

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

...X.. Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

June 30, 1995

For the quarterly period ended.....

Or

....Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 1-11439

SDO PARENT CO., INC.

.....
Exact name of registrant as specified in its charter)

CALIFORNIA

33-0643023

.....
(State or other jurisdiction of incorporation or organization)

.....
(I.R.S. Employer Identification No.)

101 ASH STREET, SAN DIEGO, CALIFORNIA

92101

.....
(Address of principal executive offices

.....
(Zip Code)

(619) 696-2000

Registrant's telephone number, including area code.....

No Change

.....
Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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...X... No.....

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

NONE

Common Stock outstanding.....

BACKGROUND

SDO Parent Co., Inc., a California corporation, was formed by San Diego Gas & Electric Company, a California corporation, for the purpose of becoming the parent holding company for SDG&E and for SDG&E's present direct subsidiaries. At the annual meeting of SDG&E's shareholders on April 25, 1995, the merger transaction to effect the holding company structure was approved. However, completion of the merger is subject to SDG&E's receipt of certain authorizations from the California Public Utilities Commission. An application was filed with the CPUC on November 7, 1994.

At present, SDO Parent has no assets, no operations, and no issued and outstanding stock. Although SDG&E will be the initial holder of SDO Parent's securities prior to the merger, this step in the holding company formation process is being held in abeyance pending receipt of the authorizations.

The CPUC's Division of Ratepayer Advocates has recommended against approval of the holding company or, in the alternative, that approval include several conditions, some of which are onerous. To date, the holding company proposal has been approved by the FERC, the Nuclear Regulatory Commission and SDG&E shareholders. SDG&E anticipates forming the holding company shortly after receiving final approval from the CPUC, whose decision is expected in the fourth quarter of 1995. Upon receipt of the authorizations, the merger will be effected and then-present holders of SDG&E common stock will become the holders of SDO Parent's common stock.

For information concerning the financial position and results of operations of SDO Parent had the merger occurred on or prior to June 30, 1995, the Quarterly Report on Form 10-Q of SDG&E (File No. 1-3779) for the quarter ended June 30, 1995 is incorporated herein by reference.

PART I. FINANCIAL INFORMATION

Items 1. and 2.

Part I of San Diego Gas & Electric Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995 is incorporated herein by reference.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Part II Item 1 of San Diego Gas & Electric Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995 is incorporated herein by reference.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 10 - Material Contracts

10.1 Amended 1986 Long-Term Incentive Plan, amended and restated effective April 25, 1995 (incorporated by reference from San Diego Gas & Electric Company's Amendment No. 2 to Form S-4 filed February 28, 1995).

10.2 Loan Agreement with the City of San Diego in connection with the issuance of \$16.7 million of Industrial Development Revenue Refunding Bonds, dated as of June 1, 1995 (incorporated by reference from San Diego Gas & Electric Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).

10.3 Loan Agreement with the City of San Diego in connection with the issuance of \$57.7 million of Industrial Development Revenue Refunding Bonds, dated as of June 1, 1995 (incorporated by reference from San Diego Gas & Electric Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).

10.4 Stock Purchase Agreement dated May 15, 1995 among WES Acquisition Corp., Pacific Diversified Capital Company and Wexford Capital Corporation, as indemnitor (incorporated by reference from San Diego Gas & Electric Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).

Exhibit 12 - Computation of ratios

12.1 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends as required under SDG&E's August 1993 registration of 5,000,000 shares of preference Stock (Cumulative) as filed as Exhibit 12.1 to the Quarterly Report on Form 10-Q of San Diego Gas & Electric Company for the quarter ended June 30, 1995.

Exhibit 27- Financial Data Schedule

27.1 Financial Data Schedule as filed as Exhibit 27 with the Quarterly Report on Form 10-Q of San Diego Gas & Electric Company for the quarter ended June 30, 1995.

Exhibit 99 - Additional Exhibits

99.1 The Quarterly Report on Form 10-Q of San Diego Gas & Electric Company for the quarter ended June 30, 1995.

(b) Reports on Form 8-K

Part II Item 6 (b) of San Diego Gas & Electric Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995 is incorporated herein by reference.

SIGNATURE

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.

SDO PARENT CO., INC.

August 7, 1995

By:

Date

F. H. Ault
Vice President and Controller

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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...X...Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

June 30, 1995

For the quarterly period ended..... Or

.....Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 1-3779

SAN DIEGO GAS & ELECTRIC COMPANY

(Exact name of registrant as specified in its charter)

CALIFORNIA (State or other jurisdiction of incorporation or organization)

95-1184800 (I.R.S. Employer Identification No.)

101 ASH STREET, SAN DIEGO, CALIFORNIA

92101

(Address of principal executive offices)

(Zip Code)

(619) 696-2000

Registrant's telephone number, including area code.....

No Change

Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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...X... No.....

