84	8.35	3.98	1.95	2.15
12.	1969-1973	9.60	8.60	8.52	1.00	1.08	6.01	3.60	2.60	2.52
13.	1974-1978	15.05	11.99	12.46	3.06	2.59	10.68	4.37	1.31	1.77

Sources: Annual Reports and Statistical Supplements
Standard & Poor's Stock Guides
Standard & Poor's Analyst's Handbook

YEAR-END PRICE/BOOK
COMPARISONS

Line No.	Year (1)	So. Calif. Edison (2)	20 Largest Electric's				Standard & Poor's 400 Industrials			
			Ratio		Deficit		Ratio (7)	Deficit		
			Aa Only (3)	Total Group (4)	Aa Only (5)	Total Group (6)		So. Calif. Edison (8)	Aa Only (9)	Total Group (10)
1.	1969	1.28	1.76	1.77	.48	.49	1.96	.68	.20	.19
2.	1970	1.30	1.85	1.83	.55	.53	1.92	.62	.07	.09
3.	1971	1.13	1.74	1.66	.61	.53	2.04	.91	.30	.38
4.	1972	1.02	1.57	1.54	.55	.52	2.26	1.24	.69	.72
5.	1973	.65	1.16	1.08	.51	.43	1.74	1.09	.58	.66
6.	1974	.61	.86	.76	.25	.15	1.13	.52	.27	.37
7.	1975	.66	1.06	1.01	.40	.35	1.42	.76	.36	.41
8.	1976	.75	1.18	1.13	.43	.38	1.57	.82	.39	.44
9.	1977	.82	1.09	1.05	.27	.23	1.27	.45	.18	.22
10.	1978	.79	.91	.89	.12	.10	N.A.	--	--	--
Averages										
11.	1969-1978	.90	1.32	1.27	.42	.37	1.70 ^(a)	.79 ^(a)	.34 ^(a)	.39 ^(a)
12.	1969-1973	1.08	1.62	1.58	.54	.50	1.98 ^(b)	.91 ^(b)	.37 ^(b)	.41 ^(b)
13.	1974-1978	.73	1.02	.97	.29	.24	1.35 ^(b)	.64 ^(b)	.30 ^(b)	.36 ^(b)

N.A.: Not Available

(a) 1969-1977

(b) 1975-1977

Sources: Annual Reports and Statistical Supplements
Standard & Poor's Stock Guide
Standard & Poor's Analyst's Guide

SOUTHERN CALIFORNIA EDISON
PRICE BOOK ADJUSTED
RETURN ON COMMON EQUITY

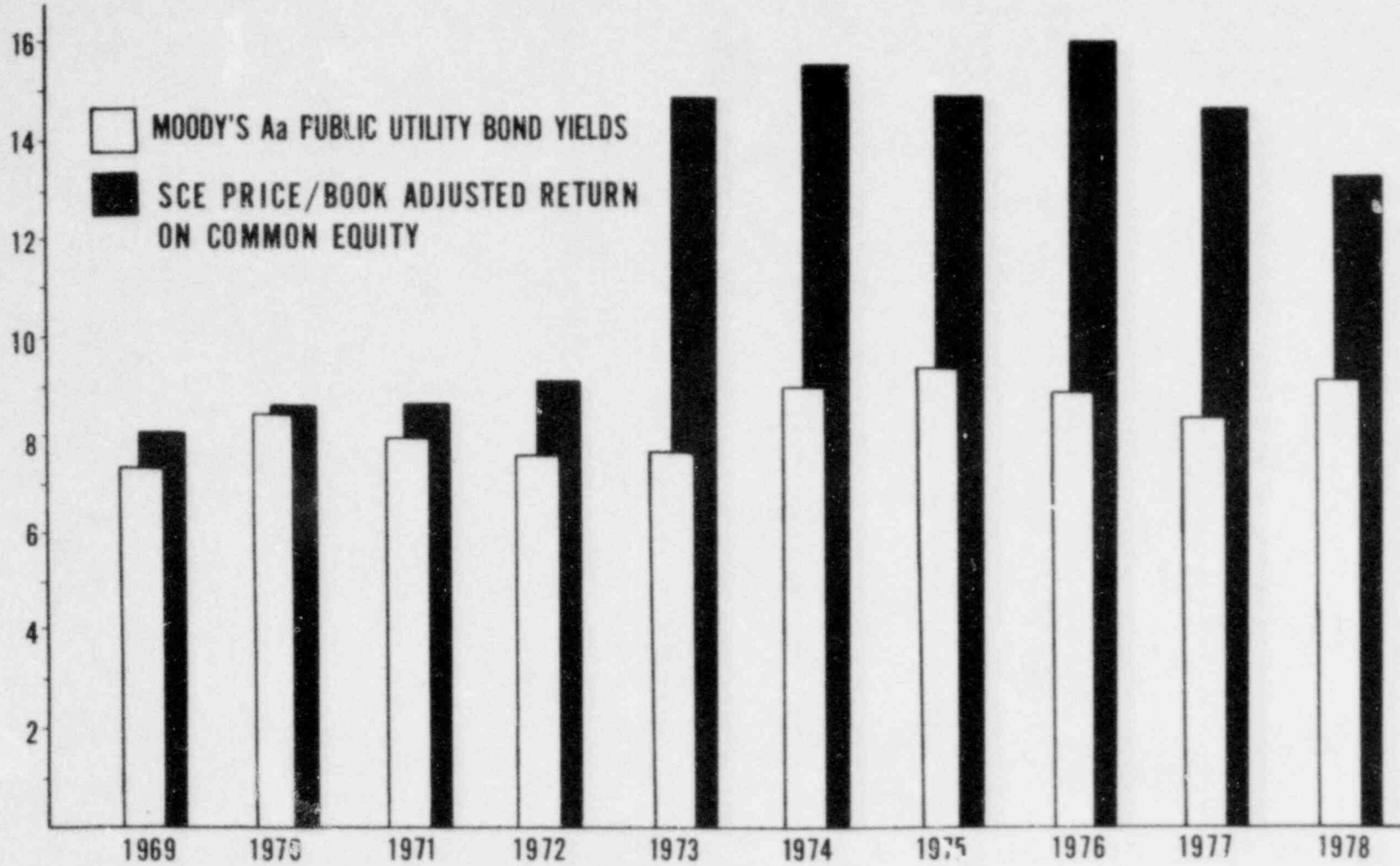
Line No.	Year (1)	Return on Common Equity(a) (2)	Year-end Price/Book Ratio(a) (3)	Adjusted Return (2:3) (4)	Moody's Aa Public Utility Bond Yields (5)
1.	1973	9.59%	.65	14.8%	7.72%
2.	1974	9.52	.61	15.6	9.04
3.	1975	9.84	.66	14.9	9.44
4.	1976	12.07	.75	16.1	8.92
5.	1977	12.05	.82	14.7	8.43
6.	1978	10.54	.79	13.3	9.10
<hr/> Averages <hr/>					
7.	1973-1978			14.9%	9.00%