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

116,538,035

Common Stock outstanding July 31, 1995

PART I - FINANCIAL INFORMATION
SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENTS OF CONSOLIDATED INCOME
(In thousands except per share amounts)

	Three Months Ended June 30,	
	1995	1994
	-----	-----
	(Unaudited)	
Operating Revenues		
Electric	\$ 354,716	\$ 352,013
Gas	76,745	78,260
Diversified operations	13,778	13,777
	-----	-----
Total operating revenues	445,239	444,050
	-----	-----
Operating Expenses		
Electric fuel	20,481	33,490
Purchased power	84,937	81,442
Gas purchased for resale	28,477	31,071
Maintenance	17,425	16,209
Depreciation and decommissioning	68,027	65,008
Property and other taxes	11,191	11,119
General and administrative	44,630	61,762
Other	52,547	50,481
Income taxes	38,036	29,659
	-----	-----
Total operating expenses	365,751	380,241
	-----	-----
Operating Income	79,488	63,809
	-----	-----
Other Income and (Deductions)		
Writedown of real estate	-	(25,000)
Allowance for equity funds used during construction	1,453	2,155
Taxes on nonoperating income	1,398	10,038
Other - net	(3,350)	(1,072)
	-----	-----
Total other income and (deductions)	(499)	(13,879)
	-----	-----
Income Before Interest Charges	78,989	49,930
	-----	-----
Interest Charges		
Long-term debt	25,355	22,782
Short-term debt and other	4,411	3,406
Allowance for borrowed funds used during construction	(671)	(1,064)
	-----	-----
Net interest charges	29,095	25,124
	-----	-----
Income from Continuing Operations	49,894	24,806
Discontinued Operations, Net of Income Taxes	(678)	(58,025)
	-----	-----
Net Income (Loss) (before preferred dividend requirements)	49,216	(33,219)
Preferred Dividend Requirements	1,915	1,915
	-----	-----
Earnings (Loss) Applicable to Common Shares	\$ 47,301	\$ (35,134)
	=====	=====
Average Common Shares Outstanding	116,534	116,473
	=====	=====
Earnings Per Common Share - Continuing Operations	\$ 0.41	\$ 0.20
	=====	=====
Earnings (Loss) Per Common Share	\$ 0.41	\$ (0.30)
	=====	=====
Dividends Declared Per Common Share	\$ 0.39	\$ 0.38
	=====	=====

See notes to consolidated financial statements.

PART I - FINANCIAL INFORMATION
SAN DIEGO GAS & ELECTRIC COMPANY
STATEMENTS OF CONSOLIDATED INCOME
(In thousands except per share amounts)

	Six Months Ended	
	June 30,	
	1995	1994
	-----	-----
	(Unaudited)	
Operating Revenues		
Electric	\$ 734,004	\$ 727,917
Gas	161,323	177,110
Diversified operations	27,867	27,002
	-----	-----
Total operating revenues	923,194	932,029
	-----	-----
Operating Expenses		
Electric fuel	44,329	68,366
Purchased power	171,201	162,967
Gas purchased for resale	63,142	80,745
Maintenance	36,708	32,570
Depreciation and decommissioning	135,845	129,067
Property and other taxes	22,679	22,496
General and administrative	85,587	107,023
Other	104,483	102,726
Income taxes	86,077	78,178
	-----	-----
Total operating expenses	750,051	784,138
	-----	-----
Operating Income	173,143	147,891
	-----	-----
Other Income and (Deductions)		
Writedown of real estate	-	(25,000)
Allowance for equity funds used during construction	3,013	4,840
Taxes on nonoperating income	1,177	9,502
Other - net	(2,945)	(341)
	-----	-----
Total other income and (deductions)	1,245	(10,999)
	-----	-----
Income Before Interest Charges	174,388	136,892
	-----	-----
Interest Charges		
Long-term debt	49,646	45,290
Short-term debt and other	8,891	6,252
Allowance for borrowed funds used during construction	(1,383)	(2,238)
	-----	-----
Net interest charges	57,154	49,304
	-----	-----
Income from Continuing Operations	117,234	87,588
Discontinued Operations, Net of Income Taxes	(6,168)	(61,011)
	-----	-----
Net Income (before preferred dividend requirements)	111,066	26,577
Preferred Dividend Requirements	3,831	3,831
	-----	-----
Earnings Applicable to Common Shares . .	\$ 107,235	\$ 22,746
	=====	=====
Average Common Shares Outstanding . . .	116,533	116,482
	=====	=====
Earnings Per Common Share - Continuing Operations	\$ 0.97	\$ 0.72
	=====	=====
Earnings Per Common Share	\$ 0.92	\$ 0.20
	=====	=====
Dividends Declared Per Common Share . .	\$ 0.78	\$ 0.76
	=====	=====

See notes to consolidated financial statements.

SAN DIEGO GAS & ELECTRIC COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars)

	June 30, 1995	December 31, 1994
	-----	-----
	(Unaudited)	
ASSETS		
Utility plant - at original cost	\$5,406,667	\$5,329,179
Accumulated depreciation and decommissioning . .	(2,299,220)	(2,180,087)
	-----	-----
Utility plant-net	3,107,447	3,149,092
	-----	-----
Investments and other property	502,429	465,918
	-----	-----
Current assets		
Cash and temporary investments	52,629	25,405
Funds held for debt retirement	74,632	-
Accounts receivable	160,948	187,988
Notes receivable	33,194	31,806
Inventories	78,382	75,607
Other	35,957	34,022
	-----	-----
Total current assets	435,742	354,828
	-----	-----
Deferred taxes recoverable in rates	290,535	305,717
	-----	-----
Deferred charges and other assets	334,418	322,881
	-----	-----
Total	\$4,670,571	\$4,598,436
	=====	=====
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common equity	\$1,490,719	\$1,474,430
Preferred stock:		
Not subject to mandatory redemption	93,493	93,493
Subject to mandatory redemption	25,000	25,000
Long-term debt	1,381,086	1,339,201
	-----	-----
Total capitalization	2,990,298	2,932,124
	-----	-----
Current liabilities		
Short-term borrowings	-	89,325
Long-term debt redeemable within one year . .	189,350	115,000
Current portion of long-term debt	45,115	35,031
Accounts payable	86,878	130,157
Dividends payable	47,364	46,200
Taxes accrued	45,442	5,519
Interest accrued	21,115	23,372
Regulatory balancing accounts overcollected-net.	122,742	111,731
Other	113,866	113,815
	-----	-----
Total current liabilities	671,872	670,150
	-----	-----
Customer advances for construction	34,549	36,250
	-----	-----
Accumulated deferred income taxes-net	501,898	513,592
	-----	-----
Accumulated deferred investment tax credits . .	106,507	109,161
	-----	-----
Deferred credits and other liabilities	365,447	337,159
	-----	-----
Total	\$4,670,571	\$4,598,436
	=====	=====

See notes to consolidated financial statements.

SAN DIEGO GAS & ELECTRIC COMPANY
 STATEMENTS OF CONSOLIDATED CASH FLOWS
 (In thousands of dollars)

	Six Months Ended	
	June 30,	
	1995	1994
	-----	-----
	(Unaudited)	
Cash Flows from Operating Activities		
Income from Continuing Operations	\$117,234	\$ 87,588
Adjustments to reconcile income from continuing operations to net cash provided by operating activities		
Writedown of real estate and other assets	--	37,000
Depreciation and decommissioning	135,845	129,067
Amortization of deferred charges and other assets	6,392	6,704
Amortization of deferred credits and other liabilities	(16,147)	(16,149)
Allowance for equity funds used during construction	(3,013)	(4,840)
Deferred income taxes and investment tax credits	(4,511)	(16,074)
Other-net	19,811	27,925
Changes in working capital components		
Accounts and notes receivable	25,652	15,950
Regulatory balancing accounts	11,011	6,507
Inventories	(2,775)	(9,864)
Other current assets	(1,935)	333
Accrued interest and taxes	36,623	31,679
Accounts payable and other current liabilities	(43,228)	(42,113)
Cash flows provided (used) by discontinued operations	(168)	4,873
	-----	-----
Net cash provided by operating activities	280,791	258,586
	-----	-----
Cash Flows from Financing Activities		
Dividends paid	(93,563)	(91,140)
Short-term borrowings-net	(89,325)	(47,197)
Issuance of long-term debt	124,641	--
Repayment of long-term debt	(26,063)	(16,029)
Funds held for debt retirement	(74,632)	--
Redemption of common stock	(50)	(938)
	-----	-----
Net cash used by financing activities	(158,992)	(155,304)
	-----	-----
Cash Flows from Investing Activities		
Utility construction expenditures	(91,225)	(134,690)
Withdrawals from construction trust funds	--	58,042
Contributions to decommissioning funds	(11,016)	(11,016)
Other-net	2,544	(1,925)
Discontinued operations	5,122	(15,391)
	-----	-----
Net cash used by investing activities	(94,575)	(104,980)
	-----	-----
Net increase (decrease)	27,224	(1,698)
Cash and temporary investments, beginning of period	25,405	12,711
	-----	-----
Cash and temporary investments, end of period	\$ 52,629	\$ 11,013
	=====	=====
Supplemental Disclosure of Cash Flow Information		
Income tax payments	\$ 47,240	\$ 39,041
	=====	=====
Interest payments, net of amounts capitalized	\$ 59,411	\$ 49,756
	=====	=====
Supplemental Schedule of Noncash Investing and Financing Activities		
Real estate investments	\$ 25,303	\$ 5,586
Cash paid	(250)	(52)
	-----	-----
Liabilities assumed	\$ 25,053	\$ 5,534
	=====	=====

See notes to consolidated financial statements.

1. GENERAL

SDG&E believes all adjustments necessary to present a fair statement of the consolidated financial position and results of operations for the periods covered by this report, consisting of recurring accruals, have been made. Certain prior year amounts have been reclassified for comparability.

SDG&E's significant accounting policies are described in the notes to consolidated financial statements in its 1994 Annual Report to Shareholders. SDG&E follows the same accounting policies for interim reporting purposes.

This report should be read in conjunction with SDG&E's 1994 Annual Report on Form 10-K and its Quarterly Report on Form 10-Q for the three months ended March 31, 1995. The consolidated financial statements and Management's Discussion & Analysis of Financial Condition and Results of Operations included in SDG&E's 1994 Annual Report to Shareholders were incorporated by reference into SDG&E's 1994 Annual Report on Form 10-K and filed as an exhibit thereto.

2. MATERIAL CONTINGENCIES

INDUSTRY RESTRUCTURING - CALIFORNIA PUBLIC UTILITIES
COMMISSION

On May 24, 1995 the CPUC voted 3-1 approving a tentative plan for restructuring California's electric industry with a wholesale power pool to begin by January 1997. The plan would allow the state's investor-owned utilities to remain in the business of owning and operating power plants for utility-owned generation. The pool, operated by an independent party, would provide for economic dispatch of competing generation facilities based on spot-market clearing prices similar to a commodities market. After two years, if jurisdictional and market power issues are resolved and transition cost recovery mechanisms are in place, retail consumers would be able to buy electricity directly from specific generators. The dissenting commissioner presented an alternative plan calling for direct power sales to all customers, including residential customers, by 1997.