(a) 1973-1977 Restated

Sources: Annual Reports and Statistical Supplements
Survey of Current Business
Moody's Bond Surveys

SCE ADJUSTED COMMON EQUITY COST VERSUS MOODY'S Aa PUBLIC UTILITY BOND YIELDS

PERCENT



SOUTHERN CALIFORNIA EDISON
EARNINGS/PRICE COST OF CAPITAL

Line No.	Year	Recorded Per Share Basis (a)			Expected Per Share Basis (b)		
		Earnings	Average Price	Cost (2:3)	Total Earnings	Year-end Price	Cost (5:6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	1974	\$2.80	\$18.04	15.5%	\$2.75	\$17.500	15.7%
2.	1975	2.86	18.83	15.2	3.00	19.625	15.3
3.	1976	3.80	20.71	18.3	3.79	22.875	16.6
4.	1977	3.80	24.73	15.4	4.26	26.375	16.2
5.	1978	3.52	25.55	13.8	4.16	25.750	16.2
Averages							
6.	1974-1978			15.6%			16.0%

(a) Restated Earnings 1974-1977

(b) Exponential Curve Fit, $(y = ae^{bx})$. Restated Earnings 1974-1977.

Source: Annual Reports & Statistical Supplements

WEIGHTED AVERAGE COST OF CAPITAL

<u>Line No.</u>	<u>Capital Ratio</u> (2)	<u>Cost Factor</u> (3)	<u>Weighted Cost</u> (4)	<u>After Tax Interest Coverage</u> (5)	
A. <u>Decision No. 89711</u>					
<u>Test Year 1979</u>					
1.	Long term Debt	47.84%	7.14%	3.42%	
2.	Preferred Stock	13.73	7.29	1.00	
3.	Senior Capital	61.57%	7.18	4.42%	9.60%
4.	Common Equity	38.43	13.49	5.18	+3.42%
5.	Total Equity	<u>100.00%</u>		<u>9.60%</u>	2.81x
B. <u>Projected Rate of Return with 15% Return on Common Equity</u>					
<u>Test Year 1980</u>					
6.	Long term Debt	47.00%	7.84%	3.68%	
7.	Preferred Stock	13.00	7.62	.99	
8.	Senior Capital	60.00%	7.78	4.67%	10.67%
9.	Common Equity	40.00	15.00	6.00	+3.68
10.	Total Equity	<u>100.00%</u>		<u>10.67%</u>	2.90x
<u>Test Year 1981</u>					
11.	Long term Debt	47.00%	8.03%	3.77%	
12.	Preferred Stock	13.00	7.80	1.01	
13.	Senior Capital	60.00%	7.97	4.78%	10.78%
14.	Common Equity	40.00	15.00	6.00	+3.77
15.	Total Equity	<u>100.00%</u>		<u>10.78%</u>	2.86x
<u>Test Year 1982</u>					
16.	Long term Debt	47.00%	8.30%	3.90%	
17.	Preferred Stock	13.00	7.90	1.03	
18.	Senior Capital	60.00%	8.22	4.93%	10.93%
19.	Common Equity	40.00	15.00	6.00	+3.90
20.	Total Equity	<u>100.00%</u>		<u>10.93%</u>	2.80x