The proposed majority plan supports the continued development of performance-based ratemaking. In addition, the CPUC stated that it is committed to industry restructuring in a manner that "...does not compromise the financial integrity of the utilities and continues to provide them with a reasonable opportunity to earn a fair profit..." Additional hearings will be held prior to the issuance of the CPUC's final policy decision. The CPUC's timetable provides that its policy decision will be issued no sooner than August 23, 1995 and become effective no sooner than 100 days after the issuance of its final decision. SDG&E and the CPUC believe that no state or federal laws need to be changed in order for the CPUC's proposal to go forward, although the California legislature does not agree. The California legislature is currently reviewing the CPUC's proposal and plans to hold hearings commencing in August 1995. On July 24, 1995 SDG&E filed comments in support of the CPUC's majority plan.

At June 30, 1995 SDG&E had approximately \$960 million of net utility plant (including approximately \$750 million of nuclear facilities) and \$60 million of deferred taxes and regulatory assets (included in "Deferred Charges and Other Assets" on the Consolidated Balance Sheets) relating to generating facilities currently being recovered in rates over various periods of time. In addition, SDG&E has long-term purchased-power commitments totaling \$3.9 billion with various utilities and other providers. Further, the CPUC's recent Biennial Resource Plan Update decision requires SDG&E to contract for an additional 500 megawatts of power over 17 to 30-year terms at an estimated cost of \$4.8 billion beginning in 1997. Prices under these contracts are estimated to exceed future market prices by \$500 million. SDG&E challenged the decision and petitioned the Federal Energy Regulatory Commission to overrule it. In February 1995 the FERC ruled favorably on SDG&E's petition. However, the CPUC and others are unwilling to accept the FERC decision as either appropriate or final. See additional discussion of the BRPU proceeding in Management's Discussion and Analysis of Financial Condition and Results of Operations.

If the CPUC proceeds with the move to a more competitive environment, if the prices of competing suppliers are as anticipated, and if the regulatory process does not provide for complete recovery of those costs that are in excess of what will otherwise be recoverable via market-based pricing structures, SDG&E would incur a charge against earnings for a significant portion of its generating facilities, the related regulatory assets and the long-term commitments. However, the CPUC has indicated that any otherwise unrecovered amounts will be provided for in the new environment. SDG&E cannot at this time predict the impact of the CPUC's tentative decision and the transition to a more competitive environment on SDG&E's financial condition and results of operations.

SDG&E believes that changes in the California utility industry and the movement toward a more competitive marketplace will require SDG&E to change its corporate structure. SDG&E is presently considering various strategies for the separation of its power generation and transmission assets from its other utility assets, much of which is dependent on the outcome of the CPUC industry restructuring proceedings and the FERC wholesale open access rule-making proceedings (see below). In connection with the proposed industry restructuring, SDG&E has applied to the CPUC for permission to form a holding company. A holding company structure would, among other things, provide a platform for the separation of SDG&E's generation and transmission assets. The CPUC's Division of Ratepayer Advocates has recommended against approval of the holding company or, in the alternative, that approval include several conditions, some of which are onerous. To date, the holding company proposal has been approved by the FERC, the Nuclear Regulatory Commission and SDG&E shareholders. SDG&E anticipates forming the holding company shortly after receiving final approval from the CPUC, whose decision is expected in the fourth quarter of 1995. See additional discussion concerning the holding company application in Management's Discussion and Analysis of Financial Condition and Results of Operations.

INDUSTRY RESTRUCTURING - FEDERAL ENERGY REGULATORY COMMISSION

On March 29, 1995 the FERC issued a proposed rule that if, adopted, would require all public utilities to offer wholesale "open access" transmission service on a nondiscriminatory basis. In addition, public utilities would be required to functionally unbundle their generation and transmission services, i.e. pricing them separately from each other. The FERC also stated its belief that, in this more competitive period, utilities should be allowed to recover the costs of assets and obligations made uneconomic by the changed regulatory environment. Although SDG&E's cost recovery mechanisms are not currently under the jurisdiction of the FERC, the recognition by the FERC of the propriety of such cost recovery supports the CPUC's similar position, as stated in its tentative decision (see above).

On August 3, 1995 SDG&E filed its initial comments endorsing the FERC's proposed rulemaking. SDG&E committed to filing at the FERC during early 1996 its open access tariffs. Approval of the tariffs of SDG&E and the other participating utilities, and final approval of the CPUC's industry restructuring plan would result in the creation of a bid-based wholesale electricity spot market with open-access transmission. Participating utilities would transfer complete operating control over their transmission assets to an independent system operator, which would be responsible for directing the operation of the transmission system. At least at the outset, retail customers would not participate directly as buyers in the wholesale market. SDG&E has also proposed a single entity that would ultimately own and/or lease the transmission facilities within a broad geographic area. The creation of such an entity could involve the sale, lease or other disposition of SDG&E's transmission facilities. Reply comments will be filed this fall. A final rule is expected during early 1996.

SAN ONOFRE NUCLEAR GENERATING STATION UNITS 2 & 3

In November 1994 SDG&E, Southern California Edison and the CPUC's Division of Ratepayer Advocates signed a settlement agreement on the accelerated recovery of SONGS Units 2 and 3 capital costs. It is anticipated that the rates in the agreement would be sufficient for SDG&E to recover approximately \$750 million over an eight-year period beginning in February 1996, rather than over the anticipated operational life of the units, which may extend to 2013. During the eight-year period, the authorized rate of return would be reduced from the authorized weighted average cost of capital (currently 9.76 percent) to 7.52 percent (SDG&E's 1995 authorized cost of debt). The agreement also includes a performance incentive plan that would encourage continued, efficient operation of the plant. However, continued operation of SONGS beyond the eight-year period would be at the owners' discretion. Under the plan, customers would pay about four cents per kilowatt-hour for energy delivered from SONGS during the eight-year period. This pricing plan would replace the traditional method of recovering the units' operating expenses and capital improvements. This is intended to make the plants more competitive with other sources. SDG&E is unable at this time to predict the impact of this proposal, if approved, on the results of its operations. Hearings were concluded in May 1995. A CPUC decision is expected in the fourth quarter of 1995.

NUCLEAR INSURANCE

Public liability claims that could arise from a nuclear incident are limited by law to \$9 billion for each licensed nuclear facility. For this exposure, SDG&E and the co-owners of SONGS have purchased primary insurance of \$200 million, the maximum amount available. The remaining coverage is provided by secondary financial protection required by the Nuclear Regulatory Commission and provides for loss sharing among utilities owning nuclear reactors if a costly accident occurs. SDG&E could be assessed retrospective premium adjustments of up to \$32 million in the event of a nuclear incident involving any of the licensed, commercial reactors in the United States, if the amount of the loss exceeds \$200 million.

Insurance coverage is also provided for up to \$2.8 billion of property damage and decontamination liability, and the cost of replacement power, which includes indemnity payments for up to two years, after a waiting period of 21 weeks. Coverage is provided primarily through mutual insurance companies owned by utilities with nuclear facilities. If losses at any of the nuclear facilities covered by the risk-sharing arrangements were to exceed the accumulated funds available for these insurance programs, SDG&E could be assessed retrospective premium adjustments of up to \$9 million.

3. WRITEDOWNS

In June 1994 SDG&E recorded writedowns related to the utility and its subsidiaries. SDG&E recorded a \$25 million writedown of various commercial properties, including \$19 million of subsidiary properties in Colorado Springs and in San Diego, to reflect continuing declines in commercial real estate values. As a result of the California Public Utilities Commission's proposal to restructure the electric utility industry and the uncertainty concerning the impact of competition, SDG&E also recorded a \$12 million writedown of various non-earning utility assets, including the South Bay Repower project. Additional writedowns associated with discontinued operations are described in Note 4. Additional information on the CPUC's proposed industry restructuring and its potential impacts on SDG&E is provided in Note 2.

SAN DIEGO GAS & ELECTRIC COMPANY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

4. DISCONTINUED OPERATIONS -- WAHLCO ENVIRONMENTAL SYSTEMS, INC.

On June 6, 1995 SDG&E sold its investment in Wahlco Environmental Systems, Inc. for \$5 million. The sale of Wahlco is being accounted for as a disposal of a segment of business and SDG&E's prior periods' financial statements have been restated to reflect Wahlco as a discontinued operation. Discontinued operations consist of the following:

			Six Months Ended June 30,		Year Ended December 31,		
			1995	1994	1994	1993	1992
					(millions of dollars)		
Revenues	\$24	\$35			\$70	\$82	\$82
Loss from operations before income taxes	--	(64)			(70)	(14)	(13)
Loss on disposal before income taxes		(10)	--			--	--
Income tax benefits	4	3	7	5	3		

The loss on disposal of Wahlco was recorded in 1995 and includes the writedown of SDG&E's investment in Wahlco in March 1995 to reflect Wahlco's estimated realizable value under a proposed agreement (subsequently terminated) with a potential buyer (see Note 2 of the notes to financial statements in SDG&E's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995) and Wahlco's net operating losses after 1994. The loss from discontinued operations for the six months ended June 30, 1994 was primarily due to the \$59 million writedown of Wahlco's goodwill and other intangible assets as a result of the depressed air pollution-control market and increasing competition.

Wahlco's net assets (included in "Investments and Other Property" on the Consolidated Balance Sheets) at December 31, 1994 are summarized as follows:

Current assets	\$ 40.2	
Non-current assets		18.9
Current liabilities		(27.1)
Long-term debt and other liabilities		(24.2)

		=====
		\$ 7.8

ITEM 2.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS:

EARNINGS

Earnings per share from continuing operations for the three months ended June 30, 1995 were \$0.41, up from \$0.20 per share during the same period in 1994. Earnings per share from continuing operations for the six months ended June 30, 1995 were \$0.97, up from \$0.72 per share during the same period in 1994. The changes in earnings result primarily from a \$0.20 per share June 1994 writedown associated with utility and real estate assets. Additional information concerning the writedowns is provided in Note 3 of the notes to consolidated financial statements.

OPERATING REVENUES AND EXPENSES

Gas revenues, gas purchased for resale, and electric fuel expense decreased for the six months ended June 30, 1995 from the corresponding period in 1994 primarily due to lower natural gas prices. Purchased power expense for the six months ended June 30, 1995 was up over the corresponding 1994 period, primarily due to increased purchases of short-term energy to replace lower-cost nuclear generation as a result of the scheduled refueling of San Onofre Nuclear Generating Station Unit 2.

General and administrative expenses decreased for the six months ended June 30, 1995 compared with 1994 primarily due to the June 1994 writedowns of various non-earning utility assets described in Note 3 of the notes to consolidated financial statements.

REGULATORY MATTERS:

CALIFORNIA PUBLIC UTILITIES COMMISSION'S PROPOSED INDUSTRY
RESTRUCTURING

On May 24, 1995 the CPUC voted 3-1 approving a tentative plan for restructuring California's electric industry with a wholesale power pool to begin by January 1997. See additional discussion of industry restructuring in Note 2 of the notes to consolidated financial statements. SDG&E cannot at this time predict the impact of the CPUC's final decision and the transition to a more competitive environment on SDG&E's financial condition and results of operations.

HOLDING COMPANY

In November 1994 SDG&E filed an application with the CPUC to form a holding company. Under the proposed structure, SDG&E would become a subsidiary of the parent company, as would SDG&E's existing subsidiaries. A CPUC decision on SDG&E's application is expected in the fourth quarter of 1995. To date, the holding company proposal has been approved by the FERC, the Nuclear Regulatory Commission and SDG&E shareholders. See additional discussion of industry restructuring and the proposed holding company plan in Note 2 of the notes to consolidated financial statements.

BIENNIAL RESOURCE PLAN UPDATE PROCEEDING

In December 1994 the CPUC issued a decision ordering SDG&E, Pacific Gas & Electric and Southern California Edison to proceed with the BRPU auction. SDG&E was ordered to begin negotiating contracts (ranging from 17 to 30 years) to purchase 500 mw of power from qualifying facilities at an estimated cost of \$4.8 billion beginning in 1997. SDG&E contended that prices for BRPU energy would be significantly higher than market prices. When the CPUC was not responsive, SDG&E petitioned the FERC, claiming the BRPU auction was illegal under the Public Utility Regulatory Policies Act of 1978. The FERC's February 1995 order declared the BRPU auction procedures unlawful.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On June 21, 1995 the CPUC discussed the FERC's decision, but was unwilling to accept the FERC decision as either appropriate or final. The CPUC concluded that SDG&E, PG&E and Edison should attempt to reach settlements with the auction winners and reminded the utilities that contract buyouts should be reasonable and should not overlook the ratepayers' interests. The Assigned Commissioner Ruling issued on July 6, 1995 encourages settlement and reiterates what was discussed on June 21. No deadline was established for the completion of negotiations, although the utilities are required to provide the CPUC with monthly status reports summarizing negotiations.

GAS RATES

On July 19, 1995 the CPUC issued its decision on SDG&E's June 1995 application to lower core gas rates by \$16.4 million, effective August 1, 1995. This decrease is based on the decline in gas prices to levels below the Biennial Cost Allocation Proceeding's price forecast that became effective January 1, 1995. The decrease lowers the gas portion of a typical residential SDG&E natural gas bill by \$1.60 per month or 6.5 percent.

COST OF CAPITAL

On July 31, 1995 the CPUC's Division of Ratepayer Advocates issued its report on the 1996 Cost of Capital proceeding. The DRA is recommending a return on equity for SDG&E of 11.10 percent for an overall rate of return of 9.21 percent. SDG&E has requested an increase in its return on equity from 1995's 12.05 percent to 12.25 percent for 1996 and an increase in its overall rate of return from 9.76 percent authorized to 9.83 percent. A CPUC decision is expected in late 1995 with any authorized changes effective January 1, 1996.

LIQUIDITY AND CAPITAL RESOURCES:

Sources of cash for 1995 through 1999 are expected to consist of income from operations and issuances of stock and debt. Cash requirements for 1995 through 1999 include the construction program and retirements of long-term debt. SDG&E conducts a continuing review of its construction, investment and financing programs. They are revised in response to changes in competition, customer growth, inflation, customer rates, the cost of capital, and environmental and regulatory requirements.

FINANCING ACTIVITIES

SDG&E anticipates that it will continue to have short-term and intermediate-term borrowings in 1995. At December 31, 1994 SDG&E had various short-term bank lines aggregating \$170 million and two \$50 million long-term bank lines, related to which \$58 million in short-term bank loans was outstanding. During June 1995 SDG&E renegotiated the terms of these bank lines. At June 30, 1995 SDG&E had short-term bank lines of \$30 million (none outstanding) and long-term bank lines of \$280 million (\$50 million outstanding). Commitment fees are paid on the unused portion of the lines; there are no requirements for compensating balances.

SDG&E does not expect any issuances of long-term debt or preferred stock in 1995 other than refinancings. On June 6, 1995 SDG&E issued \$74 million of Industrial Development Bonds through the City of San Diego to refinance the 9-1/4 percent bonds issued in 1985. The new bonds were issued at par, due September 1, 2020. The interest rates are variable, ranging from 3.05 percent to 3.40 percent on the tax-exempt segments and 5.95 percent to 5.97 percent on the federally taxable segments. The proceeds were placed in an escrow fund to be used to call the 1985 bonds on September 1, 1995.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SDG&E periodically enters into interest rate swap and cap agreements to moderate its exposure to interest rate changes and to lower its overall cost of borrowing. These swap and cap agreements generally remain off the balance sheet as they involve the exchange of fixed- and variable-rate interest payments without the exchange of the underlying principal amounts. The related gains or losses are reflected in the income statement as part of interest expense. SDG&E's policy is to use derivatives only as a hedge.

CAPITAL STRUCTURE

SDG&E maintains its utility capital structure so as to obtain long-term financing at the lowest possible rates. The following table lists key financial ratios for SDG&E's utility operations.

	1995	June 30, or the twelve	December 31, 1994	months then ended	then ended
Pretax interest coverage	4.8 X		4.7 X		
Internal cash generation	112 %	85 %			
Construction expenditures as a percent of capitalization	7.6 %		9.1 %		
Capital structure:					
Common equity	48 %		48 %		
Preferred stock	4 %		4 %		
Debt and leases	48 %		48 %		

SDG&E's employee savings and common stock investment plans permit SDG&E to issue common stock or to purchase it on the open market. Currently, SDG&E is purchasing the stock on the open market for these plans.

CAPITAL REQUIREMENTS

Quarterly cash dividends of \$0.39 per share have been declared the first two quarters of 1995. The dividend pay-out ratio for the 12 months ended June 30, 1995 and December 31, 1994, 1993, 1992 and 1991 were 82%, 130%, 82%, 81% and 79%, respectively. The increase for the year ended December 31, 1994 was due to the writedowns recorded during 1994. Additional information regarding the writedowns is provided in Notes 3 and 4 of the notes to consolidated financial statements. The payment of future dividends is within the discretion of the SDG&E Board of Directors and dependent upon future business conditions, earnings and other factors. Net cash flows provided by operating activities currently are sufficient to maintain the payment of dividends at the present level.

Construction expenditures were \$264 million in 1994 and are expected to be approximately \$240 million in 1995. The level of expenditures in the next few years will depend on the CPUC's proposed industry restructuring (as described in "Regulatory Matters" above), the timing of expenditures to comply with air emission reduction and other environmental requirements, and SDG&E's proposal to transport natural gas to Mexico. (Additional information concerning SDG&E's proposal to transport gas to Mexico is provided in SDG&E's 1994 Annual Report.)

OTHER

Besides the effects of items discussed in the preceding pages, the only significant change in cash flows for the six months ended June 30, 1995 compared to the corresponding 1994 period was related to the change in utility accounts receivable due to varying levels of customer receivables attributable to differences in

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

weather. In addition, besides the items discussed in the preceding pages, the only significant changes to the balance sheet at June 30, 1995 compared to December 31, 1994 were in accounts payable and taxes accrued. Accounts payable decreased due to lower expense accruals at June 30, 1995. The increase in taxes accrued was due to the timing of payments.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no significant subsequent developments in the American Trails, Public Service Company of New Mexico and North City West proceedings. Background information concerning these and the following proceedings is contained in SDG&E's 1994 Annual Report on Form 10-K and in its March 31, 1995 Quarterly Report on Form 10-Q.

Century Power

On July 19, 1995 the Federal Energy Regulatory Commission dismissed SDG&E's request for a rehearing of the FERC's dismissal of SDG&E's February 11, 1993 audit complaint against Tucson and Century. SDG&E may appeal this decision. SDG&E is unable to predict the ultimate outcome of these proceedings.

Canadian Natural Gas

On July 17, 1995 the United States Federal District Court, Southern District of California, rejected motions by Summit and Canadian Hunter to dismiss SDG&E's complaint. However, the Court granted a separate motion of Summit on other grounds, and dismissed SDG&E's lawsuit against Summit only. SDG&E has thirty days to appeal this decision. SDG&E is unable to predict the ultimate outcome of these proceedings.

McCartin

Plaintiffs dismissed their appeal in exchange for SDG&E's waiver of its right to recover costs.

Covalt

The California Supreme Court granted the plaintiffs' request for review of the California Court of Appeal decision to dismiss the case. A decision is not expected until 1996. SDG&E is unable to predict the ultimate outcome of this proceeding.

SONGS Personal Injury Litigation

On July 7, 1995 Jason Mettler filed a complaint in the United States District Court for the Southern District of California against Southern California Edison, SDG&E, Combustion Engineering and the Institute of Nuclear Power Operations. The allegations in the complaint are substantially identical to those contained in the complaints of R. C. Tang, Glen James, and Linda McLandrich, described in SDG&E's 1993 and 1994 Annual Report on Form 10-K and its Quarterly Report on Form 10-Q for the three months ended March 31, 1995. Plaintiff Mettler died shortly thereafter and his complaint was converted into a wrongful-death lawsuit. The lawsuit alleges that Mettler's death was the result of the emission of radiation while he was an Edison nuclear equipment operator at SONGS between 1982 and 1990. Plaintiffs have asked for general compensatory damages. The Tang, James, McLandrich and Mettler complaints were all filed by the same attorneys. There have been no significant subsequent developments in the James or McLandrich cases. SDG&E is unable to predict the ultimate outcome of these proceedings.

Wood Poles Preservatives

On June 20, 1995 the Pacific Justice Center filed a complaint in San Francisco County Superior Court, against Pacific Bell, Pacific Gas & Electric and two wood-pole manufacturers claiming violations of the California Safe Drinking Water and Toxic Enforcement Act (Proposition 65) for failure to warn individuals who may be exposed to wood poles treated with wood preservatives, some of which are

PART II - OTHER INFORMATION

included on the list of chemicals known to cause cancer or reproductive harm. Proposition 65 requires that prior warning be given to individuals who may be exposed to such chemicals unless the exposure will not pose a significant risk. SDG&E believes, on the basis of studies and other information, that exposures to wood poles containing such preservatives do not give rise to a significant risk and that no warning is required. Violations of the Proposition 65 warning requirement can result in penalties of up to \$2,500 per violation. Although SDG&E and Southern California Edison were not named in this lawsuit, it is anticipated that the Pacific Justice Center, to the extent it prevails in the present lawsuit, will file a separate lawsuit against Edison and SDG&E on the same grounds. SDG&E is unable to predict the ultimate outcome of these proceedings.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 10 - Material Contracts

10.1 Amended 1986 Long-Term Incentive Plan, amended and restated effective April 25, 1995 (incorporated by reference from SDG&E's Amendment No. 2 to Form S-4 filed February 28, 1995).

10.2 Loan Agreement with the City of San Diego in connection with the issuance of \$16.7 million of Industrial Development Revenue Refunding Bonds, dated as of June 1, 1995.

10.3 Loan Agreement with the City of San Diego in connection with the issuance of \$57.7 million of Industrial Development Revenue Refunding Bonds, dated as of June 1, 1995.

10.4 Stock Purchase Agreement dated May 15, 1995 among WES Acquisition Corp., Pacific Diversified Capital Company and Wexford Capital Corporation, as indemnitor.

Exhibit 12 - Computation of Ratios

12.1 Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends as required under SDG&E's August 1993 registration of 5,000,000 shares of Preference Stock (Cumulative).

Exhibit 27 - Financial Data Schedule

27.1 SDG&E Financial Data Schedule for the six months ended June 30, 1995.

(b) Reports on Form 8-K

A Current Report on Form 8-K was filed on May 30, 1995 announcing the electric industry restructuring proposal made by the California Public Utilities Commission; the appointment of David Kuzma as senior vice president and chief financial officer; and the retirement of Nad Peterson as senior vice president, general counsel and corporate secretary.

A Current Report on Form 8-K was filed on April 3, 1995 announcing negotiations of an agreement with an unrelated third party for an option to acquire from Pacific Diversified Capital Company (a subsidiary of SDG&E and an 81 percent owner of Wahlco) its investment in and receivables from Wahlco.

SIGNATURE

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this quarterly report to be signed on its behalf by the undersigned thereunto duly authorized.

SAN DIEGO GAS & ELECTRIC COMPANY
(Registrant)

Date: August 7, 1995

By: /s/ F.H. Ault

(Signature)
F. H. Ault
Vice President and Controller

SAN DIEGO GAS & ELECTRIC COMPANY
COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDENDS

	1990	1991	1992	1993	1994	6 Months Ended 6/30/95
Fixed Charges:						
Interest:						
Long-Term Debt	\$ 97,894	\$ 98,802	\$100,776	\$ 93,402	\$ 93,076	\$ 49,646
Short-Term Debt	12,301	8,234	6,242	7,980	10,322	6,413
Amortization of Debt						
Discount and Expense, Less Premium	2,465	2,471	2,881	4,162	4,604	2,478
Interest Portion of Annual Rentals	20,898	18,067	14,677	19,206	21,998	11,367
Total Fixed Charges	133,558	127,574	124,576	124,750	130,000	69,904
Preferred Dividends						
Requirements	10,863	10,535	9,600	8,565	7,663	3,831
Ratio of Income Before						
Tax to Net Income	1.75499	1.63017	1.72369	1.67794	1.90447	1.76441
Preferred Dividends						
for Purpose of Ratio	19,064	17,174	16,547	14,372	14,594	6,759
Total Fixed Charges and Preferred Dividends for Purpose of Ratio	\$152,622	\$144,748	\$141,123	\$139,122	\$144,594	\$ 76,663
Earnings:						
Net Income (before						
preferred dividend						
requirements)	\$207,841	\$208,060	\$210,657	\$218,715	\$143,477	\$111,066
Add:						
Fixed Charges						
(from above)	133,558	127,574	124,576	124,750	130,000	69,904
Less: Fixed Charges						
Capitalized	3,306	2,907	2,242	5,789	6,792	3,552
Taxes on Income	156,917	131,114	152,451	148,275	129,771	84,900
Total Earnings for Purpose of Ratio	\$495,010	\$463,841	\$485,442	\$485,951	\$396,456	\$262,318
Ratio of Earnings						
to Combined Fixed						
Charges and Preferred						
Dividends	3.24	3.20	3.44	3.49	2.74	3.42

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JUN-30-1995
PER-BOOK
3,107,447
502,429
435,742
260,288
364,665
4,670,571
291,335
564,464
634,920
1,490,719
25,000
93,493
1,168,832
0
115,266
0
226,011
0
96,988
8,454
1,445,808
4,670,571
923,194
86,077
663,974
750,051
173,143
1,245
174,388
57,154
111,066
3,831
107,235
90,896
43,040
280,791
0.92
0.92